Analytical Contacts:

Patrick Curboy, Senior Analyst
pcurboy@kbra.com, (646) 731-2320

Andrew Edelsberg, Managing Director
aedelsberg@kbra.com, (646) 731-2371

Fred DeLeon, Director
fdeleon@kbra.com, (646) 731-2352

Donna Halverstadt, Managing Director
dhalverstadt@kbra.com, (646) 731-3352

January 19, 2018

Executive Summary

Kroll Bond Rating Agency (KBRA) has assigned the following insurance financial strength rating (IFSR) to **GCU (formerly known as Greek Catholic Union of the U.S.A. (GCU))** based on KBRA's **Global Insurer & Insurance Holding Company Rating Methodology**, published on October 10, 2017.

Rating				
Entity	**Type**	**Rating**	**Outlook**	**Action**
GCU	IFSR	BBB+	Stable	Assigned

GCU, headquartered in Beaver, Pennsylvania, is the largest, by asset size, Catholic not-for-profit insurance organization in the United States. GCU is a fraternal benefit society (or simply, fraternal) that was organized and operates under the Commonwealth of Pennsylvania's insurance statutes. GCU is a fraternal offering a variety of life insurance products and annuities for the benefit of its members and their beneficiaries. Currently serving over 43,600 adult and 2,300 juvenile members nationwide, GCU is licensed to write business in 22 states.

GCU is the parent company with a wholly owned holding company for-profit subsidiary, GCU Holding Company, Inc. (GHC). GHC was established in 1994 to develop the real estate adjoining the society's home office and country club complex. GHC is comprised of the following wholly owned subsidiaries: Seven Oaks Country Club, Inc. (SOCC), GCU Agency, Inc. (GCUA), and GCU Real Estate Company, Inc (GREC).

Ownership and control of the society is held and exercised by the adult members of GCU. Fraternal activities are conducted through participation by the delegates (elected by members of the fraternal lodges) through a representative governmental body at the quadrennial national convention. The national convention serves as the forum for election of the board of directors, which is the highest executive body of the society. Directors are elected for four-year terms and are required to meet on a quarterly basis.

Rating Rationale

The rating reflects GCU's solid balance sheet, stable membership base, net operating gains, and favorable capital trends. GCU is the 7th largest fraternal benefit society based on net admitted assets, and is focused on writing life insurance and annuity products, with a specific emphasis on increasing life insurance sales. GCU is engaged with several large distribution platforms to increase its outreach to new communities, in both existing and new geographies. The society continues to maintain an appropriate investment portfolio, in credit quality and duration, with net investment income over the past five years exceeding both fraternal and non-fraternal company peer averages. GCU continues to report solid revenue growth and consistent profitability across its annuity business, which has resulted in ample capital growth. Although the organization experienced some adversity during the financial crisis, GCU has successfully demonstrated its ability to adjust its product offerings, accumulate surplus, and reposition the company for profitability and growth. Since year-end 2009, GCU's surplus has grown by over 400%, achieving a new high of nearly $125 million as of September 30, 2017. Moreover, GCU has sound liquidity, good financial flexibility, and a low operating expense profile.

Balancing these strengths are GCU's noteworthy exposure to spread compression within its annuity block due to high crediting rates coupled with low new money rates as well as its current NAIC risk-based capital ratio being slightly below fraternal and non-fraternal peers. The society has notable exposure, although manageable, to reinvestment risk along with credit/default risk in its longer maturity bond holdings. The society also faces execution risks related to expanding its geographic reach and diversifying the business mix. Like its fraternal peers, GCU may be challenged to maintain its current membership in the future. The society relies upon strong, dedicated leadership to best serve its membership; hence, being able to develop adequate succession planning will be critical. Additionally, KBRA believes the society's corporate governance, operations (information technology initiatives and staffing), and enterprise risk management practices are still developing and would enhance the financial strength of the organization if modernized and upgraded.

Credit Strengths

- Strong capitalization growth; favorable trends in total adjusted capital (423% increase since 2009, as measured to year-end 2016 surplus and AVR, and continued growth, +13.2%, through Q3 2017)
- Net gain from operations compares favorably to similar-sized fraternal peers; $114.9 million in cumulative gains (as measured at end of Q3 2017) since 2011 (21.7% five-year CAGR)
- Well-established fraternal with roughly 46,000 members, representing a 17.1% increase since 2009
- Historically low operating expense profile; ratio of general operating expenses to total assets has been below 0.54% on an annual basis since 2012 (current fraternal peer average is 1.73% and non-fraternal peer average is 2.14%)
- Above-average investment yield, 5.49% in 2016, while maintaining a generally good quality invested asset portfolio (93% of the portfolio is in fixed income with 86% held in NAIC 1 or 2 rated bonds)
- Strategically targeting a diversification of its business; plans to grow its life insurance portfolio along with its Medicare supplement products in addition to expanding into new geographies

Credit Constraints

- Annuity block susceptible to spread compression (as of 9/30/2017, 79% of annuity reserves are held in products with a guaranteed rate of 3.0% or greater) and disintermediation (71% of annuity reserves have no or a minimal surrender charge)
- Below peer average NAIC risk-based capital (RBC) company action level (CAL) of 287% at year-end 2016; peer average is 502% with a median of 427%
- Elevated high-risk assets to surplus ratio at year-end 2016, driven by exposure to energy sector bonds. The society has taken action in 2017 to gradually reduce below investment grade holdings.
- Notable exposure to reinvestment risk given product portfolio and required yield to meet guaranteed rates in the annuity block (downward trending yield-to-maturity with YTD 2017 fixed income purchases at 4.36% or 91 bps below the current yield at cost)
- Business mix lacks true diversification as reserves are almost entirely interest-sensitive (between 93% and 96% as measured at year-ends 2012-2016)
- Succession planning and key individuals risk; insurance and societal knowledge is concentrated among a select group of management and department leaders

Financial Metrics

GCU	Q3 YTD 2017	2016	2015	2014	2013	2012
Balance Sheet						
Total Assets	$ 1.68 B	$ 1.55 B	$ 1.35 B	$ 1.20 B	$ 1.08 B	$ 977 M
Capital & Surplus (C&S)	$ 124.6 M	$ 108.5 M	$ 90.7 M	$ 71.8 M	$ 50.5 M	$ 37.2 M
Asset Valuation Reserve (AVR)	$ 18.2 M	$ 17.6 M	$ 13.2 M	$ 11.7 M	$ 9.9 M	$ 9.5 M
Total Adjusted Capital (TAC)	$ 142.8 M	$ 126.1 M	$ 103.9 M	$ 83.5 M	$ 60.4 M	$ 46.7 M
Change in TAC from prior year		21.4%	24.4%	38.2%	29.3%	26.9%
C&S to Liabilities		8.9%	8.3%	7.5%	5.9%	5.0%
NAIC RBC (CAL)		287%	380%	358%	290%	233%
BIG Bonds to TAC		160.5%	76.4%	60.9%	65.1%	71.0%
Profitability						
Net Gain from Operations	$ 19.6 M	$ 23.7 M	$ 22.0 M	$ 19.2 M	$ 18.3 M	$ 12.1 M
Net Income	$ 17.0 M	$ 20.6 M	$ 22.1 M	$ 18.2 M	$ 18.5 M	$ 12.1 M
Net Investment Yield		5.49%	5.79%	5.88%	6.02%	6.18%
Return on Equity		23.8%	27.1%	31.5%	41.7%	37.0%
Return on Revenue		6.8%	6.9%	8.2%	8.5%	5.6%
Key Insurance Metrics						
% Annuity w/o surrender charge		71.0%	65.1%	63.7%	61.7%	65.9%
Avg. Face Amt. of Life		$ 8 K	$ 8 K	$ 8 K	$ 8 K	$ 8 K
Life Ins. as % of Total Reserves		4.7%	5.2%	5.7%	6.2%	6.7%
Lapse Ratio		0.7%	2.8%	4.1%	1.8%	1.9%
Current Liquidity		105.9%	105.9%	105.0%	103.5%	101.8%
Gen. Ins. Exp. to Total Assets		0.46%	0.47%	0.49%	0.51%	0.54%

