

CITIZENS INC
Form DEF 14A
April 25, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. ____)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CITIZENS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NOTICE OF THE CITIZENS, INC. ANNUAL MEETING OF SHAREHOLDERS

Executive Offices: 400 East Anderson Lane, Austin, Texas 78752

To the Shareholders of Citizens, Inc.:

Notice is hereby given of the Citizens, Inc. Annual Meeting of Shareholders which will be held Tuesday, June 7, 2011, at 10:00 a.m., Central Daylight Time, at **Citizens Academy, 18617 East Highway 29, Buchanan Dam, Texas**, for the following purposes:

- (1) To elect the nine (9) members of the Board of Directors of the Company to serve until the next annual meeting of shareholders or until their successors are duly elected and qualified;
- (2) To approve a non-binding advisory resolution regarding the compensation of the Company's Named Executive Officers;
- (3) To approve a non-binding advisory resolution regarding the frequency of the advisory vote on compensation of the Company's Named Executive Officers;
- (4) To ratify the appointment of Ernst & Young LLP as the Company's registered independent public accounting firm for 2011; and
- (5) To transact such other business as may properly come before the meeting or any adjournment thereof.

It is important, regardless of the number of shares you hold, your stock be represented at the meeting by a signed proxy card or personal attendance.

Shareholders are cordially invited to attend the meeting in person. If you are receiving this Proxy Statement as a part of Full Set Delivery, please complete and sign the enclosed proxy card and mail it promptly to the transfer agent in the envelope provided. No postage is required. In accordance with the Notice of Internet Availability of Proxy Materials that was sent on or before April 29, 2011 to all shareholders, Internet and telephone voting are also available through 11:59 p.m. Eastern Daylight Time on June 6, 2011. If you vote your proxy by Internet or by telephone in accordance with this Proxy Statement or in accordance with the Notice of Internet Availability of Proxy Materials, you do not need to mail back your proxy card. If you attend the meeting you may revoke your proxy and vote in person. IF YOUR SHARES ARE HELD IN STREET OR NOMINEE NAME, PLEASE RESPOND TO THE COMMUNICATION YOU RECEIVE FROM THE HOLDER OF RECORD AS SOON AS POSSIBLE SO YOUR SHARES CAN BE REPRESENTED AT THE MEETING.

Important Notice Regarding Availability of Proxy Materials for Shareholder Meeting to be held June 7, 2011: The Proxy Statement and Annual Report to Shareholders are available at www.edocumentview.com/cia.

By Order of the Board of Directors

April 29, 2011

Geoffrey M. Kolander, Secretary

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CITIZENS, INC.
400 East Anderson Lane
Austin, Texas 78752

April 29, 2011

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD
JUNE 7, 2011
SOLICITATION OF PROXIES

This Proxy Statement is furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors of Citizens, Inc. for use at the Annual Meeting of Shareholders to be held Tuesday, June 7, 2011, at 10:00 a.m., Central Daylight Time, (the Meeting) at **Citizens Academy, 18617 East Highway 29, Buchanan Dam, Texas. You will find a map with directions to the meeting on the back cover of this Proxy Statement.** We are distributing this Proxy Statement and our 2010 Annual Report to Shareholders on or before April 29, 2011.

In accordance with Rule 14a-16 promulgated under the Securities Exchange Act of 1934 a registrant may furnish a proxy statement or annual report to a security holder by sending the security holder a Notice of Internet Availability of Proxy Materials forty (40) or more calendar days prior to the Annual Meeting of Shareholders (Notice and Access). On or before April 29, 2011, Notice of Internet Availability of Proxy Materials was sent to our shareholders, giving them the option to execute a proxy via an on-line format, or the option to request a Full Set Delivery of this Proxy Statement and the 2010 Annual Report to Shareholders.

The following matters will be acted on at the Meeting:

Elect nine (9) members of our Board of Directors;

Approve a non-binding advisory resolution regarding the compensation of the Company s Named Executive Officers;

Approve a non-binding advisory resolution regarding the frequency of the advisory vote on compensation of the Company s Named Executive Officers;

Ratify the appointment of Ernst & Young LLP as our registered independent public accounting firm for 2011; and

Transact such other business as may properly come before the Meeting or any adjournment thereof.

