CITIZENS INC
Form S-4/A
January 28, 2009

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As filed with the Securities and Exchange Commission on January 28, 2009
Registration No. 333-156721

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4/A
AMENDMENT NO. 1 TO REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Citizens, Inc.
(Exact name of registrant as specified in its charter)

Colorado	**6311**	**84-0755371**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

400 East Anderson Lane
Austin, Texas 78752
512-837-7100
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Copies to:

Rick D. Riley,	**Reid A. Godbolt, Esq.**
Vice Chairman and President	**Jones & Keller, P.C.**
400 East Anderson Lane	**1625 Broadway, 16th Floor**
Austin, Texas 78752	**Denver, Colorado 80202**
512-837-7100	**303-573-1600**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this Registration Statement.
If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o
If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Smaller reporting company o

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i)(Cross-Border Issuer Tender Offer)	o
Exchange Act rule 14d-1(d)(Cross-Border Third Party Tender Offer)	o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Class A Common Stock	1,296,000 shares(1)	$8.33(1)	$10,795,680	$425(2)

(1) Amount left blank pursuant to Rule 457(o).

(2) Fee calculated pursuant to Rule 457(o) and already paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Integrity Capital Corporation
65 Airport Parkway
Suite 118
Greenwood, Indiana 46143

Dear Shareholder:

You are cordially invited to attend the special meeting of shareholders of Integrity Capital Corporation (ICC), to be held on Monday, February 23, 2009, at 10:00 a.m. local time, at the Valle Vista Conference Center, 755 East Main Street, Greenwood, Indiana 46143.

ICC, Citizens, Inc. and a newly formed subsidiary of Citizens have entered into an agreement and plan of merger (the Merger Agreement). Under the terms of the Merger Agreement, Citizens will acquire ICC through the merger of ICC with the Citizens subsidiary. Upon completion of the merger, each three shares of ICC common stock you own will be converted into the right to receive one share of Class A common stock of Citizens.

Citizens Class A common stock is traded on the New York Stock Exchange under the symbol CIA. The closing price of Citizens Class A common stock on January 27, 2009 was $8.38 per share.

At the special meeting, we will ask you to approve the Merger Agreement and the transactions contemplated by it. Approval of the Merger Agreement requires the affirmative vote of the holders of at least a majority of ICC s common stock outstanding and entitled to vote at the special meeting.

The ICC board of directors has carefully considered the terms of the Merger Agreement and the transactions contemplated therein and has determined that the merger is in the best interests of the ICC shareholders. Accordingly, the ICC board of directors has unanimously approved the Merger Agreement and the transactions contemplated by the Merger Agreement and recommends that you vote FOR the approval of the Merger Agreement.

Your vote is important. Only holders of record of ICC s common stock at the close of business on January 15, 2009 will be entitled to vote at the special meeting.

We urge you to read this proxy statement-prospectus, and the documents incorporated by reference into this proxy statement-prospectus, carefully and in their entirety, in particular, see Risk Factors beginning on page 14.

M. Bruce VanDyke
President
Integrity Capital Corporation

This proxy statement-prospectus is dated January ___2009, and is first being mailed to ICC shareholders on or about February 2, 2009.

Integrity Capital Corporation
65 Airport Parkway
Suite 118
Greenwood, Indiana 46143

Notice of Special Meeting of Shareholders

To Shareholders of
Integrity Capital Corporation:

A special meeting of shareholders of Integrity Capital Corporation (ICC) will be held on Monday, February 23, 2009, at 10:00 a.m., local time at the Valle Vista Conference Center, 755 East Main Street, Greenwood, Indiana 46143, for the following purposes:

To consider and vote upon a proposal to approve the Plan and Agreement of Merger, dated as of November 11, 2008, and amended as of December 16, 2008, among ICC, Citizens, Inc., and Citizens Acquisition, Inc., a wholly owned subsidiary of Citizens, (the Merger Agreement), pursuant to which Citizens Acquisition, Inc. and ICC will merge, (the Merger), as described in the attached proxy statement-prospectus;

To grant authority to ICC to adjourn or postpone the special meeting in order to solicit additional proxies;

To transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.

We will transact no other business at the special meeting except such business as may properly be brought before the special meeting or any adjournments or postponements thereof.

Only holders of record of our common stock at the close of business on January 15, 2009, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements thereof.

This proxy statement-prospectus describes the proposed merger and the actions to be taken in connection with the merger and provides additional information about the parties involved. Please give this information your careful attention. A copy of the Merger Agreement is attached as Appendix A to this proxy statement-prospectus.

Under Indiana law, in connection with the merger you will be entitled to dissent from the Merger Agreement and merger and receive payment of the fair value of your shares in cash, but only if you comply with the Indiana law procedures explained in this proxy statement-prospectus. See Rights of Dissenting Shareholders on page 56.

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The ICC board of directors has carefully considered the terms of the Merger Agreement and the merger and has determined that the merger is advisable and in the best interests of ICC shareholders. Accordingly, the ICC board of directors unanimously recommends that ICC shareholders vote FOR the approval of the Merger Agreement.

We cannot complete the merger unless the Merger Agreement is approved by the shareholders of ICC. Approval of the Merger Agreement requires the affirmative vote of holders of at least a majority of the common stock outstanding and entitled to vote at the special meeting.

Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy and return it promptly in the enclosed postage-paid return envelope. You may revoke the proxy at any time prior to its exercise at the special meeting in the manner described in this proxy statement-prospectus. If you attend the special meeting, including any adjournments or postponements thereof, you may revoke your proxy and vote personally on the proposal to approve the Merger Agreement. Your vote at the special meeting will supersede any instructions or directions you may have previously made. Executed proxies with no instructions indicated thereon will be voted FOR the approval of the Merger Agreement.

Please complete, date and sign the enclosed proxy card and return it in the enclosed postage-paid return envelope. Please do not send any share certificates at this time.

By Order of the Board of Directors,

/s/ R. Dean Branan

R. Dean Branan
Secretary

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INTEGRITY CAPITAL CORPORATION
PROXY STATEMENT FOR SPECIAL MEETING OF SHAREHOLDERS
To Be Held February 23, 2009

CITIZENS, INC. PROSPECTUS
CLASS A COMMON STOCK
Up to 1,296,000 Shares

This document:

- is furnished by the Board of Directors of ICC to request a proxy for voting your ICC common stock on the Plan and Agreement of Merger dated November 11, 2008 and amended as of December 16, 2008, (the Merger Agreement) among ICC, Citizens and Citizens Acquisition, Inc. (Acquisition), a recently formed subsidiary of Citizens;
- requests your proxy to adjourn or postpone the special meeting to another place and/or time, if necessary to solicit additional votes for the Merger Agreement; and
- registers the shares of Class A common stock of Citizens to be issued in exchange for ICC shares if the Merger occurs. The Class A common stock of Citizens is traded on the New York Stock Exchange under the symbol CIA. On January 27, 2009, the closing price of Citizens Class A common stock was $8.38 per share.

The Merger

If the Merger occurs, and you do not dissent to the Merger in accordance with the procedures described in Appendix B, you will receive one share of Citizens Class A common stock for each three shares of ICC common stock owned by you. Fractional shares will be rounded up to the next whole share of Citizens Class A common stock. If the Merger occurs, Citizens will mail you instructions for exchanging your ICC shares for Citizens Class A common stock.

Citizens has two classes of common stock, Class A and Class B. Both classes of common stock are equal in rights except that:

- if Citizens declares cash dividends, each share of Class A common stock is entitled to twice the amount of cash dividends declared and paid on each share of Class B common stock; and
- holders of Class B common stock have the exclusive right to elect a simple majority of the members of Citizens Board of Directors.

The ICC Board Of Directors **Unanimously Recommends** that shareholders **Approve** the Merger.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this proxy statement-prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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The shares of Class A common stock of Citizens involve significant risks. See Risk Factors beginning on page 14.

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APPENDIX A	Plan and Agreement of Merger dated November 11, 2008 Integrity Capital Corporation, Citizens, Inc. and Citizens Acquisition, Inc., including an amendment thereto dated December 16, 2008.
APPENDIX B	Indiana Statute Regarding Dissenters Rights Chapter 44 of the Indiana Business Corporation Law.
APPENDIX C	Audited Consolidated Financial Statements of ICC and subsidiary as of and for the years ended December 31, 2006 and 2007 and unaudited Consolidated Financial Statements of ICC and subsidiary as of and for the quarters and nine months ended September 30, 2007 and 2008.

This proxy statement-prospectus incorporates important business and financial information about Citizens that is not included or delivered with this document. You may obtain this information without charge upon your written or oral request by contacting Rick D. Riley, Vice Chairman, Citizens, Inc., P.O. Box 149151, Austin, Texas 78714-9151; telephone 512-837-7100. To ensure timely delivery, any request should be made at least five business days before the date of the meeting, or February 16, 2009. See also Available Information on page 1.

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AVAILABLE INFORMATION

Citizens files annual, quarterly, and special reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). Those reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the SEC at the SEC s Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549, telephone 1-800-SEC-0330. Copies can be obtained at prescribed rates from the Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, copies may be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005. Citizens SEC filings may be viewed on the SEC Internet website at http://www.sec.gov.

Citizens has filed with the SEC a registration statement on Form S-4 under the Securities Act of 1933, for the shares of Citizens Class A common stock to be issued in connection with the transactions described in this proxy statement-prospectus. In accordance with SEC rules and regulations, this proxy statement-prospectus does not contain all the information in the registration statement. For further information, please see the registration statement, including its exhibits. Statements contained in this proxy statement-prospectus concerning the provisions of documents are not necessarily complete, and in each instance, reference is made to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by reference to the registration statement.

Citizens corporate policy prohibits it from monetarily influencing an analyst s evaluation or purchasing ratings from rating agencies such as AM Best, Moody s, Fitch or Standard & Poors. Therefore, Citizens is not rated by such entities. Instead, Citizens uses Standard Analytical Service, Inc. to provide pure analytical data about Citizens which it believes is free from the subjective judgment of those entities which sell ratings for a price. ICC shareholders can review Standard Analytical Service, Inc. s report on Citizens at its web site at www.citizensinc.com.