Background

GCU, formerly Greek Catholic Union of the U.S.A., was founded 125 years ago on February 14, 1892 in Wilkes-Barre, Pennsylvania. GCU is a non-profit organization which provides financial and fraternal benefits to its members while promoting its heritage. GCU is domiciled in Pennslyvania and maintains its home office in Beaver, PA.

GCU was formed by the combination of 14 independent lodges located across Pennsylvania, New York, Connecticut, Illinois and New Jersey associated with the Greek Catholic Church. Lodges were originally formed at Greek Catholic churches (today they are called Byzantine Catholic and are members of the Eastern Catholic Church) to offer security and protection to their Rusyn[1] immigrant founders. Many of these immigrants worked dangerous jobs in coal mines and steel mills and commercial life insurance companies would not insure them. When a member was seriously injured or killed, the lodge would assess a fee on the other members of the lodge. This was then collected and passed on to help ease the burden on the family suffering the loss. Today, in addition to providing protection to the Byzantine Catholic community, GCU's life and annuity products are available to all Christians.

The society is licensed in 22 states[2] and Washington D.C. to sell a full range of annuity and life insurance products to meet its members' financial needs. In addition to annuities and life policies, the society's insurance offerings also include Medicare supplement products. Currently, GCU has roughly 46,000 members nationwide (95% are adult members) with over 60,000 active policies. The majority of GCU's business is generated in Pennslyvania (45% of direct written premiums/deposits in 2016) and Wisconsin (14%).

History of Fraternals

Fraternal benefit societies came about in the late 1800s to assist the large numbers of immigrants coming to America. One of their more significant needs was to provide for families' financial well-being in the event of untimely death of the breadwinner. Although a conventional life insurer could also provide these services, fraternals were unique in that they united people through a common bond such as religion, ethnicity, or occupation. Moreover, the mission of these organizations has been to support their communities. The emphasis of relevant, important, and meaningful community service activities for fraternals is a critical differentiation from other membership organizations.

These not-for-profit, policyowner-owned companies are comparable to mutual life insurers in certain respects. Both types of organizations tend to focus on selling permanent life insurance through captive agents, and are managed conservatively with a long-term focus. Additionally, the mutual and fraternal business models are heavily based on relationships. Because of fraternals' demonstrated dedication to helping others that sets them apart from commercial insurers, these organizations maintain a federal tax exemption. Another key aspect of a fraternal organization is that the profits are often returned to the society's policyholders in the form of higher interest crediting rates and/or dividends than would generally be offered by commercial carriers.

Fraternals make membership more worthwhile than merely purchasing a life insurance policy or annuity. To start with, the member is part of an organization that is dedicated to providing members the tools needed to safeguard his/her family's financial security. But more importantly, the society helps members invest the profits from the sales of financial services products back into their own community through an array of service programs and activities.

Fraternal/Community Outreach

GCU is dedicated to its mission of "*Protecting Families, Promoting Faith and Fraternalism, Strengthening Communities*." GCU utilizes its operating profits to support members' local communities in the form of grants, charitable donations, and scholarships. The society, through its members, supports community projects which

[1] Generally, Rusyns are considered to be an eastern Slavic people or a part of the Ukrainian nation
[2] States of admission are: AZ, CA, CT, FL, GA, IL, IN, MD, MI, MO, MN, NC, NJ, NV, NY, OH, PA, SC, TX, VA, WI, and WV

include fundraising, donating to homeless shelters, food banks, public libraries, day care centers, schools for the blind, and homes for pregnant teens. Many member events are sponsored by GCU through its matching funds, fraternal grant, and "*GCU Go Give!*" programs. In addition, the society remains a significant benefactor to the SS. Cyril & Methodius Byzantine Catholic Seminary located in Pittsburgh, PA.

Organizational Structure

GCU was officially organized under the laws of Pennsylvania on March 20, 1893. The society is authorized to transact business as a fraternal benefit society and may offer annuities, life, and accident & health products. As a fraternal benefit society, GCU qualifies as a tax-exempt organization under IRS tax code 501(c)8. GCU's legal name was Greek Catholic Union of the U.S.A. until the most recent quadrennial convention when the delegates voted to change the legal name to GCU.

In 1994, the society formed GCU Holding Company, Inc. (GHC) to develop a residential community on real estate owned by GCU adjoining its home office and country club complex. GHC's two major investments are Seven Oaks Country Club, Inc. (SOCC) and GCU Real Estate Company, Inc. (GREC). GCU Agency, Inc. (GCUA) is a licensed insurance agency that provides members access to products not offered by GCU. GCUA recently entered into an affinity marketing agreement with Nationwide Mutual to offer personal lines coverages (vehicle, homeowners, and pet health) to GCU's members. GHC and its subsidiaries, SOCC, GREC, and GCUA, are for-profit corporations.

In 2008, GCU helped to establish The GCU Foundation, a 501(c)(3) charitable entity separate from the fraternal benefit society, to advance the interests of the society's members and engage individuals who are interested in learning more about the Byzantine Catholic Church. The GCU Foundation advances the above initiatives by making monetary grants for charitable, educational, and religious purposes.

Mergers & Acquisitions

On January 1, 2000, United Society of the USA, another Pennsylvania-domiciled fraternal, agreed to merge into GCU adding 2,500 new members. The merger was approved by the Pennsylvania Insurance Department in March of the same year.