If you received this Proxy Statement in accordance with Full Set Delivery, you are requested to complete the enclosed proxy card, sign where indicated, and return it to our transfer agent in the envelope provided, which requires no postage if mailed in the United States. Proxies may also be solicited by personal solicitation, telephone or Internet, by our directors, officers and employees at no additional cost to you. We will also request banking institutions, brokerage firms, custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of our common stock held of record by such persons, firms, or institutions, and we will reimburse the forwarding expenses. The cost of this solicitation will be borne by the Company.

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PROXIES

Shares represented by properly executed proxies received by us prior to the Meeting will be voted as specified thereon. If a proxy fails to specify how it is to be voted on any proposal it will be voted **FOR** all the Class A director nominees listed in this Proxy Statement, for **LYR** on the Say-When-on-Pay proposal as recommended by your Board of Directors in this Proxy Statement and **FOR** the proposal to ratify the appointment of Ernst & Young LLP. Uninstructed proxies will not be voted on the Say-on-Pay proposal. If other matters come before the Meeting, the persons named on the accompanying proxy will vote in accordance with their best judgment with respect to such matters. A person giving a proxy will have the power to revoke it at any time before it is voted by notifying our Secretary in writing or by personally withdrawing such proxy at the Meeting. With regard to election of directors, votes may be cast in favor, withheld or in abstention; votes that are withheld or voted in abstention will be excluded entirely from the vote and will have no effect other than for purposes of establishing quorum. According to recent amendments to New York Stock Exchange (NYSE) Rule 452, effective January 1, 2010, brokers who have not received instructions from their customers in uncontested elections may no longer vote in the election of directors shares held in street name. Therefore, regardless of the number of shares you hold or whether you cast a vote, providing your properly executed proxy is very important.

Shareholders may vote using any of the following methods:

1. **BY MAIL:** If you received this Proxy Statement in conjunction with a Full Set Delivery request, then mark, sign and date your proxy card and return it in the postage-paid envelope provided. The named proxies will vote your stock according to your directions. If you submit a signed proxy card without indicating your vote, the person voting the proxy will vote your stock in favor of the proposals.
2. **BY TELEPHONE:** Call toll-free (800) 652-VOTE (8683).
Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Daylight Time on June 6, 2011.
Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions the voice provides you.
3. **BY INTERNET:** <http://www.envisionreports.com/cia>
Use the internet to vote your proxy 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Daylight Time on June 6, 2011.
Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions to obtain your records and create an electronic ballot.
4. **IN PERSON:**
You may vote in person at the Meeting. If your stock is held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, to be able to vote at the Meeting.

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A shareholder may revoke his or her proxy at any time before it is exercised by:

1. giving written notice of revocation no later than the commencement of the Meeting to our Secretary, Geoffrey M. Kolander, or the person serving as Secretary at the meeting:
If before commencement of the Meeting on the date of the Meeting, by personal delivery to Mr. Kolander or the person serving as Secretary at the Meeting site; and
If delivered before the date of the Meeting, to Mr. Kolander at Citizens offices, 400 East Anderson Lane, Austin, Texas 78752;
2. delivering no later than the commencement of the Meeting a properly executed, later-dated proxy; or
3. voting in person at the Meeting.

Voting by proxy will in no way limit your right to vote at the Meeting if you later decide to attend in person. If no direction is given and the proxy is validly executed, the stock represented by the proxy will be voted in favor of the proposals set forth in this Proxy Statement, except for the Say-on-Pay proposal, wherein said vote will be recorded as an uncast vote on that matter. The persons authorized under the proxies will vote upon any other business that may properly come before the Meeting according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. Other than the approval of the matters listed above, we do not anticipate that any other matters will be raised at the Meeting.

RECORD DATE

Only shareholders of record at the close of business on April 11, 2011 are entitled to vote at the Meeting. As of the record date, we had outstanding and entitled to vote 48,686,759 Class A shares of common stock and 1,001,714 Class B shares of common stock.

QUORUM AND VOTING

In accordance with the Colorado Business Corporation Act (CBCA), a majority of shares entitled to vote, represented in person or by proxy, shall constitute quorum, unless otherwise stated in a company s articles of incorporation. We establish our quorum requirements based on the CBCA and consider a quorum as a majority of shares entitled to vote. Withhelds, abstentions and broker non-votes are counted for purposes of determining quorum. If a quorum is not present or represented at the Meeting, the shareholders entitled to vote have the power to adjourn or recess the Meeting for up to one-hundred and twenty (120) days without notice, other than announcement at the Meeting, until a quorum is present or represented. At such reconvened Meeting wherein a quorum is present or represented, any business may be transacted which might have been transacted at the Meeting as originally noticed.