INCORPORATION OF DOCUMENTS BY REFERENCE

The following documents have been filed by Citizens (File No. 1-13004) with the SEC pursuant to the Securities Exchange Act of 1934 (the Exchange Act) and are incorporated by reference into this proxy statement-prospectus:

- Citizens Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on March 17, 2008;
- Citizens Proxy Statement on 14A filed with the SEC on April 21, 2008;
- Citizens Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed with the SEC on May 12, 2008;
- Citizens Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, filed with the SEC on August 11, 2008;

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- Citizens Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, filed with the SEC on November 7, 2008;
- Item 5.02 of Citizens Current Report on Form 8-K dated November 6, 2008, filed with the SEC on November 10, 2008;
- Citizens Current Report on Form 8-K dated January 16, 2009, filed with the SEC on January 16, 2009; and
- The description of the Class A common stock and Class B common stock of Citizens contained in its Registration Statement on Form 8-A, declared effective by the SEC on April 14, 1994, and, with respect to the subsequent registration of its Class A common stock and its Class B common stock under Section 12(b) of the Exchange Act, in its Registration Statement on Form 8-A, filed on July 19, 2002, and Amendment No. 1 thereto filed on July 25, 2002, and declared effective by the SEC on or about August 22, 2002.

All documents filed by Citizens pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement-prospectus and prior to the special meeting are incorporated by reference into this proxy statement-prospectus from the date of the filing of the documents.

Any statement contained in this proxy statement-prospectus or incorporated in this document by reference will be deemed to be modified or superseded for purposes of this proxy statement-prospectus to the extent that a statement contained in this document or in any subsequently filed document that is also incorporated by reference in this proxy statement-prospectus modifies or supersedes such statement.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this proxy statement-prospectus are not statements of historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act (the Act). Many of these statements contain risk factors as well. In addition, certain statements in future filings by Citizens with the SEC and in press releases, and in oral and written statements made by or with the approval of ICC or Citizens, which are not statements of historical fact constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements, include, but are not limited to: (i) projections of revenues, income or loss, earnings or loss per share, the payment or non-payment of dividends, capital structure, and other financial items, (ii) statements of plans and objectives by management or boards of directors including those relating to products or services, (iii) statements of future economic performance and (iv) statements of assumptions underlying such statements. Words such as believes, anticipates, expects, intends, targeted, may, will and similar expressions are inten identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those contemplated by the forward-looking statements. Factors that could cause future results of Citizens or ICC to differ materially from expected results include, but are not limited to:

- Changes in U.S. and foreign general economic conditions, including the performance of financial markets and interest rates;
- Changes in consumer behavior, which may affect any ability to sell products and retain business;
- The timely development of and acceptance of new products of Citizens and ICC and perceived overall value of these products and services by existing potential customers;
- Fluctuations in experience regarding current mortality, morbidity, persistency and interest rates relative to expected amounts used in pricing our products;
- Changes in assumptions related to deferred acquisition costs and the value business acquired;
- The ability of Citizens to consummate and integrate acquisitions;
- The costs and effects of litigation and of unexpected adverse outcomes in litigation;
- Regulatory, accounting or tax changes that may affect the cost of, or the demand for, products or services;
- A concentration of Citizens business from persons residing in Latin America, the Pacific Rim and Louisiana; and
- The success of Citizens and ICC at managing the risks involved in the foregoing.

Such forward-looking statements speak only as of the date on which such statements are made, and neither Citizens nor ICC undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events.

CAUTIONARY STATEMENT CONCERNING REPRESENTATIONS AND WARRANTIES CONTAINED IN THE MERGER AGREEMENT

You should not rely upon the representations and warranties contained in the Merger Agreement or the descriptions of such representations and warranties in this proxy statement-prospectus, as factual information about Citizens or ICC. These representations and warranties were made only for purposes of the Merger Agreement and the related agreements, were made solely to Citizens or ICC, as applicable, as of the dates indicated therein and are subject to modification or qualification by other disclosures made in this proxy statement-prospectus. The representations and warranties are reproduced and summarized in this proxy statement-prospectus solely to provide information regarding the terms of the Merger Agreement and not to provide you with any other information regarding Citizens or ICC. Information about Citizens can be found elsewhere in this proxy statement-prospectus and in other public filings Citizens makes with the SEC. Information about ICC can also be found elsewhere in this proxy statement-prospectus.

SUMMARY

This is a summary. Please read the entire proxy statement-prospectus before you make an investment decision.

Parties to the Merger

ICC, an Indiana corporation, is a life insurance holding company. The principal executive office of ICC is located at 65 Airport Parkway, Suite 118, Greenwood, Indiana 46143, and its telephone number is 317-889-9798. ICC has one subsidiary, Integrity Capital Insurance Company (ICIC), an Indiana life insurance company.

Citizens, a Colorado corporation, is an insurance holding company. Citizens principal executive office is located at 400 East Anderson Lane, Austin, Texas 78752, and its telephone number is 512-837-7100.

Citizens Acquisition, Inc., an Indiana corporation, (Acquisition) is a wholly-owned subsidiary of Citizens which was formed solely for the purpose of merging with and into ICC as part of the Merger. In the Merger, ICC will be the surviving corporation, and it will become a wholly-owned subsidiary of Citizens. Acquisition will cease to exist after the Merger.

In February 2003, Citizens acquired First Alliance Corporation, a Kentucky insurance holding company, which in turn held 585,000 shares of common stock of ICC, or approximately 13.1% of the outstanding shares of common stock of ICC. These shares are presently held by CICA Life Insurance Company of America (CICA), a wholly-owned subsidiary of Citizens.

Since May 1, 2004, Citizens and ICC have been parties to a service agreement under which Citizens provides administrative and bookkeeping services to ICC for a monthly fee. For the years ended December 31, 2007 and 2006, ICC paid $255,782 and $257,217, respectively, for these services. Upon the closing of the Merger, Citizens expects to enter into a similar agreement with ICIC, and the existing service agreement with ICC will be terminated.

Effective March 1, 2004, CICA, Optimum Re and ICIC entered into a reinsurance agreement whereby CICA reinsures 30% and Optimum Re reinsures 70% of all ICIC insurance claim amounts above $30,000. For the years ended December 31, 2007 and 2006, ICIC paid $13,186 and $7,419 respectively to CICA pursuant to this agreement.

Other than the transactions described above, neither ICC, nor any of its officers, affiliates or directors are affiliated with Citizens and its affiliates, nor are any officers, affiliates or directors of Citizens affiliated with ICC and its affiliates.

The common stock of ICC is not listed on a stock exchange or traded through security brokerage firms, and there is virtually no trading activity in the stock. Consequently, ICC is unable to determine a reliable market value for its stock. For disclosure regarding the manner in which Citizens and ICC negotiated the share exchange ratios of the Merger, see Proposed Merger Background and Reasons ICC.

The Class A common stock of Citizens is traded on the New York Stock Exchange under the symbol CIA. On November 10, 2008, the day preceding the day that Citizens and ICC signed the Merger Agreement, the closing price of Citizens Class A common stock was $8.31 per share.

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During the fourth quarter of 2008 Citizens completed the acquisition of Ozark National Life Insurance Company, an Arkansas home service pre-need insurer, for cash consideration of $8,000,000. Its assets at September 30, 2008 were $19,477,582. Its revenues for 2006, 2007, and for the nine months ended September 30, 2008 were $3,159,322, $3,449,969, and $2,969,527, respectively. Also, in the fourth quarter of 2008, holders of Citizens series A-1 preferred stock contributed $5.125 million in cash to Citizens representing increases to the stated value of their series A-1 preferred stock. Two of the holders then immediately converted all of their outstanding series A-1 preferred shares into Citizens Class A common stock resulting in the issuance of a total of 1,796,999 shares of Class A common stock. As of January 27, 2009, Citizens had 45,647,516 shares of its Class A common stock outstanding.

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Interests of Certain Persons in the Merger	Citizens indirectly owns, through a wholly-owned subsidiary, 585,000 shares of common stock of ICC, or approximately 13.1% of the outstanding common stock of ICC. Citizens intends to cause these shares to be voted in favor of the Merger.
Proxy Revocability	Proxies of shareholders of ICC are revocable at any time prior to voting at the special meeting and can be revoked at the special meeting. See Special Meeting of ICC Shareholders Revocability of Proxies.
Required Votes	Approval of the Merger and the transactions contemplated thereby requires the affirmative vote of a majority of the outstanding shares of ICC common stock. No voting agreements or other similar arrangements have been entered into with any ICC shareholders. However, certain officers, directors and significant shareholders of ICC, including Citizens, who are entitled to vote 1,691,950 shares, or approximately 37.9% of ICC s outstanding common stock, have indicated that they intend to vote in favor of the Merger. See Special Meeting of ICC Shareholders Voting Securities. No shareholder vote of Citizens is required by the Merger Agreement or applicable law.
Outstanding Shares	As of the record date there were 4,462,206 shares of ICC common stock outstanding. As of the record date, ICC s directors, executive officers and their affiliates held 1,106,950 shares of ICC common stock or a total of 24.8% of the shares entitled to vote.

Risk Factors	Unless you exercise and perfect your dissenters rights, you will receive shares of Citizens Class A common stock in consideration for your ICC shares if the Merger is completed. Thus, you will be subject to the risks related to Citizens and its business. These risks include, but are not limited to, a heavy reliance on revenues generated from overseas, a possible depressed price in the Class A common stock of Citizens due to sales by significant shareholders, significant competition and a very limited ability by you to influence Citizens policies. In considering whether to approve the Merger, you should consider risks related to the Merger and to Citizens. Please see Risk Factors beginning on page 14 for more detailed discussion of these risks.
Other Matters	Other than the proposed Merger, the ICC Board knows of no other matters that will come before the special meeting. However, your proxy is also solicited to vote your shares in the case of a motion to postpone or adjourn the special meeting for purpose of soliciting additional proxies.
Forward-Looking Statements	Certain statements contained or incorporated by reference in this proxy statement-prospectus relate to future matters which are qualified in certain respects. See Forward-Looking Statements, Available Information and Incorporation of Certain Documents by Reference.