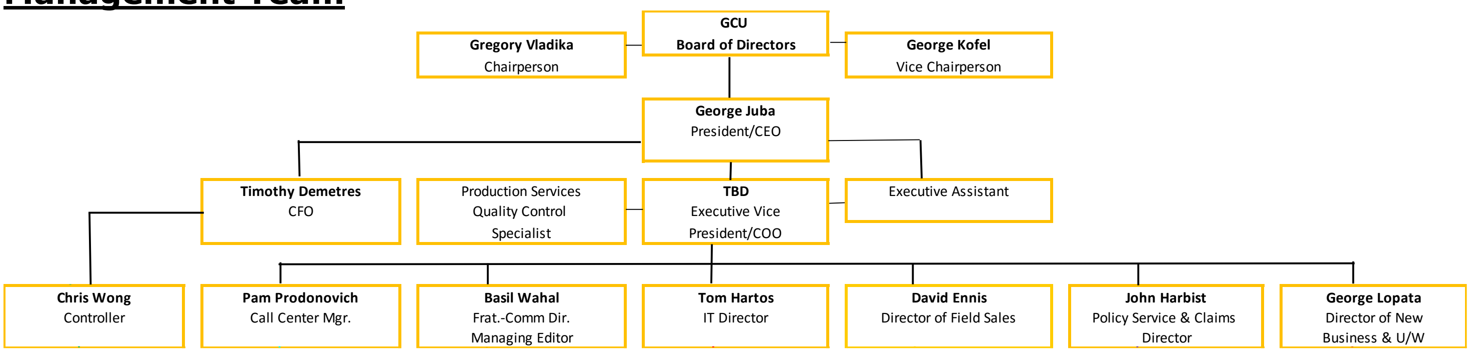
Corporate Governance

As a fraternal benefit society, GCU operates under a lodge system consisting of the home office, districts, regional lodges, and subordinate lodges. Lodges and districts are groups of dedicated community members who support the GCU mission of protecting families, promoting faith and fraternalism, and strengthening communities. Lodge membership has always been part of the fabric of GCU since its founding. The society's supreme legislative and judicial authority is the national convention which is held every four years.

Largest Lodges (as of 8/31/2017)					
Lodge #	Members	Location	Lodge #	Members	Location
83	8,835	Home Office	8358	2,667	Wisconsin (statewide)

GCU's constitution also provides that special sessions may be called in the interim to conduct business. Lodges in good standing, as prescribed in the society's bylaws, are entitled to send delegates to the national convention as the voting representatives. The national convention's attendees include officers and members of the board of directors and the delegates selected by the districts/lodges. The most recent national convention, June 2016 in Atlantic City, NJ, had 257 delegates representing membership.

Management Team



George Juba, president and chief executive officer – Juba has served as national president and chief executive officer of GCU since April 2007. Before being elected president, Juba was GCU's national secretary-treasurer from 1996 to 2007. He also serves as a board member for several community organizations, including Beaver County Salvation Army, Beaver County Educational Trust, and Beaver County Foundation Board. George earned a bachelor's degree in accounting from the University of Miami (FL) as well as a master's degree from the University of Scranton.

[*Open*], executive vice president and chief operating officer – This position was recently vacated. The society is actively seeking a replacement and plans to fill the role in the near term.

Timothy Demetres, chief financial officer – Demetres joined GCU in 2016 as chief financial officer. Prior to joining GCU, he was with The Penn Mutual Life Insurance Company for 6 years where his role was chief accounting officer. He also previously served as assistant corporate controller of The Guardian Life Insurance Company of America. Demetres earned his bachelor's degree in accounting from Syracuse University and is a Certified Public Accountant.

Product Overview

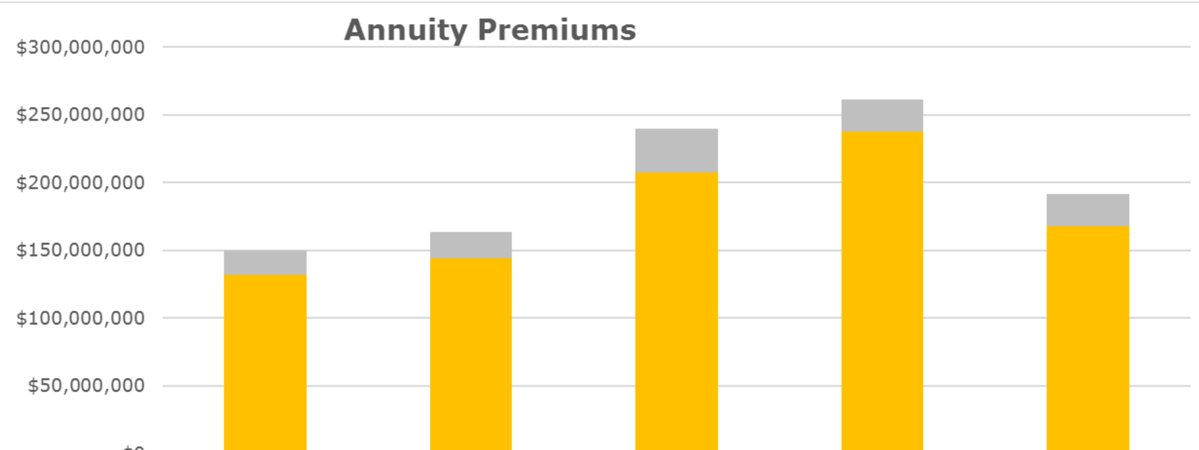
GCU offers fixed annuities[3] and life insurance, whole life and term, actively in 22 states. In 2015, the society entered into a partnership with Aetna to offer Medicare supplement insurance options to its members.

ANNUITIES

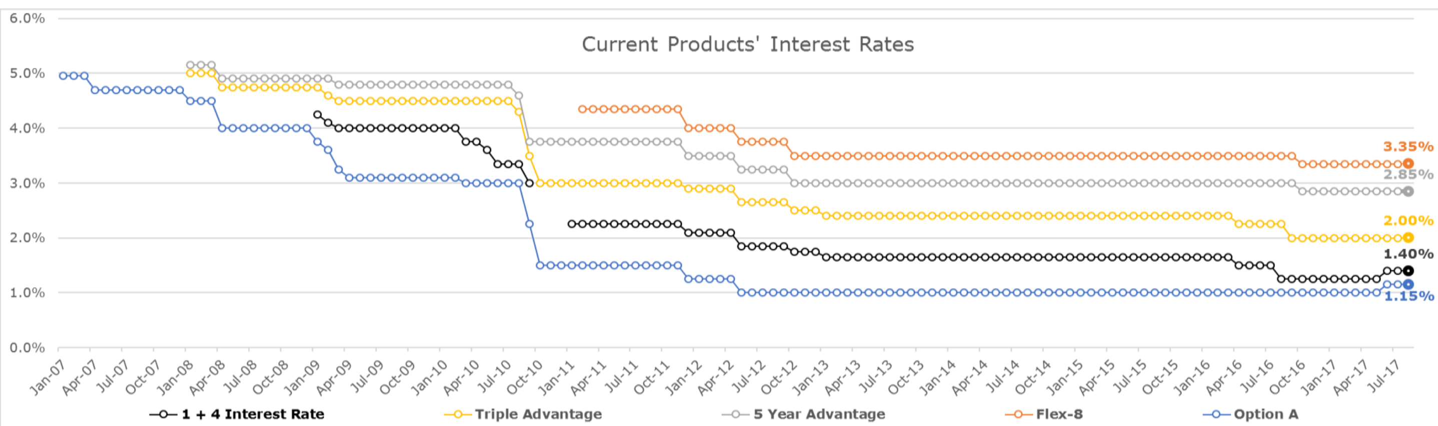
GCU's primary offering is annuities, both deferred and immediate annuities. The society offers single and flexible premium deferred annuities, single premium immediate annuities both involving and not involving life contingencies. GCU does not offer variable annuity products. Consistent with many fraternals, the guaranteed minimum interest rates (and crediting rates) on GCU's annuity offerings has been higher than those of commercial carriers' products. Current spreads on the society's annuity products are in the range of 150-250 basis points across the various offerings. Throughout 2008 to 2012, GCU underwent a product transition to

[3] Annuities are not insured by the FDIC and qualified annuities can carry an IRS penalty for distributions prior to age 59½.

remove its longer duration and higher minimum guaranteed rate products in favor of a newer suite of products. This suite of products included, notably, the following deferred annuities: 1+4 Option, Triple Advantage, 5 Year Advantage, and Flex 8. GCU projects continued growth in this product line and year-to-date through Q3 2017 the society has generated $167.6 million in first year/renewals and processed $23.5 million in conversions.