CONTROL OF THE COMPANY

In accordance with Section 303A.00 of the NYSE Listed Company Manual, Harold E. Riley is deemed to be the controlling shareholder of our Company and we are deemed a controlled company. Mr. Riley owns, directly and indirectly, 2,806,135 shares (5.8%) of the outstanding Class A common stock and 1,001,714 shares (100.0%) of the Class B common stock, which stock elects a majority of our Board of Directors. Due to the controlled nature of our Company, we are not required to comply with the following sections of the NYSE Listed Company Manual: (i) Section 303 A.01 - Independent Directors; (ii) Section 303A.04 Nominating/Corporate Governance Committee; and (iii) Section 303A.05 Compensation Committee. However, in accordance with our own practices, six of the nine members (a majority) of our Board are considered independent directors under the NYSE rules, and we have a standing Compensation Committee operating in accordance with NYSE rules.

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The following table sets forth certain information concerning our executive officers as of the record date for the Meeting. Our executives are elected annually by the Board of Directors at the first meeting of the Board following each annual meeting of shareholders:

Name	Age	Position
Harold E. Riley ⁽¹⁾	82	Chairman, Chief Executive Officer
Rick D. Riley ⁽²⁾	57	Vice Chairman, President and Chief Corporate Officer
Kay E. Osbourn ⁽³⁾	44	Executive Vice President, Chief Financial Officer and Treasurer
Geoffrey M. Kolander ⁽⁴⁾	35	Executive Vice President, General Counsel and Corporate Secretary
Dottie S. Riley ⁽⁶⁾	75	Vice President, Employee Relations

- (1) Harold E. Riley, our founder, has served as our Chairman and Chief Executive Officer since 1987. He founded Insurance Company of America, one of our merged affiliates, in 1969.
- (2) Rick D. Riley became Vice Chairman in December 1999 and President and Chief Corporate Officer in 2007. He has served in various capacities on a full-time basis for us and our affiliates since 1976.
- (3) Kay E. Osbourn joined us as Vice President, Internal Audit, in April 2008. On March 23, 2009, she became our Vice President, Treasurer and Chief Financial Officer, and was appointed Executive Vice President on January 1, 2010. Prior to joining us, she worked at National Western Life Insurance Company, where she had held various positions since 1992, including Senior Accountant, Assistant Controller, Vice President-Controller and Assistant Treasurer. During a break in service from 1996 – 1999, she served as Vice President of Salem’s Inc., a family-owned business.
- (4) Geoffrey M. Kolander joined us in 2006 as Vice President and General Counsel of the Company, and was appointed Corporate Secretary in 2007 and Executive Vice President on January 1, 2010. Prior to that, Mr. Kolander served as General Counsel of Tejas Industries and an attorney at the Underwood Law Firm. Mr. Kolander is a licensed attorney in Colorado, New York and Texas.
- (5) Dottie S. Riley has held various positions within the Company since 1997, including Personnel Department and Vice President, Administrative Services. Mrs. Riley was appointed Vice President, Employee Relations on January 1, 2010.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Ray A. Riley and Randall H. Riley are executive officers of our primary insurance subsidiary, CICA Life Insurance Company of America and sons of Harold E. Riley, our founder, Chief Executive Officer and Chairman of the Board, and brothers of Rick D. Riley, our Vice Chairman, President and Chief Corporate Officer of the Company. Dottie S. Riley, wife of Harold E. Riley, is Vice President, Employee Relations and serves on our Board of Directors. We are not aware of any transaction, or series of transactions, since January 1, 2010, or any currently proposed transactions to which we or any of our subsidiaries was to be a party, in which the amount involved exceeds \$120,000 and in which any director, nominee for director, executive officer, more than 5% shareholder or any member of the immediate family of the foregoing persons had, or will have, a direct or indirect material interest.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

We have two classes of common stock. Both classes of common stock are equal in all respects, except that (i) Class B common shareholders elect a simple majority of our Board of Directors and Class A common shareholders elect the remaining directors; and (ii) Class A shareholders are entitled to receive, on a per-share basis, twice the cash dividends paid on a per-share basis to Class B shareholders. Each outstanding share of common stock has one vote in all matters to be considered at the Meeting. In the election of directors, the nominees receiving the highest number of votes cast in their favor will be elected to our board, subject to the right of the Class B shareholders to elect a simple majority of the directors.