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PLAN AND AGREEMENT OF MERGER

Consideration for Your Shares	**If the Merger is consummated, you will receive one share of Citizens Class A common stock for each three shares of ICC common stock you own.** The value of your ICC common stock has been determined by the ICC Board of Directors to be in the range of $2.50 per share. Fractional shares will be rounded up to the next whole share of Citizens Class A common stock. Fractional shares will not be issued. *For example, a person holding 301 shares of ICC common stock will receive 101 shares of Class A Citizens common stock.* Assuming no holders of ICC common stock dissent to the Merger, former ICC shareholders would receive approximately 1,296,000 shares of Citizens Class A common stock, or approximately 2.9% of the outstanding Class A common stock after the issuance. Any ICC shareholder who properly asserts dissenters rights under the Indiana Business Corporation Law (the IBCL) will receive cash in lieu of Citizens Class A common stock. See Proposed Merger Receipt of Citizens Shares and Rights of Dissenting Shareholders.
Closing Date	The parties anticipate that the closing of the Merger will occur and the Merger will become effective shortly after the conditions in the Merger Agreement (including shareholder approval) are satisfied.
Conduct of Business Prior to Closing	ICC has agreed that it will not: enter into any transactions prior to the Merger other than in the ordinary course of business; pay shareholder dividends or increase the compensation of its officers; nor enter into any agreement or transaction which will adversely affect its financial condition. See Proposed Merger Conduct of Business Pending the Merger; Covenants.

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Dissenters Rights	ICC shareholders may dissent from the Merger Agreement and Merger and demand payment of the fair value of their ICC shares in cash. If holders of more than 2.0% of the outstanding shares of ICC common stock (approximately 89,250 shares) assert their dissenter s rights, Citizens may terminate the Merger Agreement. See Rights of Dissenting Shareholders, Proposed Merger Other Conditions to Consummation of the Merger, and Appendix B which contains a copy of Chapter 44 of the IBCL.
Conditions to the Merger	In addition to approval by the shareholders of ICC, the Merger is subject to satisfaction of other conditions including: obtaining approval from the Indiana Insurance Commissioner of the change of control of ICIC as contemplated by the Merger Agreement; the performance by each party of its obligations under the Merger Agreement; the absence of any legal proceeding relating to the transactions contemplated by the Merger Agreement; the continued material accuracy of representations made by each party; and the delivery of legal opinions. See Proposed Merger Other Conditions.
Operations of ICC after the Merger	Following the Merger, Citizens expects to merge ICC into Citizens, and Citizens would continue to operate ICIC at its location in Greenwood, Indiana under a joint management team, with the consolidation of computer data processing in Citizens system and an administrative services agreement substantially similar to the existing administrative agreement Citizens has had with ICC since May 1, 2004. Citizens will continue to evaluate the personnel, business practices and opportunities for ICIC and may make such changes as it deems appropriate following the Merger.
Summary of Federal Income Tax Considerations	The Merger is intended to be treated as a reorganization. Accordingly, for federal income tax purposes it is anticipated that:

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- no gain or loss should generally be recognized by holders of ICC common stock on the exchange of their shares of ICC common stock for shares of Citizens Class A common stock;
- the holding period for Citizens Class A common stock received in the Merger should include the holding period for the ICC common stock surrendered in exchange therefor; and
- the aggregate adjusted tax basis of Citizens Class A common stock received by an ICC shareholder should be the same as the basis of the stock surrendered in exchange therefor.
- holders of ICC common stock who properly exercise dissenters rights and receive cash in lieu of Citizens Class A common stock will recognize a taxable gain if the amount of cash received exceeds their basis in the ICC shares. For some ICC shareholders the cash received may be taxable as a dividend distribution.

Consummation of the Merger is conditioned upon receipt of an opinion of counsel substantially to such effect. However, a ruling from the Internal Revenue Service is not being sought in connection with the Merger. The opinion of counsel is subject to certain assumptions and qualifications and is not binding on the Internal Revenue Service. If the Merger were not to qualify as a reorganization, the exchange of shares would be taxable. See Federal Income Tax Consequences.

Termination and Amendment of the ICC Merger Agreement

The Merger Agreement may be terminated by any party if the Merger does not become effective by April 10, 2009. See Proposed Merger Other Conditions. The Merger Agreement may also be terminated at any time prior to becoming effective:

- by mutual written consent of ICC and Citizens;
- by any party if a suit, action, or proceeding threatens to prohibit the Merger;
- by any party who discovers a material error in the representations of another party; or
- by Citizens if dissenters rights are asserted under Indiana law for more than 2.0% of the outstanding shares of ICC.

In the event that the Merger is not approved, ICC shareholders will continue to hold their shares of ICC common stock. ICC may apply to obtain quotation or listing of its common stock on a stock quotation system or exchange; however, approval of such an application would likely be difficult to achieve due to ICC s limited financial resources. If the Merger is not approved, Citizens will continue its business in the ordinary course.

Summary Selected Financial Data

The tables below set forth in summary certain selected financial data of Citizens and ICC.

Citizens financial data at or for the nine months ended September 30, 2008 and 2007 is derived from the unaudited consolidated financial statements of Citizens and its subsidiaries which are incorporated by reference in this proxy statement-prospectus. Citizens financial data at or for the years ended December 31, 2003 through 2007 is derived from audited consolidated financial statements of Citizens and its subsidiaries. The data for Citizens is presented in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

ICC s financial data at or for the nine months ended September 30, 2008 and 2007 is derived from the unaudited consolidated financial statements of ICC and its subsidiaries which are included elsewhere in this proxy statement-prospectus. ICC s financial data at or for the years ended December 31, 2003 through 2007 is derived from audited consolidated financial statements of ICC and its subsidiaries. The data for ICC is presented in conformity with GAAP.

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Citizens, Inc.

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
	(In thousands, except per share data)						
Total Revenues	$123,370	$120,869	$169,637	$154,189	$139,024	$ 96,644	$ 88,623
Net Income (loss)	4,913	10,623	16,557	8,677	7,302	7,732	3,126
Basic and Diluted Earnings (loss) Per Class A Share	0.07	0.22	0.35	0.16	0.13	0.17	0.08
Total Assets	812,896	740,205	787,909	711,184	661,889	661,212	390,093
Long-Term Debt						30,000	
Total Liabilities	635,610	575,449	597,532	558,690	513,380	520,179	263,066
Total Shareholders Equity	164,904	150,870	176,157	139,611	136,963	135,131	127,027
Book Value Per Share (1)	3.68	3.65	4.00	3.38	3.33	3.29	3.10

(1) Reflects 7% common stock dividends paid on December 31, 2005, 2004 and 2003.

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Integrity Capital Corporation

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
			(In thousands, except per share data)				
Total Revenues	$ 2,066	$2,075	$2,705	$2,433	$1,610	$ 827	$ 139
Net Income (loss)	34	172	75	40	89	2	(394)
Basic and Diluted Earnings (loss) Per Share	0.01	0.04	0.02	0.01	0.02		(0.09)
Total Assets	11,173	9,594	9,975	8,250	6,732	5,687	6,561
Long-Term Debt							
Total Liabilities	5,747	4,007	4,584	3,086	1,598	544	1,753
Total Shareholders Equity	5,426	5,587	5,391	5,164	5,134	5,143	4,808
Book Value Per Share	1.22	1.25	1.21	1.16	1.15	1.18	1.13

Comparative Per Share Information

The following table presents historical per share data of Citizens and ICC. The comparative per share data are derived from, and should be read together with, the audited historical financial statements of Citizens that are incorporated by reference into this proxy statement-prospectus and the audited historical financial statements of ICC included elsewhere in this proxy statement-prospectus. See Available Information and ICC s annual financial statements included as Appendix C to this proxy statement-prospectus.

	Citizens	ICC
Earnings per share basic fiscal year ended December 31, 2007	$0.35	$0.02
Earnings per share diluted fiscal year ended December 31, 2007	$0.18	$0.02
Book value per share as of December 31, 2007	$4.00	$1.21

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RISK FACTORS

You should consider carefully the risks described below in assessing the Merger and an investment in the Class A common stock of Citizens.

Risks Relating to the Merger

The merger consideration is fixed and will not be adjusted to reflect changes in Citizens stock value prior to the effective time of the Merger.

The Merger Agreement provides that each share of ICC common stock will be converted into the right to a fixed number of shares of Citizens Class A common stock. The merger consideration will not be adjusted to reflect any changes in the value of either of Citizens Class A common stock or ICC s common stock between the date of the Merger Agreement and the effective time of the Merger. As a result, the value of the merger consideration to be paid to ICC s shareholders will not be known at the time of the ICC special meeting, and you will not know when you vote the exact value of the shares of Citizens Class A common stock that you will receive. You are urged to obtain current market price quotations for Citizens Class A common stock prior to voting on the Merger.

Moreover, the value of Citizens Class A common stock may also rise or fall after the Merger. Stock price changes may result from a variety of factors, including completion of the Merger, general market and economic conditions, changes in the respective businesses, operations and prospects and regulatory considerations. Many of these factors are beyond Citizens control, and it is possible that the market value of Citizens Class A common stock at the time of the Merger and afterward may be substantially lower than current market value.

Some of the directors and executive officers of ICC have interests and arrangements that could have affected their respective decision to support or approve the Merger.

The interests of some of the directors and executive officers of ICC in the Merger are different from, and may be in addition to, those of ICC shareholders generally, and could have affected their decision to support or approve the Merger. These interests include:

- a proposed consulting agreement with M. Bruce VanDyke, the President and a director of ICC in the event the Merger is consummated;
- a proposed consulting agreement with Michael N. Fink, Chairman of the Board of Directors of ICC in the event the Merger is consummated;

As a result, these directors and executive officers of ICC may be more likely to recommend to ICC shareholders the approval of the Merger Agreement than if they did not have these interests.

ICC shareholders will not control the future operations of Citizens.

Currently, ICC shareholders have the power to approve or reject any matters requiring shareholder approval under Indiana law and ICC s articles of incorporation and bylaws. After the Merger, ICC shareholders will own up to approximately 2.9% of the outstanding shares of Citizens Class A common stock. Even if all former ICC shareholders vote together on all matters presented to Citizens

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shareholders, from time to time, the former ICC shareholders will not have a significant impact on the approval or rejection of future proposals of Citizens submitted to a shareholder vote.

Citizens may not be able to integrate ICIC successfully.

Realization of the anticipated benefits in the Merger will depend on Citizens ability to successfully integrate the operations of ICIC into the insurance operations of Citizens.

The process of integrating Citizens and ICIC operations could cause an interruption of or loss of momentum in business or financial performance of Citizens after the Merger. The diversion of management s attention and any delays or difficulties encountered in connection with the Merger and the integration of these operations could have an adverse effect on the business, results of operations, financial condition and price of Citizens Class A common stock. The integration process may also result in additional and unforeseen expenses. Any contemplated expense savings and synergies anticipated from the Merger may not be realized.