	2013	2014	2015	2016	Q3 YTD 2017
Annuity Premium (conversions)	$18,045,750	$19,048,916	$32,134,235	$23,650,230	$23,515,455
Annuity Premium (first yr & renewal)	$131,635,326	$144,109,117	$207,467,693	$237,624,470	$167,600,931



Please reference Appendix D for historical crediting rates charts of GCU annuity products (current and discontinued).

Note: % of Total Annuity Reserves, as captured in the below tables, is reflective of the deferred annuities. It does not include the reserves ($23.1 million as of 9/30/2017) for the immediate annuities.

1+4 Choice

Product	Guaranteed Rate	Policy Count	Reserves	% of Total Annuity Reserves
1+4 Option	1.0%	1343	$35,843,542	2.6%
	3.0%	608	$33,898,876	2.5%

GCU's 1+4 Choice Deferred Annuity is a five-year investment product with an optional election feature: the annuitant may choose to surrender the contract during a 30-day window that begins on the first contract anniversary with no surrender charges. The initial interest rate is guaranteed for the first year and upon the first contract anniversary, and for 30 days thereafter, the policyholder has the option of: 1) continuing the contract for the remaining four years. The credited rate for each subsequent year will be based on the Five

Year Advantage new issue crediting rate, 2) surrendering the contract during the 30-day window, and converting to a new 1+4 Choice Deferred Annuity, or 3) surrendering the contract completely without incurring a surrender charge.

Issue Ages: No age restrictions
Minimum Guaranteed Rate: 1.0%
Credited Rate (as of August 2017): 1.15%
Initial Rate Guarantee Period: One Year
Withdrawal provisions: This contract does not allow for any surrender charge free withdrawals during the first year. Surrender charges in the first year are 9%, and are reduced by 2% in each subsequent year of the five-year contract (9% - 7% - 5% - 3% - 1%).
Additional deposits: Currently, the maximum dollar amount of deposits into a 1+4 Choice Deferred Annuity is $200,000 per annuitant, per calendar year. This maximum applies per annuitant regardless of the number of contracts in force.

Triple Advantage

Product	Guaranteed Rate	Policy Count	Reserves	% of Total Annuity Reserves
Triple Advantage	1.0%	893	$31,032,353	2.3%
	3.0%	697	$24,926,442	1.8%

GCU's Triple Advantage Deferred Annuity is a three-year investment product that offers a fixed rate of interest for the entire three years of the contract. Limited surrender-charge-free withdrawals are permitted in the second and third contract years.

Issue Ages: 0-95
Minimum Guaranteed Rate: 1.0%
Credited Rate (as of August 2017): 2.00%
Initial Rate Guarantee Period: Three Years
Withdrawal provisions: This contract does not allow for any surrender charge free withdrawals during the first year. Surrender charges in the first year are 5%, and are reduced by 2% in each subsequent year of the three-year contract (5% - 3% - 1%).
Additional deposits: Currently, the maximum dollar amount of deposits into a Triple Advantage contract is $200,000 per annuitant, per calendar year. This maximum applies per annuitant regardless of the number of contracts in force.

Five Year Advantage

Product	Guaranteed Rate	Policy Count	Reserves	% of Total Annuity Reserves
5 Year Advantage	2.0%	3639	$185,554,002	13.6%

GCU's Five Year Advantage Deferred Annuity is a five-year investment product; however, surrender charge free withdrawals are available in each contract year.

Issue Ages: 0-88
Minimum Guaranteed Rate: 2.0%
Credited Rate (as of August 2017): 2.85%
Initial Rate Guarantee Period: Two Years
Withdrawal provisions: GCU currently allows for surrender charge free withdrawals in each contract year. Year one = 10% of the initial deposit; years two through five = 20% in each year based on the account value at the end of the previous contract year. Withdrawals exceeding the permitted amounts will be subject to a surrender charge. Surrender charges in the first year are 9%, and are reduced by 2% in each subsequent year of the five-year contract (9% - 7% - 5% - 3% - 1%).

Additional deposits: Currently, the maximum dollar amount of deposits into a Five Year Advantage Deferred Annuity is $500,000 per annuitant, per calendar year. This maximum applies per annuitant regardless of the number of contracts in force.

Flex 8

Product	Guaranteed Rate	Policy Count	Reserves	% of Total Annuity Reserves
Flex 8	3.0%	9331	$439,173,809	32.2%

GCU's Flex 8 Deferred Annuity offers the highest current interest rate of any current GCU annuity offering. It is an eight-year investment product that does allow for limited surrender charge free withdrawals in each contract year. The interest credited rate is guaranteed for the first contract year and has the ability to respond to an increasing interest rate market in subsequent years. For subsequent contract years, the interest rate will be based, month to month, on the new issue crediting rate for the GCU Flex 8 contracts.