Management knows of no matters to be submitted at the Meeting with respect to which the shareholders are entitled to vote, other than the proposals described in this proxy statement. In the event other matters properly come before the Meeting, the persons named in the proxy will vote according to their best judgment.

The following table shows, as of April 11, 2011, certain information with regard to the beneficial ownership of our common stock:

- by each of our directors and director nominees,
- by each of the named executive officers as identified in the Summary Compensation Table found on page 15,
- by all of our named executive officers, directors and director nominees as a group, and
- by each person or group who is known by us to beneficially own more than 5% of our outstanding Class A or Class B common stock.

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Name and Address	Shares Owned and Nature of Ownership⁽¹⁾	Percent of Class
Harold E. Riley 400 E. Anderson Lane Austin, TX 78752	2,806,135 Class A ⁽²⁾ 1,001,714 Class B ⁽²⁾	5.8% 100.0%
Rick D. Riley 400 E. Anderson Lane Austin, TX 78752	844,811 Class A ⁽³⁾	1.7%
Ray A. Riley 400 E. Anderson Lane Austin, TX 78752	437,546 Class A ⁽⁴⁾	(5)
Kay E. Osbourn 400 E. Anderson Lane Austin, TX 78752	977 Class A	(5)
Geoffrey M. Kolander 400 E. Anderson Lane Austin, TX 78752	-0- Class A	N/A
Timothy T. Timmerman 4903 Whitethorn Court Austin, TX 78746	9,088 Class A	(5)
Dottie S. Riley ⁽⁶⁾ 400 E. Anderson Lane Austin, TX 78752	469,841 Class A	(5)
Steven F. Shelton 7359 Road X Lamar, CO 81052	3,039 Class A	(5)
Dr. E. Dean Gage 9561 Twelve Oaks Lane College Station, TX 77845	2,360 Class A	(5)
Dr. Terry S. Maness 403 Crown Ridge Pt. Waco, TX 76712	-0- Class A	N/A
Grant G. Teaff 8265 Forest Ridge Waco, TX 76712	12,491 Class A	(5)
Dr. Robert B. Sloan, Jr.	2,549 Class A	(5)

7706 Fondren Road
Houston, TX 77074

All executive officers and directors as a group (12 persons)	4,118,996 Class A 1,001,714 Class B	8.5% 100.0%
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Galindo, Arias & Lopez (as trustee of four non-U.S. trusts and/or record holder) Ave. Federico Boyd y Calle 51 Este #18 Edificio Scotia Plaza, Piso 10 Panama City, Panama	6,671,734 Class A	(7)
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- (1) Except as otherwise indicated, each person named in the table has sole voting and investment power with respect to all shares beneficially owned, subject to applicable community property law.
- (2) Owns 2,336,294 Class A shares directly and his spouse owns 469,841 Class A shares. The Harold E. Riley Trust, of which Mr. Riley is the controlling Trustee, owns all of the 1,001,714 issued and outstanding shares of Class B common stock.
- (3) Owns 487,876 Class A shares directly, 31,243 Class A shares as trustee for and joint tenant with spouse, and 325,692 Class A shares indirectly as trustee for minor children.
- (4) Owns 188,264 Class A shares directly, 22,823 Class A shares as joint tenant with spouse, and 226,459 Class A shares indirectly as custodian for spouse and minor children.
- (5) Less than one percent (1%).
- (6) Dottie S. Riley is the wife of Harold E. Riley. The shares stated as owned by Dottie S. Riley are also included in total Class A shares of Harold E. Riley. Mrs. Riley may be deemed the beneficial owner of the Class A shares held of record by Harold E. Riley, as well as shares over which he exercises voting and dispositive powers. She disclaims beneficial ownership of all such shares.
- (7) The share numbers in the information in this footnote were obtained from an amended Schedule 13G filed with the Securities and Exchange Commission (SEC) on or about February 4, 2011. Galindo, Arias & Lopez is a Panamanian law firm which is the 100% owner of two trust companies, Gala Trust and Management Services, Inc., formerly known as Gala Management Services, Inc. (Gala Trust) and Regal Trust (BVI) Ltd. (Regal). The principal business of each of these companies is to act as trustee for two trusts each. The beneficiaries of these trusts are (i) non-U.S. policyholders of a Company insurance subsidiary, CICA Insurance Company of America (CICA), who, since 1987, have assigned their life insurance policy dividends, paid and payable by CICA, to two trusts administered by Gala and Regal (one trust each), and (ii) non-U.S. insurance sales associates of CICA who, since 1987, have assigned various life insurance policy sales commissions paid and payable to them to two trusts administered by Gala and Regal (one trust each). The purpose of each trust is to accumulate our Class A common stock for its beneficiaries. In order to join a trust, a policyholder or sales associate must certify that he or she is neither a citizen nor a resident of the United States. No beneficiary has power to direct a purchase or sale of the Class A common stock held by a trust so long as such beneficiary has not liquidated such beneficiary's participation in such trust.