Failure to complete the Merger could negatively impact the share price, future business and financial results of Citizens and ICC.

If any condition to the Merger is not satisfied or, if applicable, waived, the Merger will not be completed. In addition, Citizens and ICC may terminate the Merger Agreement under certain circumstances. Citizens and ICC will also be obligated to pay certain legal and accounting fees and related expenses in connection with the Merger, whether or not the Merger is completed. In addition, Citizens and ICC have each diverted significant management resources in an effort to complete the Merger and are subject to restrictions contained in the Merger Agreement on the conduct of their businesses. If the Merger is not completed, each of Citizens and ICC will have incurred costs, including the diversion of management resources, for which it will have received little or no benefit.

Obtaining required approvals may delay the completion of the Merger or reduce the anticipated benefits.

Completion of the Merger is conditioned upon filings with, and the receipt of required approvals from, the Indiana Insurance Commissioner. The required approvals have not yet been obtained, and if they are obtained, they may impose conditions on the divisions, operations or assets of Citizens, ICC, or ICIC that may jeopardize or delay completion of the Merger or reduce the anticipated benefits of the Merger.

Risks Relating to the Business of Citizens

Note: References in the risk factors below to we, us, our, Citizens and like terms relate to Citizens, Inc. and its subsidiaries on a consolidated basis. We operate our subsidiaries as separate and distinct entities.

A substantial amount of our revenue comes from foreign residents. This involves risks associated with the possible application of foreign insurance and securities laws and regulations to our business, as well as risks from political and economic instability and currency or asset transfer restrictions.

A substantial part of our insurance policy sales are from foreign countries, primarily those located in Latin America and the Pacific Rim. There is a risk that we may lose a significant portion of these sales should adverse events occur in these countries.

We do not accept insurance applications outside of the United States. All of our assets are in the United States and all policy premiums must be paid to us in U.S. Dollars drawn on U.S. banks. As a result, we have never qualified to do business in any foreign country and have never submitted our insurance policies issued to foreign residents for review by any insurance regulatory agency. We sell our policies to foreign residents using foreign independent marketing firms and consultants, and we rely on those persons to comply with applicable laws in selling our products and offering policyholders the opportunity to participate in our stock investment plan, which is administered in the United States by our transfer agent.

The government of a foreign country could determine that its residents may not buy life insurance from us unless we became qualified to do business in that country or unless our policies purchased by its residents receive prior approval of its insurance regulators. If this were to occur, our policy sales to that country s residents would cease before any such approvals could be obtained. Also, there is no assurance that we would be able to qualify to do business in any foreign country or that its insurance regulatory authorities would approve our policies. We could also face sanctions, including fines and penalties, if a country s authorities determined any failure to qualify or otherwise comply with its laws was willful or ongoing, and we decided to continue making policy sales through independent marketing consultants to that country s residents. Any of the foregoing could reduce our revenues and materially adversely affect our results of operations and financial condition. Additionally, we do not determine whether the independent marketing consultants are required to be licensed to sell insurance in the countries in which they make insurance sales. If our marketing consultants were not in compliance with applicable laws, including licensing laws, they could be required to cease operations, which would reduce our revenues and materially, adversely affect our results of operations and financial condition. We have not obtained any advice of counsel in any foreign jurisdictions with respect to these matters. We are unable to quantify the effect of foreign regulation on our business if regulation were to be imposed on us, but we believe we could expend substantial amounts of time and incur substantial expense in complying with any foreign regulation, and we may decide to avoid a market if regulation were imposed.

The offer and sale of our Class A common stock under our stock investment plan is registered under the Securities Act of 1933. Many of our foreign policyholders invest certain cash benefits they receive with respect to their policies in our Class A common stock through this plan, which is not registered in any foreign jurisdiction. Prior to October 2005, many of our foreign policyholders assigned these cash benefits to two non-U.S. trusts for the purpose of accumulating ownership of our Class A common stock. We have not obtained any advice of counsel in any foreign jurisdiction as to whether any such participation by foreign residents is subject to foreign securities laws or regulations or whether the independent marketing consultants are subject to licensing requirements in connection with the foregoing investments. If a securities regulatory authority were to determine the offer and sale of our Class A common stock were contrary to applicable laws and regulations, we could be faced with cease and desist orders, fines and penalties.

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We could also be faced with private disputes relating to the non-U.S. trusts or our stock investment plan, including the possibility of securities law claims within the United States. In the absence of countervailing considerations, we would expect to defend any such claims and we could incur significant defense costs, including not only attorneys fees and other direct litigation costs, but also the expenditure of substantial amounts of management time that otherwise would be devoted to our business. This could materially, adversely affect our results of operations and financial condition.
We are unable to quantify the effect of foreign regulation on our business if regulation were to be imposed on us, but we believe we could expend substantial amounts of time and incur substantial expense in complying with any foreign regulation, and we may decide to avoid a market if regulation were imposed.
Additionally, if economic or political crises were to occur in any of the countries where our foreign policyowners reside, our revenues would likely decline. Also, currency control laws, regulations and decrees in foreign countries, if implemented, could materially adversely affect our revenues by imposing restrictions on asset transfers outside of a country where our insureds reside.
While our management has more than 40 years of experience in writing life insurance policies for foreign residents without any significant regulatory action or any lengthy currency controls relating to our foreign resident insureds, there can be no assurance that such situations will not occur and that our revenues, results of operations and financial condition will not be materially, adversely affected if they do occur.

Our actual claims losses may exceed our reserves for claims and we may be required to establish additional reserves, which in turn may adversely impact our results of operations and financial condition.

We maintain reserves to cover our estimated exposure for claims relating to our issued insurance policies. Reserves, whether calculated under accounting principles generally accepted in the United States, or GAAP, or statutory accounting practices prescribed by various state insurance regulators, do not represent an exact calculation of exposure, but instead represent our best estimates, generally involving actuarial projections, of what we expect claims will be based on mortality assumptions that are determined by various regulatory authorities. Many reserve assumptions are not directly quantifiable, particularly on a prospective basis. In addition, when we acquire other domestic life insurance companies, our assessment of the adequacy of acquired policy liabilities is subject to our estimates and assumptions. Reserve estimates are refined as experience develops, and adjustments to reserves are reflected in our statements of operations for the period in which such estimates are updated. Because establishment of reserves is an inherently uncertain process involving estimates of future losses, future developments may require us to increase claims reserves, which may have a material adverse effect on our results of operations and financial condition in the period in which such increase is made.

Lack of market acceptance of our new insurance products for our non-U.S. residents could negatively impact our financial results.

During 2008, we introduced new insurance products for non-U.S. residents. Our new production of insurance from non-U.S. residents slowed in the first nine months of 2008 due to our marketing force s

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lack of familiarity with, and lower than anticipated acceptance of, these new policies. Also, disruptions in some of our key markets, both governmental and internal within marketing structures, further slowed sales during the first nine months. If our foreign independent marketing consultants and marketing firms are not able to achieve sales of the new policies consistent with past levels of policy sales, we may be faced with a decrease in the number of these consultants and marketing firms, which would hinder our growth objectives. In addition, continued disruption of our foreign independent marketing consultants and marketing firms could reduce our new insurance policy sales significantly and have a material adverse effect on our results of operations and financial conditions.

We may be required to accelerate the amortization of deferred acquisition costs and the costs of customer relationships acquired, which would increase our expenses and adversely affect our results of operations and financial condition.

At September 30, 2008, we had $106.0 million of deferred policy acquisition costs, or DAC. DAC represents costs that vary with and are primarily related to the sale and issuance of our insurance policies and are deferred and amortized over the estimated life of the related insurance policies. These costs include commissions in excess of ultimate renewal commissions, solicitation and printing costs, sales material and some support costs, such as underwriting and contract and policy issuance expenses. Under GAAP, DAC is amortized to income over the lives of the underlying policies, in relation to the anticipated recognition of premiums.

In addition, when we acquire a block of insurance policies, we assign a portion of the purchase price to the right to receive future net cash flows from existing insurance and investment contracts and policies. This intangible asset, called the cost of customer relationships acquired, or CCR, represents the actuarially estimated present value of future cash flows from the acquired policies. At September 30, 2008, we had $29.5 million of CCR. We amortize the value of this intangible asset in a manner similar to the amortization of DAC.

Our amortization of DAC and CCR generally depends upon anticipated profits from investments, surrender and other policy charges, mortality, morbidity and maintenance expense margins. For example, if our insurance policy lapse and surrender rates were to exceed the assumptions upon which we priced our insurance policies, or if actual persistency proves to be less than our persistency assumptions, especially in the early years of a policy, we would be required to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy. We regularly review the quality of our DAC and CCR to determine if they are recoverable from future income. If these costs are not recoverable, they are charged to expenses in the financial period in which we make this determination.

Unfavorable experience with regard to expected expenses, investment returns, surrender and other policy changes, mortality, morbidity, lapses or persistency may cause us to increase the amortization of DAC or CCR, or both, or to record a current period expense to increase benefit reserves, any of which could have a material adverse effect on our results of operations and financial condition.

We may be required to recognize other than temporary impairment in the value of our goodwill, which would increase our expenses and materially adversely affect our results of operations and financial condition.

Goodwill represents the excess of the amount paid to acquire various life insurance companies over the fair value of their net assets at the date of the acquisition. Under GAAP, we test the carrying value of goodwill for impairment at least annually at the reporting unit level, which is either an operating segment or a business one level below the operating segment. Goodwill is impaired if its carrying value exceeds its implied fair value. This may occur for various reasons, including changes in actual or expected earnings or cash flows of a reporting unit, generation of earnings by a reporting unit at a lower rate than similar businesses or declines in market prices for publicly traded businesses similar to our reporting units. If any portion of our goodwill becomes impaired, we would be required to recognize the amount of the impairment as a current-period expense, which could have a material adverse effect on our results of operations and financial condition. We performed assessments of whether goodwill was impaired on December 31, 2006 and wrote off $1.0 million of goodwill in 2006. No impairment of goodwill was identified by us in 2005 or 2007.

Gross unrealized losses may be realized or result in future impairments.

Our gross unrealized losses on our securities portfolio at September 30, 2008 were $21.3 million net of tax compared to $2.1 million net of tax at December 31, 2007. While we intend to hold these instruments to maturity, realized losses or impairments on them may have a material adverse impact on our results of operation and financial position.