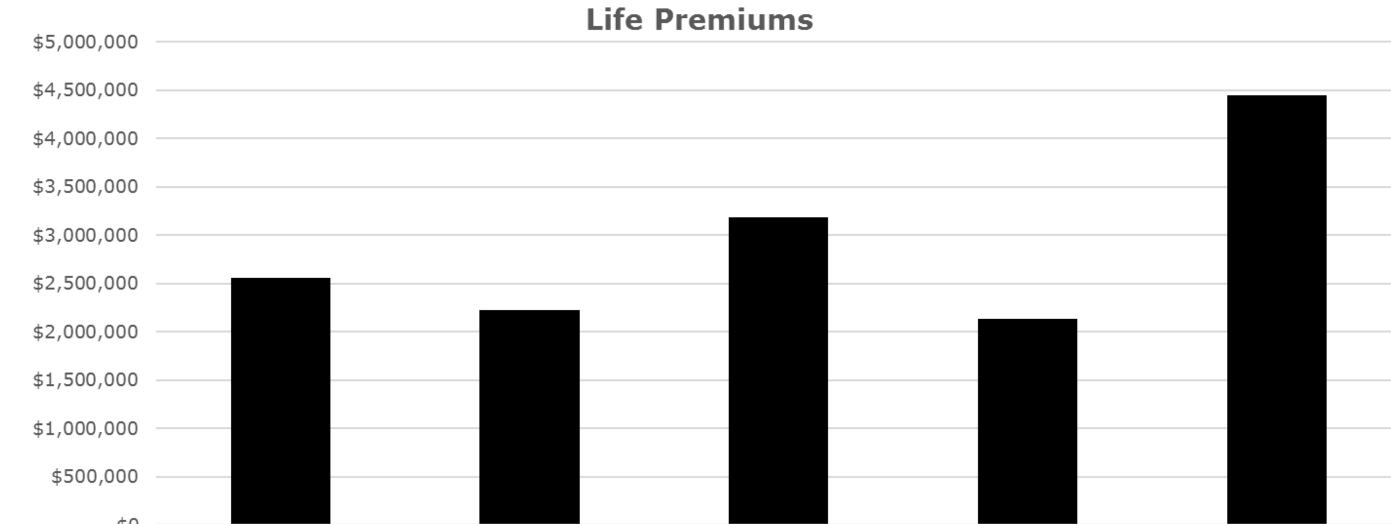
Issue Ages: 0-80
Minimum Guaranteed Rate: 3.0%; 2.75% effective January 1, 2018
Credited Rate (as of August 2017): 3.85%
Initial Rate Guarantee Period: One Year
Withdrawal provisions: GCU currently allows for surrender charge free withdrawals in each contract year. Year one = 10% of the initial deposit. Years two through eight = 10% in each year based on the account value at the end of the previous contract year. Withdrawals exceeding the permitted amounts will be subject to a surrender charge. Surrender charges in the first year are 9%, and are reduced by 1% in each subsequent year of the eight-year contract. (9% - 8% - 7% - 6% - 5% - 4% - 3% - 2%).
Additional deposits: Currently, the maximum dollar amount of deposits into a Flex 8 Deferred Annuity is $1,000,000 per annuitant, per calendar year. This maximum applies per annuitant regardless of the number of contracts in force.

Discontinued Products
During the product transition in 2008 through 2012, GCU discontinued its existing products as the newer products were rolled out. Currently, the Flex product (replaced by the 1+4 Choice) is, and will continue to be, credited at the guaranteed rate. Effective 1/1/2018, the Flex 5 annuity is credited at the greater of the guaranteed rate or Five Year Advantage monthly rate. The closed block of Flex 10, effective 1/1/2018, is credited at the greater of the guaranteed rate or Flex 8 monthly rate. These actions were taken to promote member loyalty and reduce the internal costs of conversion.

Products (Discontinued)	Guaranteed Rate	Policy Count	Reserves	% of Total Annuity Reserves
Flex	3.0%	1006	$32,951,034	2.4%
	4.0%	2864	$117,515,823	8.6%
Flex 5	2.0%	745	$33,508,020	2.5%
	3.0%	3628	$168,313,892	12.3%
	4.0%	693	$26,584,516	2.0%
Flex 10	3.0%	1919	$90,461,196	6.6%
	4.0%	4293	$143,220,114	10.5%

GCU also has immediate annuity offerings. Option A ($12.7 million in reserves) is a liquid account (no surrender charges) that pays only the interest earned and guarantees the principal amount. The crediting rate may change on a month-to-month basis, but will never drop below the contract minimum. Option B ($10.4 million in reserves) is a single premium annuity and is available in two forms: 1) fixed period certain income and 2) lifetime income. The fixed period certain income option is designed for individuals looking for income over a set period (1 to 20 years). The lifetime income option is designed for individual or joint annuitants. In exchange for the deposit amount, GCU guarantees an income for the life of one or both annuitants.

LIFE INSURANCE [26,421 policies, $228 million in death benefits, $68 million of reserves as of 9/30/2017 (less than 5% of total company reserves)] GCU's life insurance offerings include both whole life and term products. The life products have recently been repriced, with pricing assumptions and product specifications developed by Allen Bailey & Associates, to incorporate the new 2017 CSO mortality tables. GCU projects considerable growth in this product line given its renewed emphasis on life insurance sales.



	2013	2014	2015	2016	Q3 YTD 2017
Life Premium	$2,563,354	$2,227,866	$3,185,205	$2,132,420	$4,452,191

Whole Life Insurance
Whole life insurance is a contract with premiums that includes insurance and investment components. The insurance component pays a predetermined amount when the insured individual dies. The investment component builds an accumulated cash value the insured individual can borrow against or withdraw. GCU offers several whole life policies, most notably its Legacy Advantage, an ordinary whole life policy, and Legacy Advantage 20, a 20-year payment life product. Both products are participating whole life certificates with level premium payments.

Ordinary Whole Life
The Legacy Advantage is GCU's traditional participating whole life offering. Premiums are payable for life with many policyholders terminating premium payments at retirement and electing a reduced paid-up insurance benefit. The product is issued in amounts of $5,000 and above.

20-Year Payment Life
GCU's 20-Year Payment Life certificate is attractive because members pay premiums for only 20 years, and then become the owners of paid-up certificates. After the certificate is paid up, the cash value continues to grow. The Legacy Advantage 20 certificate is issued in amounts of $5,000 and above.

Single Premium Whole Life Insurance
Legacy Protector is a participating whole life certificate with a single initial premium deposit and guaranteed cash values that come back to initial deposit within the first 5 years. Pay one premium and have fully paid-up cash value life insurance. Issued in any amount subject to current GCU non-medical limits. Issue Ages 0-85.

Simplified Issue Life Insurance
GCU also offers Simplified Issue Whole Life Insurance. This whole life policy is available from ages 50-to-80, as either an ordinary whole life or a 20-year whole life plan. Coverage is available in face amounts from $5,000 up to $25,000. No medical exam is required, and acceptance is based on a brief questionnaire and a prescription check of the applicant.

Irrevocable Burial Trust

GCU's Irrevocable Burial Trust (IBT) is life insurance coverage for burial and funeral expenses. It enables members to pre-pay, on a tax-advantaged basis, for a funeral and associated costs without choosing a specific funeral home or visiting one. The IBT is available in tandem with current or new GCU whole life insurance policies.

Term Life Insurance

Term life insurance provides coverage, i.e. the death benefit, at a fixed premium for a specified period. Term life is typically the least expensive way to purchase a substantial amount of coverage amount per premium dollar as these policies have no cash value. GCU offers various term life policies, which provide its members with death benefit protection at a lower premium cost than whole life. The society markets level premium policies for 10, 20, and 30-year terms (Family Guard Series) and juvenile term policies (Term to Age 30).

10 Year Level Premium Term

GCU offers its shortest term product with a coverage issuance minimum of $25,000, increasing in increments of $5,000. The policy is payable monthly, semi-annually, or annually.