This reporting person named may be deemed to be a group as defined in Rule 13d-5(b) under the Securities Exchange Act of 1934 and, as such a group, may be deemed to beneficially own an aggregate of 6,671,734 shares of Class A common stock (13.7%) of the outstanding Class A common stock.

GAMASE Insured Trust holds 3,940,443 shares of the Class A common stock and may be deemed to beneficially own such shares pursuant to Rule 13d-3 (8.1%) of the outstanding Class A common stock.

Regal Policyholders Trust holds 2,455,016 shares of the Class A common stock and may be deemed to beneficially own such shares pursuant to Rule 13d-3 (5.0%) of the outstanding Class A common stock.

Gala Trust is the sole trustee of GAMASE Insureds Trust and GAMASE Agents Trust, a trust established under the laws of the Republic of Panama (GAMASE Agents Trust) and holds 276,275 shares of the Class A common

stock (constituting approximately 0.6% of the outstanding Class A common stock) and may be deemed to beneficially own such shares pursuant to Rule 13d-3, and therefore may be deemed to beneficially own 4,216,718 shares of the Class A common stock (constituting approximately 8.7% of the outstanding Class A common stock).

Regal is the sole trustee of CICA Associates Trust, a trust established under the laws of the British Virgin Islands (Regal Associates Trust) and holds 329,727 shares of the Class A common stock (constituting approximately 0.7% of the outstanding Class A common stock) and sole trustee of CICA Policyholders Trust, a trust established under the laws of the British Virgin Islands (Regal Policyholders Trust) which holds 2,125,289 shares of the Class A common stock (constituting approximately 4.4% of the outstanding Class A common stock as of the record date, and may be deemed to beneficially own such shares pursuant to Rule 13d-3, and therefore may be deemed to beneficially own 2,455,016 shares of the Class A common stock (constituting approximately 5.0% of the outstanding Class A common stock).

Galindo, Arias & Lopez owns a 100% interest in each of the Gala Trust and Regal, and therefore may be deemed to beneficially own 6,671,734 shares of the Class A common stock (13.7%) of the outstanding Class A common stock.

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Harold E. Riley, our Founder, Chairman and CEO, is the beneficial owner of 100% of the Citizens Class B common stock, as indicated above, which is held in the name of the Harold E. Riley Trust (Trust), of which he serves as Trustee. The Trust documents provide that upon Mr. Riley s death, the Class B common stock will be transferred from the Trust to the Harold E. Riley Foundation, a charitable organization established under 501(c)(3) of the Internal Revenue Code (the Foundation). In addition, the Trust documents provide that Mr. Riley may at any time transfer the Class B common stock held by the Trust to the Foundation. It is unclear what, if any, changes would occur to our board, management structure, or corporate operating strategies as a result of different ownership of our Class B common stock. Other than the Class B common stock transfer discussed above, we are not aware of any arrangement, including any pledge by any person, of our common stock, the operation of which may at a subsequent date result in a change of control of our Company.

CERTAIN REPORTS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors, executive officers and persons who own more than ten percent of a registered class of our equity securities file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC). Based solely upon a review of such reports and amendments thereto furnished to us, we believe that during 2010, all reports were filed on a timely basis.

Section 303A.12(a) of the NYSE Listed Company Manual

Section 303A.12(a) of the NYSE Listed Company Manual requires each listed company CEO to verify each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. In accordance therewith, Harold E. Riley filed his certification with the NYSE on July 7, 2010 and certified, without qualification, that he was not aware of any violation by the Company of NYSE corporate governance listing standards.