We are a defendant in lawsuits, which may adversely affect our financial condition and detract from the time our management is able to devote to our business, and we are subject to risks related to litigation and regulatory matters.

We and certain of our insurance subsidiaries are defendants in various lawsuits described in the SEC reports we incorporated by reference into this proxy statement-prospectus, if determined adversely to us or our subsidiaries, could expose us to class action damages which could have a material adverse affect on our results of operating and financial condition. These lawsuits are in various stages of discovery and procedural processes, and it is not possible to evaluate potential monetary exposure to us or our subsidiaries. In addition, litigating these cases is costly and can be time consuming.

Reinsurers with which we do business could increase their premium rates and may not honor their obligations, leaving us liable for the reinsured coverage.

We reinsure certain risks underwritten by our various operating segments. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase. The high cost of reinsurance or lack of affordable coverage could adversely affect our results of operations and financial condition.

Our reinsurance facilities are generally subject to annual renewal. We may not be able to maintain our current reinsurance facilities and, even if highly desirable or necessary, we may not be able to obtain replacement reinsurance facilities in adequate amounts or at favorable rates. If we are unable to renew our expiring facilities or to obtain new reinsurance facilities, either our net exposures would increase or, if we are unwilling or unable to bear an increase in net exposures, we may have to reduce the level of our underwriting commitments. In addition, our reinsurance facilities may be cancelled, pursuant to their

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terms, upon the occurrence of certain specified events, including a change of control of Citizens (generally defined as the acquisition of 10% or more of our voting equity securities) or the failure of our insurance company subsidiaries to maintain the minimum required levels of statutory surplus. Any of these potential developments could materially adversely affect our revenues, results of operations and financial condition.

For the majority of our business, we retain only the first $100,000 of risk on any one life and cede the remaining risk to our reinsurers. In 2007, we reinsured $274 million of face amount of our life insurance policies, and in 2006 we reinsured $259 million of face amount of our life insurance policies. Amounts reinsured in 2007 and 2006 represented 5.7% and 5.6%, respectively, of the face amount of life insurance in effect in both years. Although the cost of reinsurance is, in some cases, reflected in premium rates, under certain reinsurance agreements, the reinsurer may increase the rate it charges us for reinsurance. If our cost of reinsurance were to increase, we might not be able to recover these increased costs, and our results of operations and financial condition could be materially and adversely affected.

Although our reinsurers are liable to us to the extent of the ceded reinsurance, we remain liable to our policyholders as the direct insurer with respect to all reinsured risks. As a result, ceded reinsurance arrangements do not eliminate our obligation to pay claims. We are subject to the credit risks of our reinsurers. Our reinsurers may not pay the reinsurance recoverables that they owe to us or they may not pay such recoverables on a timely basis. A reinsurer s insolvency, underwriting results or investment returns may affect its ability to fulfill its reinsurance obligations to us. Our receivable from reinsurers was $16.0 million at December 31, 2006 and $13.5 million at December 31, 2007.

In addition, effective January 1, 2004, one of our insurance subsidiaries entered into a coinsurance agreement with an unaffiliated company under which it ceded substantially all of the accident and health insurance policies issued. At December 31, 2007, the coinsurance company had established statutory accounting liabilities for these policies of $6.2 million. Our subsidiary has established trust accounts totaling $6.8 million for payment to the coinsurance company for claims under these policies. To the extent the sums in the trust accounts are not sufficient to cover claims under such policies and the coinsurance company does not meet its obligations under the coinsurance agreement, our subsidiary would be contingently liable to the policyholders.

We may not be able to continue our past strategy of acquiring other U.S. life insurance companies, and we may not realize improvements to our financial results as a result of our past or any future acquisitions.

We have acquired 15 U.S. life insurance companies since 1987. Our objective in this strategy has been to increase our assets, revenues and capital, improve our competitive position and increase our earnings, in part by realizing certain operating efficiencies associated with economies of scale. Prior to 2004, increases in earnings from the completed acquisitions were not significant.

We evaluate possible acquisitions of other insurance companies on an ongoing basis. While our business model is not dependent primarily upon acquisitions, the time frame for achieving or further improving our market positions can be shortened through acquisitions. There can be no assurance that suitable

acquisitions presenting opportunities for continued growth and operating efficiencies will be available to us, or that we will realize the anticipated financial results from the acquisitions we do complete.

Even if we identify and complete insurance company acquisitions, we may be unable to integrate them on an economically favorable basis. Implementation of an acquisition strategy entails a number of risks, including, among others:

- inaccurate assessment of liabilities, contingent liabilities or the adequacy of claims reserves;
- difficulties in realizing projected efficiencies, synergies and cost savings;
- failure to achieve anticipated revenues, earnings or cash flow;
- an increase in indebtedness and a limitation on our ability to access additional capital when needed; and
- adverse changes in the economies of geographic regions in which the businesses of our acquisitions are concentrated, due to natural disasters, changing population demographics, governmental actions and other causes.

The occurrence of any of these events could have a material adverse effect on our results of operations and financial condition.

Our international and domestic operations face significant competition.

Our international marketing plan focuses on making available U.S. Dollar-denominated life insurance products to high net worth, high income individuals residing in more than 35 countries. New competition could cause the supply of insurance to change, which could affect our ability to price our products at attractive rates thereby adversely affecting our revenues, results of operations and financial condition. Although there are some impediments facing potential competitors that wish to enter the foreign markets we serve, the entry of new competitors into these markets may occur, affording our customers reason to change to other insurance providers. We experience competition primarily from the following sources with respect to our business with foreign residents, many of which have substantially greater financial, marketing and other resources than we have:

- Foreign operated companies with U.S. Dollar policies. We face direct competition from companies that operate in the same manner as we operate in our international markets. These competitors include National Western Life Insurance Company, Best Meridian Insurance Company and, to a lesser extent, Pan American Life Insurance Company and American International Group.
- Companies foreign to the countries in which policies are sold but that issue local currency policies. Another group of our competitors in the international marketplace consists of companies that are foreign to the countries in which the policies are sold but issue life insurance policies denominated in the local currencies of those countries. Local currency policies provide the benefit of assets located in the country of foreign residents but entail risks of uncertainty due to local currency fluctuations as well as the perceived instability and weakness of local currencies.

Locally operated companies with local currency policies. We compete with companies formed and operated in the country in which our foreign insureds reside. Generally, these companies are subject to risks of currency fluctuations, and they primarily use mortality tables based on experience of the local population as a whole. These mortality tables are typically based on significantly shorter life spans than those we use. As a result, the cost of insurance from these companies tends to be higher than ours. Although these companies typically market their policies to a broader section of the population than do our independent marketing firms and consultants, there can be no assurance that these companies will not endeavor to place a greater emphasis on our target market and compete more directly with us.

In the United States, we compete with more than 1,000 other life insurance companies of various sizes. The life insurance business in the United States is highly competitive, in part because it is a mature industry that, in recent years, has experienced little to no growth in life insurance sales. Many domestic life insurance companies have substantially greater financial resources, longer business histories and more diversified lines of insurance coverage than we do. These companies also have larger sales forces than we have. Competition in the United States has also increased recently because the life insurance industry is consolidating, with larger, more efficient organizations emerging from the consolidation. In addition, legislation became effective in 2000 that permits commercial banks, insurance companies and investment banks to combine. This legislation permits, for instance, a commercial bank to acquire or form an insurance company. We believe these factors have increased competitive pressures in the life insurance market in general.

In addition, from time to time, companies enter and exit the markets in which we operate, thereby increasing competition at times when there are new entrants. We may lose business to competitors offering competitive products at lower prices, or for other reasons.

There can be no assurance that we will be able to compete effectively in any of our markets. If we do not, our business, results of operations and financial condition will be materially and adversely affected.

Sales of our products may be reduced if we are unable to (i) establish and maintain commercial relationships with independent marketing firms and consultants (ii) attract and retain employee agents or (iii) develop and maintain our distribution sources.

We distribute our insurance products through several distribution channels, including independent marketing firms and consultants and our employee agents. These relationships are significant for both our revenues and our profits. In our life insurance segment, we depend almost exclusively on the services of independent marketing firms and consultants. In our home service insurance segment, we depend on employee agents whose role in our distribution process is integral to developing and maintaining client relationships. Significant competition exists among insurers to form relationships with marketers of demonstrated ability. Some of our competitors may offer better compensation packages for marketing firms, consultants and agents and broader arrays of products and have a greater diversity of distribution resources, better brand recognition, more competitive pricing, lower cost structures and greater financial strength or claims paying ratings than we do. We compete with other insurers for marketing firms, independent consultants and employee agents primarily on the basis of our compensation and support services. Any reduction in our ability to attract and retain effective sales representatives could materially adversely affect our revenues, results of operations and financial condition.

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Loss of the services of our senior management team would likely hinder development of our operating and marketing programs and our strategy for expanding our business.

We rely on the active participation of our Chairman of the Board and Chief Executive Officer, Harold E. Riley (age 80), and our Vice Chairman of the Board and President, Rick D. Riley (age 55), in connection with the development and execution of our operating and marketing plans and strategy for expanding our business. We anticipate that their expertise will continue to be of substantial value in connection with our operations. The loss of the services of either of these individuals could have a significant adverse effect on our business and prospects. We do not have an employment agreement with either of these persons nor do we carry a key-man insurance policy on either of their lives.

We are subject to extensive governmental regulation in the United States, which increases our costs of doing business and could restrict the conduct of our business.

We are subject to extensive regulation and supervision in the U.S. jurisdictions in which we do business as well as anti-money laundering regulations adopted under the U.S. Patriot Act. Insurance company regulation is generally designed to protect the interests of policyholders, with substantially lesser protections to the shareholders of the regulated insurance companies. To that end, the laws of the various states in which we do business establish insurance regulatory agencies with broad powers with respect to such things as:

- licensing companies to transact business;
- authorizing lines of business;
- mandating capital and surplus requirements;
- imposing dividend limitations;
- approving changes in control;
- licensing agents and distributors of insurance products;
- placing limitations on the minimum size and certain other provisions of life insurance contracts;
- restricting companies ability to enter and exit markets;
- admitting statutory assets;
- mandating certain insurance benefits;
- restricting companies ability to terminate or cancel coverage;
- requiring companies to provide certain types of coverage;
- regulating premium rates, including the ability to increase premium rates;

- approving policy forms;
- regulating trade and claims practices;
- imposing privacy requirements;
- establishing reserve requirements and solvency standards;
- restricting certain transactions between affiliates;
- mandating assessments or other surcharges for guaranty funds;
- regulating market conduct and sales practices of insurers and their marketing agents; and
- restricting contact with consumers, such as the recently created national do not call list, and imposing consumer protection measures.