20 Year & 30 Year Premium Level Term

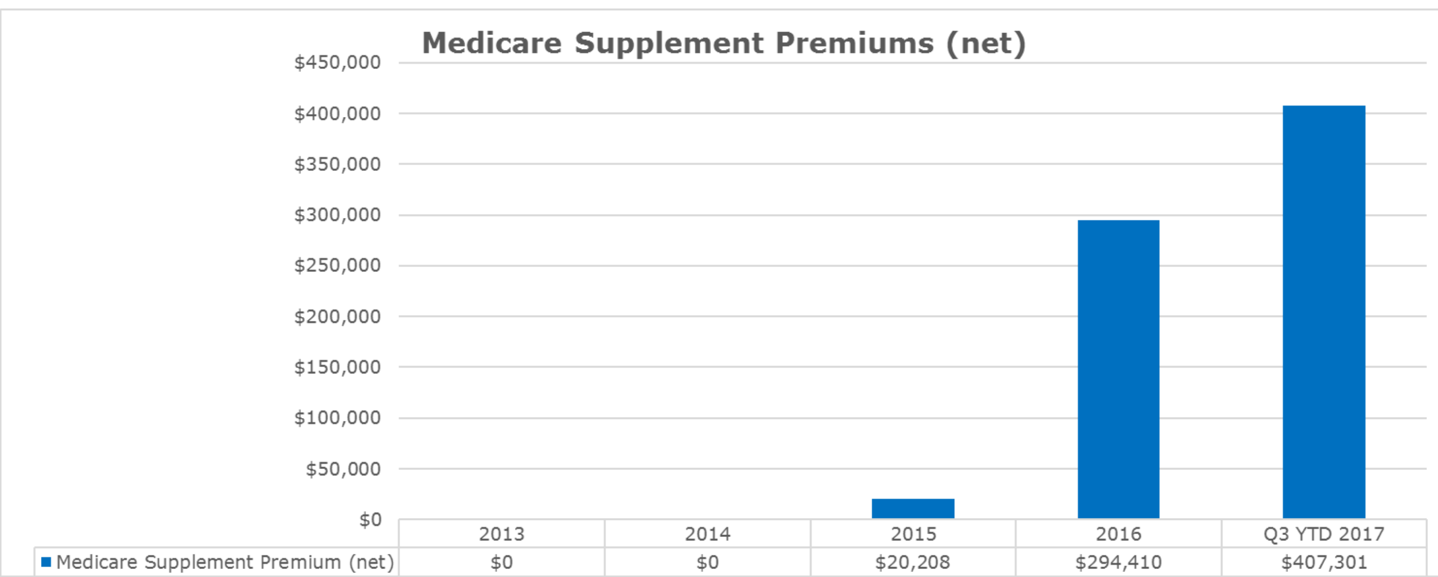
GCU offers 20 and 30-year life insurance certificates with a coverage issuance minimum of $25,000, subject to the below conditions. The product is issued from age 20 to age 80 for the 20-year product and age 70 for the 30-year product. The minimum death benefit is $100,000 for those age 50 and below, $50,000 for issue ages 51 to 65 and $25,000 for those over age 65.

Juvenile Term

Term insurance offers a death benefit only and the Term to Age 30 policy provides maximum protection to young members at the following rates: $50,000 insurance - $50 per year and $25,000 insurance - $25 per year from issuance to the year the covered person turns 30 years old.

MEDICARE SUPPLEMENT INSURANCE

In 2015, GCU commenced selling Medicare supplement products supported by a quota share reinsurance contract with Aetna Life Insurance Company (Aetna). The society retains a small exposure (5%) of claims and expenses and the rest is assumed by Aetna. The society is offering these products to meet member needs and further enhance the fraternal relationship. The product offering and underwriting requirements (including guidelines and pricing) are determined by Aetna. GCU also projects considerable growth in this product line.



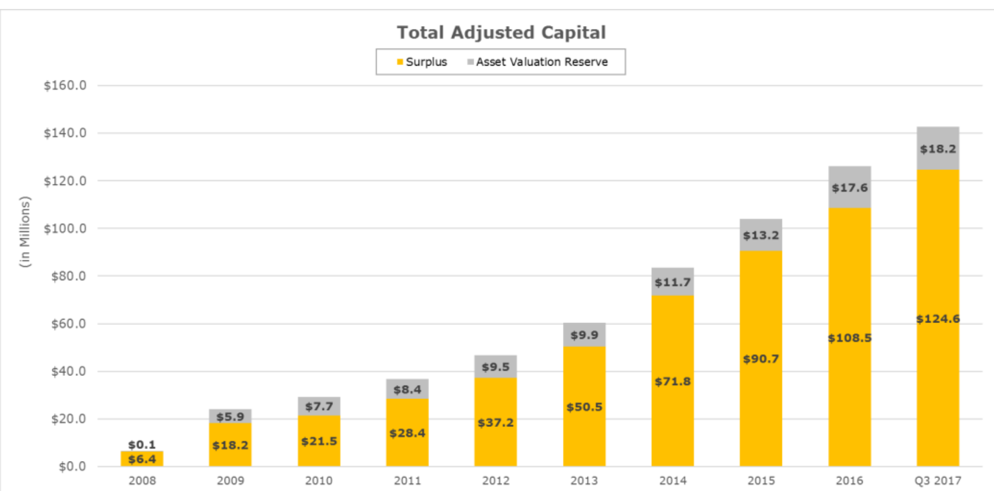
Stress Testing/Regulatory

KBRA employed a stress testing approach to attempt to quantify the impact of adverse economic scenarios on GCU's balance sheet. Specifically, KBRA considered a material decline in the equity markets, higher credit defaults, and volatility in interest rates. As highlighted in the following section, the credit crisis in 2008/09 provided an excellent case study. Additionally, the team reviewed actuarial reports (Bruce and Bruce Company), state examination report (Pennsylvania Insurance Deparment), and auditing findings (McKeever Varga & Senko). GCU's appointed actuary conducted asset adequacy tests and deemed the cash flows adequate to meet the contractual obligations and related expenses of the society and that the reserving practices were within accepted actuarial standards. Given the society's sound capital position, KBRA believes GCU's balance sheet is able to weather severe stress scenarios and there is minimal potential impact on GCU's long-term financial strength.

Balance Sheet Management

While the balance sheet plays an important role in the quantitative analysis of an insurance operating company, the way an insurer manages its balance sheet is also a key qualitative rating determinant.

In 2008, GCU suffered a severe setback in its investment portfolio that led to a 76% decline in surplus from the prior year-end (12/31/07 surplus of $26.6 million declined to $6.4 million at 12/31/08). The largest contribution to the decrease in surplus was a $9.8 million decrease in the valuation of common stock ($24 million at year-end 2008) and an $8.2 million decrease in fixed income bond positions ($484 million at year-end 2008). Due to the financial crisis of 2008/09 and high credited rates in the preceding years, GCU's board of directors activated, on June 30, 2009, the "maintenance of solvency" provision within the inforce annuity contracts and life insurance policies. The provision, once enacted, allowed the society to attach a noninterest-bearing lien on the cash value of the contracts and policies. GCU was then able to record a $12 million asset, increasing its surplus account by the same amount. The cash values of the life insurance plans in place were not reduced and continued to earn a dividend and the statement values of the annuity contracts were not reduced and continued to earn the declared rate of interest.



Since 2009, GCU has exhibited strong and consistent growth in total adjusted capital, in addition to fully retiring the lien on policyholder accounts in 2014. GCU has been able to successfully leverage new distribution platforms and revitalized products to positively drive growth in annuity sales. The sizeable income generation exhibited in recent years has directly contributed to substantial surplus growth. The society's surplus has grown considerably, up 423%, since the end of 2009. GCU's surplus reached a new high at $124.6 million as of September 30, 2017. The society's surplus at the end of third quarter 2017 compares favorably to $108.5 million at year-end 2016. The $16.1 million increase in surplus is primarily attributable to net income through Q3 2017 of $17.0 million.