NOMINATING/CORPORATE GOVERNANCE FUNCTION

Our Board of Directors does not maintain a nominating/corporate governance committee with respect to (i) identifying, evaluating or recommending candidates for our Board of Directors, and (ii) formulating and overseeing our corporate governance. Instead, these functions are performed by the full Board of Directors. Our Board does not maintain a nominating committee for the following reasons:

We are considered to be a controlled company since the majority of the members on our Board of Directors are elected by our Chairman, Harold E. Riley, through his beneficial ownership of all of our outstanding Class B common shares. In accordance with Section 303A.00 of the NYSE Listed Company Manual, controlled companies are not required to maintain a nominating committee.

A majority of the directors on our Board of Directors have been deemed by the Board to be independent; thus, we believe that the nominating duties and corporate governance rules with respect to the Class A directors can be accomplished in a disinterested manner by our entire Board of Directors.

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Our Board does not have a policy with regard to the consideration of diversity in identifying director nominees. Our Board of Directors will consider a candidate for a Class A director position proposed by a shareholder. A candidate must be highly qualified in terms of business experience and be both willing and expressly interested in serving on the Board. At a minimum, a director nominee must possess personal and professional integrity, sound judgment and forthrightness. A shareholder wishing to propose a candidate for the Board's consideration should forward the candidate's name and information about the candidate's qualifications to Citizens, Inc., Board of Directors, 400 East Anderson Lane, Austin, Texas 78752, Attn.: Rick D. Riley. Submissions must include sufficient biographical information concerning the recommended individual, including age, employment history for at least the past five years indicating employers' names and description of the employers' business, educational background and any other biographical information that would assist the Board in determining the qualifications of the individual. The Board will consider recommendations received by a date not later than 120 calendar days before the date our proxy statement was released to shareholders in connection with the prior year's annual meeting for nomination at that annual meeting. The Board will consider nominations received beyond that date at the annual meeting subsequent to the next annual meeting.

The Board evaluates nominees for directors recommended by shareholders in the same manner in which it evaluates other nominees for directors. Minimum qualifications include the factors discussed above.

CODE OF ETHICS

Our Board of Directors has adopted a Code of Business Conduct and Ethics (Code), which we have posted on our website located at www.citizensinc.com. You may also obtain a copy of our Code by requesting one copy in writing addressed to Citizens, Inc. at 400 East Anderson Lane, Austin, Texas 78752, Attn: Rick D. Riley or General Counsel, or by calling us at 512-837-7100.

Our Code provides general statements of our expectations regarding ethical standards we expect our directors, officers and employees to adhere to while acting on our behalf. Among other things, the Code provides that:

We will comply with all laws, rules and regulations;

Our directors, officers and employees are to avoid conflicts of interest and are prohibited from competing with us or personally exploiting our corporate opportunities;

Our directors, officers and employees are to protect our assets and maintain our confidentiality;

We are committed to promoting values of integrity and fair dealing; and

We are committed to accurately maintaining our accounting records under generally accepted accounting principles and timely filing our periodic reports.

Our Code also contains procedures for our employees to report, anonymously or otherwise, violations of the Code.

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**BOARD LEADERSHIP STRUCTURE
AND RISK OVERSIGHT**

According to our Bylaws, the Chairman of the Board is required to be the highest ranking officer of our Company. Our founder and controlling shareholder, Harold E. Riley, serves as our Chairman and CEO. We determined our current Board leadership structure is appropriate and helps ensure proper risk oversight for the Company for a number of reasons, the most significant of which are the following:

A combined chairman and chief executive officer role allows for more productive meetings. The chief executive officer manages the Company on a day to day basis, and his direct involvement in the Company's operations makes him best positioned to lead productive board strategic planning sessions and determine the time allocated to each agenda item in discussion of the Company's short and long-term objectives.

The majority of our Board is comprised of independent directors. Our independent directors meet in sessions without our Chairman or management present. These sessions allow the Board to review key decisions and discuss matters in a manner independent of management.

Our Audit Committee and Compensation Committee are comprised entirely of independent directors and chaired by independent directors.

Our operations are subject to extensive regulation and oversight by both state and federal regulatory authorities.

The Board is actively involved in oversight of risks that could affect the Company. This oversight is conducted primarily through committees of the Board, as disclosed in the descriptions of each of the committees below, but the full Board has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Company.

In accordance with NYSE requirements, the Audit Committee has a primary role in overseeing the risk management function. In carrying out its responsibilities, the Audit Committee works closely with our executive management. The Audit Committee meets at least quarterly with our Internal Auditor and our Chief Financial Officer and receives a comprehensive financial report discussing the Company's risk exposures and the processes in place to monitor and control such exposures.