The capacity for an insurance company s growth in premiums is partially a function of its statutory regulatory surplus. Maintaining appropriate levels of statutory surplus, as measured by statutory accounting practices prescribed or permitted by a company s state of domicile, is considered important by insurance regulatory authorities. Failure to maintain required levels of statutory surplus could result in increased regulatory scrutiny and enforcement action by regulatory authorities.

Most insurance regulatory authorities have relatively broad discretion to grant, renew, suspend and revoke licenses and approvals, and could preclude or temporarily suspend us from carrying on some or all of our activities, including acquisitions of other insurance companies, require us to add capital to our insurance company subsidiaries, or fine us. If we are unable to maintain all required licenses and approvals, or if our U.S. domestic insurance business is determined not to comply fully with the wide variety of applicable laws and regulations, including the U.S. Patriot Act, or a relevant authority s interpretation of the laws and regulations, our revenues, results of operations and financial condition could be materially adversely affected.

Changes in U.S. regulation may adversely affect our results of operations and financial condition and limit our prospective growth.

Currently, the U.S. federal government does not regulate directly the insurance business. However, federal legislation and administrative policies in several areas can materially and adversely affect insurance companies, including our Company. These areas include the U.S. Patriot Act, financial services regulation, securities regulation, including the Sarbanes-Oxley Act of 2002, pension regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct federal regulation of insurance have been proposed from time to time.

Our failure to maintain effective information systems could adversely affect our business.

Our business is dependent upon our ability to keep up to date with technological advances. This is particularly important in our life insurance operations, where our information systems are critical to the

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operation of our business. Our failure to update these systems to reflect technological advancements or to protect our systems may adversely affect our business.

We must maintain and enhance our existing information systems and develop new information systems in order to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and changing customer preferences. If we do not maintain adequate systems, we could experience adverse consequences, including:

- inadequate information on which to base pricing, underwriting and reserve decisions;
- the loss of existing customers;
- difficulty in attracting new customers;
- disputes with customers and our independent marketing firms, consultants and employee agents;
- regulatory problems, such as failure to meet prompt payment obligations;
- litigation exposure; and
- increases in administrative expenses.

Some of our information technology systems and software are mainframe-based, legacy-type systems and require an ongoing commitment of resources to maintain current standards. We continuously enhance and update our systems to keep pace with changes in our products and business models, information processing technology, evolving industry and regulatory standards and policyholder needs. Our success is in large part dependent on maintaining and enhancing the effectiveness of existing systems, as well as continuing to integrate, develop and enhance our information systems to support business processes in a cost-effective manner.

Our failure to maintain effective and efficient information systems, or our failure to efficiently and effectively consolidate our information systems to eliminate redundant or obsolete applications, could have a material adverse effect on our results of operations and financial condition.

We have in the past identified material weaknesses in our disclosure controls and controls over financial reporting. To the extent that we may have not remedied these weaknesses or fail to maintain our current system of internal controls to an effective level with regard to material weaknesses, we may not be able to report our financial results accurately. As a result, we could be required to restate our financial statements and be exposed to increased regulatory scrutiny and litigation from investors and others.

Effective internal controls are necessary for us to provide reliable financial reports. If we are unable to provide reliable financial reports, we could become subject to SEC and other regulatory review and sanctions, as well as litigation that could result in substantial fines, penalties or liabilities, and our results of operations and financial condition, and the market value of our securities, could be materially and adversely affected as a result. We have in the past discovered, and may in the future discover, areas of our internal controls that need improvement.

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Our failure to protect confidential information and privacy could result in the loss of customers, subject us to fines and penalties and adversely affect our results of operations and financial condition.

Our insurance subsidiaries are subject to privacy regulations and to confidentiality obligations. We also have legal obligations to protect certain confidential information we obtain from our existing vendors. These obligations generally include protecting confidential information in the same manner and to the same extent as we protect our own confidential information. The actions we take to protect confidential information include among other things:

- monitoring our record retention plans and policies and any changes in state or federal privacy and compliance requirements;
- maintaining secure storage facilities for tangible records; and
- limiting access to electronic information in order to safeguard certain current information.

In addition, the Gramm-Leach-Bliley Act requires that we deliver a notice regarding our privacy policy both at the delivery of an insurance policy and annually thereafter. Certain exceptions are allowed for sharing of information under joint marketing agreements. However, certain state laws may require us to obtain a policyholder s consent before we share information.

We have, and maintain, a written information security program with appropriate administrative, technical and physical safeguards to protect such confidential information. If we do not comply with privacy regulations and protect confidential information, we could experience adverse consequences, including regulatory sanctions, loss of reputation and litigation, any of which could have a material adverse effect on our business, results of operations and financial condition.

The insurance industry in which we operate may be subject to periodic negative publicity, which may negatively impact our financial results.

We interface with and distribute our products to individual consumers. There may be a perception that these purchasers may be unsophisticated and in need of consumer protection. Accordingly, from time to time, consumer advocate groups or the media may focus attention on our products, thereby subjecting us to periodic negative publicity. We may also be negatively impacted if another insurance company engages in practices resulting in increased public attention to our businesses. Negative publicity may result in lower sales of insurance, lower persistency of our insurance products, increased regulation and legislative scrutiny of industry practices as well as increased litigation, which may further increase our costs of doing business and impede our ability to market our products. As a result, our business, results of operations and financial condition could be materially and adversely affected.

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General economic, financial market and political conditions may materially and adversely affect our results of operations and financial condition.

Our results of operations and financial condition may be materially and adversely affected from time to time by general economic, financial market and political conditions, both in the United States and in the foreign countries where our policy owners reside. These conditions include economic cycles such as:

- insurance industry cycles;
- levels of employment;
- levels of consumer spending;
- levels of inflation;
- movements of the financial markets;
- fluctuations in interest rates, monetary policy, demographics; and
- legislative and competitive changes.

During periods of economic downturn, our insureds may choose not to purchase our insurance products, may terminate existing policies or contracts, permit them to lapse or may choose to reduce the amount of coverage purchased, any of which could have a material adverse effect on our results of operations and financial condition.

Our insurance subsidiaries are restricted by applicable laws and regulations in the amounts of fees, dividends and other distributions they may make to us. The inability of our subsidiaries to make payments to us in sufficient amounts for us to conduct our operations could adversely affect our ability to meet our obligations or expand our business.

As a holding company, our principal asset is the capital stock of our subsidiaries. We rely primarily on statutorily permissible payments from our insurance company subsidiaries, principally through service agreements we have with our subsidiaries, to meet our working capital and other corporate expenses. The ability of our insurance company subsidiaries to make payments to us is subject to regulation by the states in which they are domiciled, and these payments depend primarily on approved service agreements between us and these subsidiaries and, to a lesser extent, the statutory surplus (which is the excess of assets over liabilities as determined under statutory accounting practices prescribed by an insurance company s state of domicile), future statutory earnings (which are earnings as determined in accordance with statutory accounting practices) and regulatory restrictions.

Generally, the net assets of our insurance company subsidiaries available for dividends are limited to either the lesser or greater (depending on the state of organization) of the subsidiary net gain from operations during the preceding year and 10% of the subsidiary s net statutory surplus as of the end of the preceding year as determined in accordance with accounting practices prescribed by insurance regulatory authorities. Total capital and surplus of CICA as of December 31, 2007 was approximately

$51.6 million. Based upon statutory net gain from operations and surplus of CICA for the year ended December 31, 2007, approximately $4.8 million of dividends could be paid to us in 2008 without prior regulatory approval. In late 2007 and 2008, SPLIC paid a $4.6 million and $5.6 million dividend to CICA, respectively. Funeral Homes of America paid a $255,000 dividend to CICA in 2007.

Except to the extent that we are a creditor with recognized claims against our subsidiaries, claims of our subsidiaries creditors, including policyholders, have priority with respect to the assets and earnings of the subsidiaries over the claims of our creditors and shareholders. If any of our subsidiaries becomes insolvent, liquidates or otherwise reorganizes, our creditors and shareholders will have no right to proceed in their own right against the assets of that subsidiary or to cause the liquidation, bankruptcy or winding-up of the subsidiary under applicable liquidation, bankruptcy or winding-up laws.

Adverse capital and credit market conditions may significantly affect our access to debt and equity capital and our cost of capital in seeking to expand our business.

The capital and credit markets have been experiencing extreme volatility and disruption for over a year. In recent months, the volatility and disruption reached unprecedented levels. In some cases, the markets exerted downward pressure on availability of debt and equity capital for certain issuers, including short term liquidity and credit capacity. The availability of equity and debt financing to us will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the financial services industry, our credit capacity, as well as the possibility that investors or lenders could develop a negative perception of our long- or short-term financial prospects. Disruptions, uncertainty or volatility in the capital markets may also limit our access to equity capital for us to seek to expand our business. As such, we may be forced to delay raising capital, or bear an unattractive cost of capital which could decrease our profitability.

Difficult conditions in the global capital markets and the world economy generally may materially adversely affect our business and results of operations and we do not expect these conditions to improve in the near future.

Our results of operations are materially affected by conditions in the economy generally, both in the U.S. and elsewhere around the world. The stress experienced by global capital markets that began in the second half of 2007 continued and substantially increased during the third quarter of 2008. Recently, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining real estate market in the U.S. have contributed to increased volatility and diminished expectations for the world economy and the equity and debt markets going forward. These factors, combined with volatile commodity prices, declining business and consumer confidence and increased unemployment, have precipitated a global recession. As a result, domestic and international equity markets have been experiencing heightened volatility and turmoil, with issuers in the financial services industry particularly affected. These events and the continuing market upheavals may have an adverse effect on us, in part because we are dependent upon customer behavior. Our revenues could decline in such circumstances and our profit margins could erode.

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Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of our business. In an economic downturn characterized by higher unemployment, lower personal incomes, lower corporate earnings, lower business investment and lower consumer spending, the demand for our insurance products could be adversely affected. In addition, we may experience an elevated incidence of lapses or surrenders of our insurance policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Adverse changes in the global economy could therefore affect earnings negatively and could have a material adverse effect on our business, results of operations and financial condition.