KBRA notes that the NAIC risk-based capital (RBC) company action level (CAL) ratio of 287% is below peer averages (fraternal and non-fraternal). Based upon GCU's strategic efforts to rebalance the portfolio through Q3 2017 management estimates that the RBC CAL would have been roughly 310% if the current investment portfolio was applied at prior year-end. GCU will also benefit from further product diversification in the future.

Despite being below peer averages, KBRA believes GCU has a sound capital position at nearly six times the minimum level required by regulators.

Driven by solid asset performance, steady annuity and life (albeit small) premium flows, and favorable earnings trends, GCU grew its asset base to over $1.6 billion as of September 30, 2017. This represents an increase of $125.1 million or 8% from year-end 2016 that totaled $1.55 billion. This increase can be attributed to continued positive cash flow from strong annuity sales and growth in investment earnings.

As of year-end 2016, CCU was the 7th largest fraternal based on net admitted assets. KBRA further opines that GCU maintains a conservative asset makeup on its balance sheet with no financial leverage.

Largest U.S. Fraternals (approx. total assets)

- Thrivent Financial ($84.4 billion)
- Knights of Columbus ($23.6 B)
- Modern Woodmen of Amer. ($15.4 B)
- Woodmen Life ($10.9 B)
- Indep. Order of Foresters ($3.2 B)
- GBU Financial Life ($2.2 B)
- GCU ($1.6 B)
- Catholic Financial Life ($1.4 B)
- Gleaner Life Ins. Society ($1.3 B)
- Catholic Life Insurance ($1.2 B)

Asset Quality and Investment Risk

Investment Portfolio by Asset Class

Asset Class	YE 2016 Net Admitted	Percent of Portfolio
Fixed Income	$ 1,430,406,992	93.6%
Mortgage Loans	1,552,189	0.1%
Cash & Short-Term Inv.	26,262,312	1.7%
Common Stock	11,796,525	0.8%
Contract Loans	625,578	0.0%
Collateral (Securities Lending)	-	0.0%
Schedule BA	11,945,290	0.8%
Real Estate	590,727	0.0%
Preferred Stock	44,259,004	2.9%
Total Investments	**$ 1,527,438,617**	**100.0%**

Asset quality and investment management is a significant KBRA rating determinant as a security's principal and investment income ultimately facilitates an insurer's payment of policyholder claims. GCU utilizes Morgan Stanley to provide investment management oversight and quarterly reviews. GCU does not have an internal investment team or chief investment officer (CIO) and relies upon its outside advisors for guidance. GCU's executive finance board is responsible for oversight and management of the investment guidelines, monitoring the investment advisors, and providing results to the board of directors.

Bond Investment Portfolio Quality

Asset Class	YE 2015	YE2016
NAIC 1	33.3%	26.3%
NAIC 2	60.4%	59.6%
NAIC 3	5.3%	8.5%
NAIC 4	0.8%	4.3%
NAIC 5	0.3%	1.3%
NAIC 6	0.0%	0.0%
Total Investments	**100.0%**	**100.0%**

GCU currently has three asset managers: CIM Investment Management[4] (CIM), Huntington Bank[5] (HB), and Prosperity Capital Advisors[6] (PCA). CIM manages, and provides oversight on internally held assets, for approximately 41% of the investment portfolio. The remainder of the invested assets is split between HB (37%) and PCA (22%), with all managers operating under the same guidelines (e.g., 30% maximum in any one sector and all purchases at investment grade). GCU maintains a reasonably conservative portfolio with a focus on fixed income securities. The investment portfolio, consisting primarily of investment grade corporate bonds, increased $124 million from $1.53 billion at year-end 2016 to $1.65 billion at September 30, 2017. Bonds make up 93.6% of GCU's assets, with an average maturity of 17 years. The society maintains high bond quality with 86% of the bonds in the two highest NAIC rating classes. The below investment grade portion of the fixed income portfolio has also been quite stable (market value to par between

[4] http://www.ciminvests.com/
[5] https://www.huntington.com/
[6] http://www.prosperitycapitaladvisors.com/

79% and 94% since 2014) and account for only a minority of bond holdings (7.7% of total par – Q3 2017, down from a high of 14.8% in Q1 2016). Public corporates are GCU's largest allocation and are diversified by sector. The most significant concentrations are financials (25% of total bond holdings), consumer-noncyclical (15%), technology/communications (14%), and energy (11%). No single credit exposure is greater than 1.5% of invested assets (General Electric, 1.28% and Morgan Stanley, 1.05%).

Additional assets are in preferred stocks (2.9% of invested assets as of Q3 2017) and common stocks (0.7% of invested assets as of Q3 2017). The asset classes serve to provide diversity and balance to the portfolio, as well as introduce the benefit of principal growth. GCU continues to reduce exposure to equities through targeted dispositions. GCU also has a small alternative/Schedule BA allocation with notable investments in a Washington Alliance Fund ($7.3 million as valued on 3/31/2017) and a Blackstone Real Estate Income Fund ($1.1 million as valued on 8/31/2017). Both funds have provided high single-digit to low double-digit performance in the reported trailing twelve months.

The investment watch list is a small percentage of invested assets and is closely monitored. In 2016, $3.1 million in capital losses from impairments were realized, comprised of: $1.7 million write-down of the value of common stocks, $1.2 million write-down in value of Illinois Power Generating Company bonds, and approximately $0.2 million write-down of other bonds. GCU and its investment advisors recently completed their semi-annual review for other-than-temporary-impairments (OTTI) and identified two securities – Odebrecht Fin Ltd and FirstEnergy Solutions – for impairment in Q3 2017. OTTI write-downs in the most recent review period, 1H 2017, due to impairing the two bonds resulted in a $3.5 million haircut.

Furthermore, GCU has exhibited persistent (since 2008) outperformance of its peers in net investment income due to its growing invested asset base as well as an above average pre-tax investment yield. Despite the continued depressed interest rate environment, the net investment yield on the portfolio in recent years has been in the range of 5-6%. An increase in the current rate environment coupled with sound crediting practices could result in continued profitability expansion.

Financial Flexibility and Access to Capital

GCU has favorable financial flexibility given its recent profitability and revenue generation. GCU's operating performance and internal capital generation allows for financial flexibility in funding its own initiatives in addition to meeting the needs of any current expenses. Currently, GCU maintains no debt and all financial obligations are supported by operations.

As part of overall capital management, GCU has discussed the potential to access capital by way of a secured revolving line of credit with a commercial bank, wherein the society could borrow up to $25 million. At this time, GCU has not entered into a commitment for revolving credit.

Additionally, in December 2016, GCU became a member of the Federal Home Loan Bank of Pittsburgh (FHLBP) which provides the society with access to a secured asset-based borrowing capacity for funding agreements and backup liquidity. The society has a maximum borrowing capacity of $10 million, based on its membership investment of $10,000 in FHLBP capital stock. In addition to the funding capacity limitation imposed by the FHLBP, advances will be further limited such that the collateralized borrowing reserves will not be permitted to exceed 5% of total admitted assets. As of its most recent quarterly (Q3 2017) statutory filing, GCU does not have any advances from the FHLBP.