In addition to the Audit Committee, the Compensation Committee considers the risks that may be implicated by our executive compensation. For a discussion of the Compensation Committee's review of our Company's named executive officer compensation, please see the Compensation Discussion and Analysis beginning on page 16 of this Proxy Statement.

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MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

Our business affairs are conducted under the direction of our Board of Directors. The Board of Directors held four (4) meetings during 2010, at which all directors were present for at least 75% of the meetings. We do not have an attendance policy, although our directors are expected to attend Board Meetings. To promote open discussion, the non-management directors hold regularly scheduled executive sessions at our Board Meetings, in which those directors meet without management participation and with only independent directors present. The director chosen to preside at these sessions is determined on an informal basis at the time of the meeting. In addition, our Board members are encouraged to attend our annual meetings of shareholders, and all but one of our Board members attended our 2010 Annual Meeting of Shareholders.

To assist it in carrying out its duties, the Board has delegated certain authority to three separately-designated standing committees: the Audit Committee, the Compensation Committee and the Executive Committee. As stated above, due to our status as a controlled company under NYSE rules, we are not required to maintain a Compensation Committee; however, we do so as a best practice within our Board structure. The specific functions of our committees are described below:

Audit Committee

Members at December 31, 2010: Directors Gage, Scott and Timmerman

Number of Meetings in 2010: 4

Functions:

Assists the full Board in fulfilling its oversight responsibilities as they relate to our accounting policies, internal controls, financial reporting practices and legal and regulatory compliance.

Responsible for the appointment, compensation and oversight of the work of our registered independent public accounting firm.

Monitors the independence and performance of our registered independent public accounting firm and internal auditors.

Maintains, through regularly scheduled meetings, a line of communication between the Board and our financial management, any internal auditors and our registered independent public accounting firm.

Oversees compliance with our policies for conducting business, including ethical business standards.

Oversees our assessment of internal controls as required by the Sarbanes-Oxley Act.

The Board of Directors adopted a restated Audit Committee Charter in November 2002 and subsequently amended and restated the charter on April 22, 2004. The charter is posted on our website at www.citizensinc.com.

Our Board of Directors has determined Dr. Terry S. Maness is qualified as an audit committee financial expert as that term is defined in the rules of the SEC. Dr. Maness has served as Dean of Baylor University's Hankamer School of Business since 1997. He previously served as Associate Dean for Undergraduate Programs and as Chairman of the Department of Finance, Insurance and Real Estate. He is the author of six books about financial analysis and financial management, and also a contributing author to various publications, such as *Journal of Finance*, *Journal of Banking and Finance*, *Journal of Financial Education*, *Journal of Portfolio Management*, *Journal of Financial and Quantitative Analysis*, *Journal of Futures Markets*, *Journal of Cash Management* and *Corporate Controller*. A Certified Cash Manager (CCM), Dr. Maness frequently serves as a consultant for small business valuations.

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Our Class A common stock is listed for trading on the NYSE. Pursuant to NYSE rules, the Audit Committee is comprised of three or more directors as determined by the Board of Directors, each of whom is independent. Our Board of Directors has determined that all of the members of the Audit Committee are independent, as defined in the listing standards of the NYSE and the rules of the SEC.

Compensation Committee

Members at December 31, 2010: Directors Scott, Shelton and Teaff

Number of meetings in 2010: 1

Functions:

- Assists the full Board in overseeing the management of our personnel including:
 - establishing, implementing and continually monitoring adherence with our compensation philosophy;
 - assisting Chief Executive Officer performance and compensation; and
 - overseeing executive development and succession and diversity objectives.
- Oversees the evaluation of management.

Reviews, discusses and refines the Compensation Discussion & Analysis (CD&A) cooperatively with our senior management. The Compensation Committee then recommends to the full Board of Directors that the CD&A be included in the Proxy Statement or discloses to the full Board of Directors the reasons it cannot make such a recommendation.

A copy of our Compensation Committee Charter adopted on March 13, 2007 is posted on our website at www.citizensinc.com.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or compensation committee of an unaffiliated entity that has an executive officer serving as a member of the Board or Compensation Committee.

Executive Committee

Members at December 31, 2010: Directors Harold E. Riley, Gage and Sloan

Number of Meetings in 2010: 34

Functions:

- Authority to manage our business affairs.
- May take action when a majority of all members of the Board is not required by law or by our Articles of Incorporation or Bylaws.
- Material actions by the committee are subsequently reviewed by the Board.