There can be no assurance that actions of the U.S. Government, the Federal Reserve and other governmental and regulatory bodies for the purpose of stabilizing the financial markets will achieve the intended effect.

In response to the financial crises affecting the U.S. banking system and financial markets and going concern threats to investment banks and other financial institutions, on October 3, 2008, President Bush signed the Emergency Economic Stabilization Act of 2008 (the EESA) into law. Pursuant to the EESA, the U.S. Treasury has the authority to, among other things, purchase up to $700 billion of mortgage-backed and other securities from financial institutions for the purpose of stabilizing the financial markets and invest in financial services companies. The Federal Government, the Federal Reserve and other governmental and regulatory bodies have taken or are considering taking other actions to address the current financial crisis, including purchases of commercial paper. There can be no assurance as to what impact such actions will have on the financial markets, including the high levels of volatility currently being experienced. Such continued volatility could materially and adversely affect our business, financial condition and results of operations, or the trading price of our Class A common stock.

Risks Relating to Our Class A Common Stock

The price of our Class A common stock may be volatile and may be affected by market conditions beyond our control.

Our Class A common stock price is likely to fluctuate in the future and could decline materially because of the volatility of the stock market in general and as a result of a variety of other factors, many of which are beyond our control, including:

- quarterly or annual variations in actual or anticipated results of our operations;
- interest rate fluctuations;
- changes in financial estimates by securities analysts;
- valuations of similarly situated companies in our industry;
- our failure to meet the expectations of securities analysts and investors;
- actions or announcements by our competitors;

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- competition and other factors affecting the life insurance business generally; and
- conditions in the U.S. and world economies.

Our Class A common shareholders will not control us for the foreseeable future, will have a limited ability to influence our business policies and corporate actions and will not by themselves be able to elect any directors.

It is difficult for minority shareholders to elect any of our directors or otherwise exert influence over our business. Holders of our outstanding Class B common stock are entitled to elect a simple majority of our board of directors and are therefore deemed our ultimate controlling party. All of our Class B common stock is currently owned indirectly by the Harold E. Riley Trust of which Harold E. Riley, our Chairman of the Board and Chief Executive Officer, is the sole trustee. Additionally, Harold E. Riley beneficially owns approximately 9.6% of the outstanding shares of our Class A common stock.

Our articles of incorporation and bylaws, as well as applicable state insurance laws, may discourage takeovers and business combinations that our shareholders might consider to be in their best interests.

Our articles of incorporation and bylaws, as well as various state insurance laws, may delay, deter, render more difficult or prevent a takeover attempt that our shareholders might consider in their best interests. As a result, our shareholders will be prevented from receiving the benefit from any premium to the market price of our Class A common stock that may be offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our Class A common stock if they are viewed as discouraging takeover attempts in the future.

The following provisions in our articles of incorporation and bylaws make it difficult for our Class A shareholders to replace or remove our directors and have other anti-takeover effects that may delay, deter or prevent a takeover attempt:

- holders of shares of our Class B common stock elect a simple majority of our board of directors, and all of these shares are owned by the Harold E. Riley Trust; and
- our board of directors may issue one or more series of preferred stock without the approval of our shareholders.

State insurance laws generally require prior approval of a change in control of an insurance company. Generally, such laws provide that control over an insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of the insurer. In considering an application to acquire control of an insurer, an insurance commissioner generally will consider such factors as the experience, competence and financial strength of the applicant, the integrity of the applicant s board of directors and executive officers, the acquirer s plans for the management and operation of the insurer, and any anti-competitive results that may arise from the acquisition. In addition, a person seeking to acquire control of an insurance company is required in some states to make filings prior to completing an acquisition if the

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acquirer and the target insurance company and their affiliates have sufficiently large market shares in particular lines of insurance in those states. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control involving us, including through transactions, and in particular unsolicited transactions, that some or most of our shareholders might consider to be desirable and in which our shareholders may receive a premium.

We have never paid any cash dividends on our Class A common stock and do not anticipate doing so in the foreseeable future.

We have never paid cash dividends on our Class A common stock, as it is our policy to retain earnings for use in the operation and expansion of our business.

There are a substantial number of shares of our Class A common stock eligible for future sale in the public market. The sale of a large number of these shares could cause the market price of our Class A common stock to fall.

There were 45,647,516 shares of our Class A common stock issued and outstanding as of January 8, 2009. Members of our management and other affiliates owned approximately 5,800,000 shares of our Class A common stock as of this date, representing approximately 13.0% of our outstanding Class A common stock. These shares have been registered for public resale and may be sold freely.

In addition, a total of 2,649,227 shares of our Class A common stock are issuable upon the conversion of our Series A-1 and Series A-2 preferred stock and the exercise of warrants granted in connection therewith. We have a registration statement currently in effect that allows the public resale of all such shares of Class A common stock.

If our preferred and common shareholders sell a large number of shares of our Class A common stock, the market price of shares of our Class A common stock could decline significantly. Moreover, the perception in the public market that our shareholders might sell shares of our Class A common stock could depress the market price of our Class A common stock.

Holders of our Series A preferred stock may obtain the right to require us to redeem their Series A preferred stock and we will be required to redeem any shares of Series A preferred stock that remain outstanding on July 12, 2009.

We will be required to redeem any shares of our Series A preferred stock that remain outstanding on July 12, 2009 at the original investment price, plus all accrued but unpaid dividends.

We can elect to pay the redemption price in shares of our Class A common stock if:

- the average closing price of the stock is in excess of $3.50 per share for a period of ten consecutive trading days prior to (but not including) the date that is three trading days prior to the date of redemption;
- the stock is listed on NYSE or other eligible market; and

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the stock to be issued is registered under a registration statement effective with the SEC.
We intend to pay the redemption price of our Series A preferred stock in shares of our Class A common stock to the extent the conditions described above are satisfied and we are permitted to do so. The number of shares of our Class A common stock that we issue to redeem these shares of Series A preferred stock could have a dilutive effect on the book value of the shares of Class A common stock held by existing holders. However, provisions of our Series A preferred stock could require us to pay part or all of the redemption price in cash, rather than in shares of our Class A common stock, under certain circumstances, including failure to meet the conditions described above.
The provisions of our Series A preferred stock require that if (i) the closing price of our Class A common stock for any 42 trading days, including a period not less than five consecutive trading days, is less than $4.80, or (ii) we issue Class A common stock or common stock equivalents for less than $6.11 per share, then the holders of our Series A preferred stock may require us to redeem their shares of Series A preferred stock at a price equal to the amount of the original holder s original investment, plus all accrued but unpaid dividends thereon to the date of payment. If we are required, or elect, to redeem shares of our Series A preferred stock for cash, we may have to curtail our growth and acquisition plans.
Provisions applicable to our Series A preferred stock may make it more difficult or prevent us from raising funds or taking certain other actions.
Certain provisions applicable to the outstanding shares of our Series A preferred stock trigger rights of first refusal or payment provisions and require us to obtain the approval of the holders of such shares to (i) incur debt or allow liens on our property, other than certain permitted debt and liens, (ii) amend our articles of incorporation so as to affect adversely any rights of the preferred shareholders, (iii) authorize or create a new class of stock that will be senior or equal to our Series A preferred stock in terms of dividends, redemption or distribution of assets or (iv) take other specified actions. These provisions may make it more difficult for us to take certain corporate actions and could delay, deter or prevent future financings. Our Series A preferred stock does not have any preemptive rights relating to the shares of Class A common stock proposed to be issued in the Merger.
In all other offerings of our shares of Class A common stock, such as a private placement of shares, unless certain limited exceptions apply, the holders of our Series A preferred stock will generally be entitled to purchase up to 50% of the number of shares of our Class A common stock offered by us. These preemptive rights could delay, deter or prevent future equity financings.

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SPECIAL MEETING OF ICC SHAREHOLDERS

Date, Time and Place of Meeting

ICC Special Meeting

A special meeting of ICC shareholders will be held on Monday, February 23, 2009, at 10:00 a.m., Eastern Standard Time, at the Valle Vista Conference Center, 755 East Main Street, Greenwood, Indiana 46143.

Business to Be Transacted at the Special Meeting

This proxy statement-prospectus was mailed to ICC shareholders on or about February 2, 2009 to solicit proxies to vote on the proposed Merger of ICC and Acquisition under which ICC will become a wholly-owned subsidiary of Citizens. This proxy statement-prospectus also solicits proxies to vote on any motion to adjourn or postpone the special meeting to another time and/or place. A vote for the proposal on the proxy card authorizing the named proxies to vote the shares covered by the proxy in their discretion with respect to adjourning or postponing the special meeting would allow the proxies to adjourn or postpone the special meeting in order to solicit additional proxies for purposes of obtaining a quorum or more votes in favor of the Merger.

As of the date of this proxy statement-prospectus, neither Citizens nor ICC are aware of other business that will come before the ICC special meeting.

Voting Securities

Only ICC shareholders of record at the close of business on January 15, 2009 will be entitled to vote at the special meeting. On that date, there were issued and outstanding 4,462,206 shares of ICC common stock. Each share of ICC common stock is entitled to one vote per share with respect to the Merger. The affirmative vote of a majority of the outstanding common stock of ICC is necessary to approve the Merger.

Voting Securities and Principal Holders Thereof

The following table sets forth information as of January 15, 2009, regarding ownership of common stock of ICC by (i) by its executive officers and directors, (ii) by its executive officers and directors as a group, and (iii) the persons known by ICC to own beneficially 5% or more of its shares.

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Ownership of ICC Common Stock

Name and Present Positions with ICC	Ownership of Common Stock Shares	Percent of Class
Michael N. Fink, Chairman of the Board	67,000	1.5%
M. Bruce VanDyke, President, Treasurer and Director	585,000	13.1
Gerald A. Eastlund, Director	50,000	1.1
George R. Likens, Director	146,950	3.3
Robert H. Menke, Jr., Director	58,000	1.3
Dale L. Orem, Director	55,000	1.2
Robert T. Smith, II, Director	70,000	1.6
R. Dean Branan, Secretary and Assistant Treasurer	75,000	1.7
Officers and Directors as a Group (8 persons)	1,106,950	24.8%
5% or more Shareholders		
M. Bruce VanDyke 65 Airport Parkway, Suite 118 Greenwood, IN 46143	585,000	13.1%
CICA Insurance Company of America (1) 400 East Anderson Lane Austin, TX 78752	585,000	13.1%

(1) Citizens is the beneficial owner of these shares through CICA.

Revocability of Proxies

Any ICC proxy may be revoked before its exercise at the special meeting or any adjournment thereof by:

- giving written notice of revocation to the Secretary of ICC prior to the special meeting;
- giving written notice of revocation to the Secretary of ICC at the special meeting; or

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signing and delivering a proxy bearing a later date.

The presence of a shareholder at the special meeting will not revoke his or her proxy. However, being present at the special meeting allows a shareholder to revoke any prior proxy and to vote in person.

Proxy Solicitation

ICC will pay the costs of soliciting proxies. Officers and employees of ICC may solicit proxies by telephone and personally, in addition to solicitation by mail. These persons will receive their regular salaries but no special compensation for soliciting proxies. ICC will reimburse brokers, custodians, nominees or other fiduciaries for their reasonable charges and expenses in forwarding materials to beneficial owners of shares.

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PROPOSED MERGER

Background and Reasons

During 2008, management and the Board of Directors of ICC in informal discussions among themselves considered whether ICC should explore strategic alternatives, including a sale of the company. ICC had conducted its initial operations for several years and management had concerns that taking ICC to the next level would involve significant capital, human resources and additional business risk. ICC was incorporated under Indiana law on May 23, 2000 for the primary purpose of organizing a life insurance subsidiary. ICIC commenced insurance operations on March 6, 2004. ICIC had developed its initial insurance product and management felt in 2008 that it was time for ICIC to develop new policies or consider other alternatives for growth. The development of new policies and a new marketing thrust would require significant management time and would require significant capital.

During the summer of 2008, with the domestic economy in a downturn, management began to consider seriously whether the sale of the company should be pursued, particularly in light of ICC s capital needs in order to expand its business and grow. Mike Fink, Chairman of Board of ICC, was acquainted with Citizens through the 2003 sale of a company he founded, First Alliance Corporation, to Citizens, and Mr. Fink had worked for Citizens in various capacities for a few years thereafter. ICC has an existing services agreement with Citizens and CICA has a reinsurance agreement with ICIC. Further, the initial insurance product marketed by ICIC was modeled on a product that Citizens had developed. Thus, management of ICC was well acquainted with Citizens, its history and its capabilities. In late August, M. Bruce VanDyke, President and Treasurer of ICC, and Mr. Fink determined to call Rick Riley, Vice Chairman and President of Citizens, to discuss whether Citizens would be interested in pursuing a possible acquisition of ICC by Citizens.

Based on preliminary telephone discussions, the parties agreed that Rick Riley would travel to Lexington, Kentucky to further explore the matter. On September 5, 2008, Mr. Riley traveled to Lexington and met with Messrs. VanDyke and Fink. There the parties discussed at length their respective businesses, including life insurance operations of each party, the agency forces, investment portfolios, the policies that were being sold and developed by Citizens and the insurance policies of ICIC. Also discussed were the benefits ICC shareholders would have in owning Citizens Class A common stock, an equity security which is traded on the New York Stock Exchange, as well as opportunities for growth of Citizens, and that shareholders of ICC could participate in those potential growth opportunities. In addition, it was discussed whether management of ICC and ICIC would remain as is and whether Messrs. VanDyke and Fink would continue in some sort of working or consulting capacity with ICIC and Citizens in the event of a business combination of the parties.

Over the following weeks, further discussions and negotiations occurred over the telephone with respect to valuing the respective companies and the structure of a business combination. Citizens prepared a nonbinding term sheet and distributed it to ICC management under which the transaction structure would be a tax deferred or tax free merger. Management of ICC reviewed the book value of the company under generally accepted accounting principles (approximately $1.22 per share, as well as the capital and surplus of ICIC, the market value of its investments, the premium income of ICIC, policy reserves, its agency force, and the value of its state insurance license. Management of ICC reviewed the financial statements of Citizens and the trading history of the Class A common stock of Citizens over the past several years. On September 22, 2008, the ICC Board of Directors met to discuss possible

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business combination of ICC and Citizens and approved further negotiations by ICC with management of Citizens. On October 15, 2008, ICC received a draft of the Merger Agreement which had been prepared by Citizens. In the draft Merger Agreement, Citizens offered a merger transaction structured to be tax deferred to the shareholders of ICC, with merger consideration to the ICC shareholders of one share of Citizens Class A common stock for each three shares of ICC common stock. October 30, 2008, Messrs. VanDyke and Fink met with Mr. Riley in Chicago, Illinois to discuss and review the Merger Agreement. A subsequent draft of the Merger Agreement was distributed to the parties on November 10, 2008. On November 11, 2008, the Board of Directors of ICC met and approved the Merger Agreement, and it was executed on November 11, 2008 by the parties.

Value of Integrity Capital Corporation

Management of ICC and management of Citizens reviewed carefully the assets and liabilities of ICC, and it was concluded that determination of the value for ICC should be based upon an embedded value basis of ICIC and then the other assets of ICC consisting of bonds and cash, were added to the overall value. The statutory book value of ICIC was considered by Citizens based on its experience in acquiring small insurance companies over the past 30 years. Accordingly, the capital and surplus of ICIC was reviewed as well as its annual insurance premium revenue valued based upon the anticipated profitability of the inforce policies and paid-up policy reserves. State licenses, projected agency force production, and non-admitted assets were also considered. The table below sets forth the values that were used by the parties.

Integrity Capital Corporation and ICIC
Embedded Value Calculation

Item	Amount
ICIC	$ 2,373,908
Capital & Surplus	$ 2,373,908
Interest Maintenance Reserve	651
Ordinary Premium Valuation	3,730,071
Paid Up and Other Reserve Profitability	33,400
State License	35,000
Marketing Force (New Life Premium Written)	400,000
ICIC Adjusted Book Value	$ 6,573,030
Other Assets ICC Bonds and Cash	3,129,947
ICC Total Adjusted Book Value	$ 9,702,977
ICC Common Shares Outstanding	4,462,206
ICC adjusted book value per share	$ 2.17

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The resulting values were reviewed at length by Citizens and by the ICC management. Also discussed at length were how payment would be made to ICC shareholders, and the tax consequences of the Merger. The Board of Directors of ICC concurred with ICC management s final total valuation for ICC.

There were no other valuation methods used other than as described above. Management of Citizens believes the embedded valuation basis approximates what a purchaser would pay for a small insurance company, and Citizens has used this valuation method in substantially all of its acquisitions of small insurance holding companies. Citizens did not include a value for its beneficial ownership of ICC common shares, but was willing to pay a premium to book value to the other shareholders of ICC based upon a one share of Citizens Class A common stock for three shares of ICC common stock exchange ratio. Other valuation methods may indicate a higher or lower value for ICC.

Determining the value for Citizens shares was based upon a review of the trading history of the Class A common stock of Citizens. Management of ICC determined that a value of $7.50 represented a fair value of the Class A common stock of Citizens. Thus, the exchange ratio of one share of Citizens Class A common stock for each three shares of ICC common stock was agreed to by the parties.

Recommendation of the Board of Directors of ICC

The ICC Board of Directors **RECOMMENDS THE ICC SHAREHOLDERS APPROVE THE MERGER**. The Board believes the merger consideration to the ICC shareholders is fair. The management and Board of Directors of ICC, after careful study and evaluation of the economic, financial, legal and market factors, also believe the Merger could provide Citizens with increased opportunity for profitable expansion of its business, which in turn should benefit ICC shareholders who become shareholders of Citizens.

The terms of the Merger were the result of arm s-length negotiations between Citizens and ICC over a several month period, with a significant effort by ICC management. Among the factors considered by the Board of Directors of ICC in deciding to approve and recommend the Merger were:

1. The significantly increased liquidity for ICC shareholders by virtue of owning Citizens Class A common stock including:
   - the market on the New York Stock Exchange for Citizens Class A common stock;
   - the lack of any market for the ICC common stock and likelihood that ICC would not quantitatively qualify for its own listing on a reputable stock exchange or quotation system, due to the time and expense of the application process and lack of market makers willing to sponsor the ICC common stock;
2. The terms and conditions of the Merger Agreement, including the exchange ratio which the ICC Board of Directors and management believe results in a fair price for the ICC shares;
3. The growth and liquidity potential to ICC shareholders as future holders of Citizens Class A common stock compared to the historical lack of growth and limited liquidity of the ICC common stock;

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4. The financial condition, business assets and liabilities and management of Citizens would likely be able to provide capital to fuel future growth of ICC s insurance business which is currently not experiencing meaningful growth due to ICC s financial limitations and lack of meaningful net income;
5. The financial and business prospects of Citizens, including the fact that Citizens insurance products would be a good fit for ICIC s future insurance business;
6. The ICC Board of Directors evaluation of the likelihood of consummation of the Merger;
7. The business, operations, financial condition, earnings and prospects of ICC, including ICC s existing and potential liabilities;
8. Economies of scale available in the event of combination of the companies; and
9. The expectation that the Merger will generally be a tax-deferred transaction to ICC and its shareholders thereby giving ICC shareholders the equity participation in Citizens without initially incurring taxes (see Federal Income Tax Considerations).

The ICC Board of Directors believes it reviewed in sufficient depth the respective financial condition of ICC, Citizens and their subsidiaries as well as the terms of the Merger Agreement. The ICC Board of Directors reviewed and discussed all of the above factors but did not weigh or order the factors over one another. Further, the Board of ICC believes it is capable of evaluating the value of ICC and Citizens without the assistance of an investment banker, particularly because ICC is a small insurance holding company, Citizens Class A common stock is traded on the New York Stock Exchange and the cost of an investment banker would be significant compared to the small asset size of ICC.

Interests of Certain Persons in the Merger

In considering the recommendation of the ICC Board with regard to the Merger, ICC shareholders should be aware that Messrs. Fink and VanDyke have interests in the Merger that are in addition to the interests of ICC shareholders generally. Upon effectiveness of the Merger, Citizens intends to enter into three-year consulting agreements with each of Messrs. Fink and VanDyke, under which they will render consulting services to Citizens. Mr. VanDyke s monthly consulting fee will be $10,417. Mr. Fink s consulting fee will be $7,084 per month. The members of the ICC Board other than Messrs. Fink and VanDyke were aware of the foregoing interests and considered them, among other matters, in approving the Merger Agreement and the transactions contemplated thereby and