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BOARD COMMITTEE REPORTS

Audit Committee Report

Our Audit Committee reports to and acts on behalf of the Board of Directors by providing oversight of our financial management, registered independent public accounting firm and financial reporting procedures. The Audit Committee Charter was adopted in 2000. The Audit Committee Charter was most recently updated and restated in April 2004 in order to meet the requirements of the Sarbanes-Oxley Act of 2002 and is available on our website at www.citizensinc.com.

Management is responsible for preparing our financial statements and our registered independent public accounting firm is responsible for auditing those financial statements. The Audit Committee is responsible for overseeing the conduct of these activities by our management and our registered independent public accounting firm. The Audit Committee is also responsible for establishing procedures to address complaints regarding accounting, internal control or auditing issues, as well as the anonymous submission by employees of concerns regarding accounting or auditing matters. In this context, the Audit Committee routinely meets and holds discussions with management and our registered independent public accounting firm. Management represented to the Audit Committee our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and the Audit Committee has reviewed and discussed the consolidated financial statements with management and our registered independent public accounting firm.

The members of the Audit Committee, are independent directors as defined in the rules of the New York Stock Exchange. The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of accounting or auditing, including auditor independence. The members of the Audit Committee rely without independent verification on the information provided to them and on the representations made by our management and the registered independent public accounting firm.

The Committee has discussed with Ernst & Young LLP, our independent registered public accounting firm for our financial statements, the independent registered public accounting firm s matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor s Communication with Those Charged with Corporate Governance*, as amended, and applicable SEC Rules. In addition, our independent registered public accounting firm provided to the Audit Committee the written disclosures required by Rule 3526 of the Public Company Accounting Oversight Board, *Communication with Audit Committees Concerning Independence*, and the Committee and our independent registered public accounting firm have discussed their independence from us and our management, including the matters in those written disclosures.

The Committee has discussed with our independent registered public accounting firm their evaluations of our internal accounting controls and the overall quality of our financial reporting.

In reliance on the reviews and discussions with management and our registered independent public accounting firm referred to above, the Audit Committee recommended to the Board of Directors and the Board has approved, the inclusion of the audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, for filing with the Securities and Exchange Commission.

Table of Contents**Principal Accountant Fees and Services**

During 2010 and 2009, the following fees were billed to us by our principal accountants:

	2010	2009
Audit Fees	\$ 520,000	500,000
Audit Related Fees	-0-	-0-
Tax Fees	-0-	-0-
All Other Fees	2,568	6,880
Total	\$ 522,568	506,880

To help assure independence of our registered independent public accounting firm, our Audit Committee has established a policy whereby all audit, review, attest and non-audit engagements of the principal accountant or other firms must be approved in advance by the Audit Committee; provided, however, that de minimis non-audit services may instead be approved in accordance with applicable Securities and Exchange Commission rules. This policy is set forth in our Amended Audit Committee Charter. Of the fees shown in the table which were billed by our principal accountants in 2009 and 2010, 100% were approved by the Audit Committee.

AUDIT COMMITTEE

Dr. Richard C. Scott

Dr. E. Dean Gage

Timothy T. Timmerman

Table of Contents**Compensation Committee Report****Named Executive Officers and Director Compensation**

The following table presents the aggregate compensation earned by our principal executive officer, our principal financial officer and our three most highly compensated executive officers other than the principal executive officer and the principal financial officer for 2010. There has been no compensation awarded to, earned by or paid to any employee required to be reported in any table or column in any fiscal year, other than what is set forth in the table below.

SUMMARY COMPENSATION TABLE

Annual Compensation

Name and Principal Position	Year	Salary	All Other Compensation (1)	Total
PEO - Principal Executive Officer	2010	\$ 1,000,008	\$ 37,162	\$ 1,037,170
Harold E. Riley, Chairman and Chief Executive Officer	2009	\$ 1,000,008	\$ 32,935	\$ 1,032,935
	2008	\$ 1,000,008	\$ 78,359	\$ 1,078,367
PFO Principal Financial Officer	2010	\$ 200,004	\$ 5,188	\$ 205,192
Kay E. Osbourn, (2) Executive Vice President, Chief Financial Officer and Treasurer	2009	\$ 156,800	\$ 249	\$ 157,049
Rick D. Riley,				