KBRA also notes that GCU, SOCC, and GREC own approximately 740 total acres of land where the home office, golf course, and planned communities reside, along with adjoining undeveloped property. At present, there are 13 lots available for sale to build carriage homes within the planned communities. GCU is in the final stages of selling 11.6 acres of land to a developer for $462,500 (approx. $40,000 per acre). Following such a sale, that would leave about 470 acres of undeveloped land. Management roughly estimates the 470 undeveloped acres could be conservatively priced at $25,000 per acre, for a total value of $11.8 million. GCU's cost and carrying basis in the property is about $500 per acre. Note: GCU has retained all gas and mineral rights (the land is located within the Marcellus Shale which contains largely untapped natural gas reserves) on the entire property. Royalties could be generated in the future in the range of 15% to 18% of sales with a signing bonus of $2,000+ per acre. There are no discussions underway with respect to land leases for gas or mineral extraction. KBRA believes these off-balance-sheet assets enhance GCU's overall creditworthiness.

KBRA expects GCU to maintain sufficient financial resources to fund any planned initiatives and cash requirements in the near to medium-term.

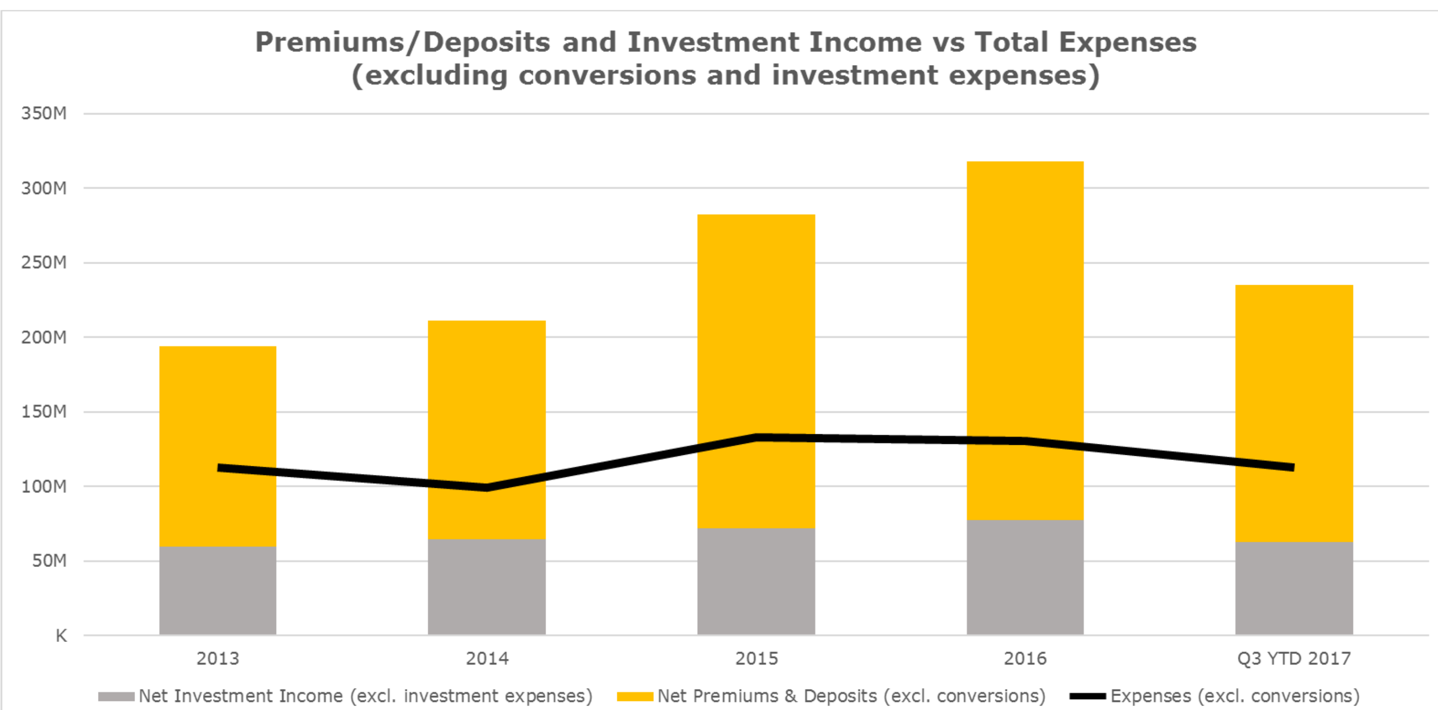
Liquidity and Asset/Liability Management

Liquidity is vitally important for an insurer, as a company's fundamental promise to its customers is to pay claims promptly. KBRA evaluates liquidity at the operating company by assessing liquid assets in relation to liquid liabilities.

GCU's liability structure is heavily weighted in annuity reserves – above 90%. When initially issued, products are protected with surrender charges (see pages 7 and 8), notably, across its two most prominent products, Five Year Advantage and Flex 8. In addition to the protection provided by the surrender chargers, the society, like many fraternals, benefits from very low withdrawals due to the strong affinity relationship. However, disintermediation risk would still be heightened if interest rates were to rise. KBRA notes that 71% of GCU's annuity contracts are out of the surrender period. This concern is somewhat mitigated by the fact that many of these contracts have guaranteed minimum interest crediting rates of 3.0% or higher.

The life insurance block, largely whole life, provides a steady source of earnings for the company. While small compared to the annuity products, it is a highly credit worthy product built on the cash value of the account. Additionally, the society's life insurance lapse ratio is very low, 0.7% in 2016, comparing favorably to the fraternal composite of 3.2%.

The company's current revenue stream (excluding conversions), $240.1 million in 2016, and net investment income, $77.6 million, compare favorably to current benefits paid. GCU estimates that expense growth (general operating and benefits paid) will grow at a slower pace in the future with stable investment income, due to absolute size, able to provide for adequate cash flow in the event of slower sales.

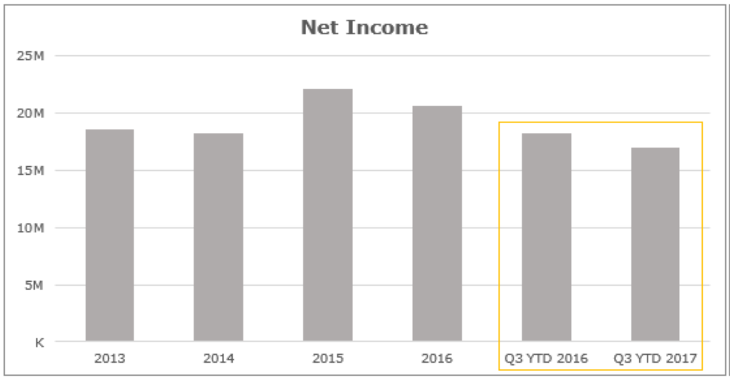


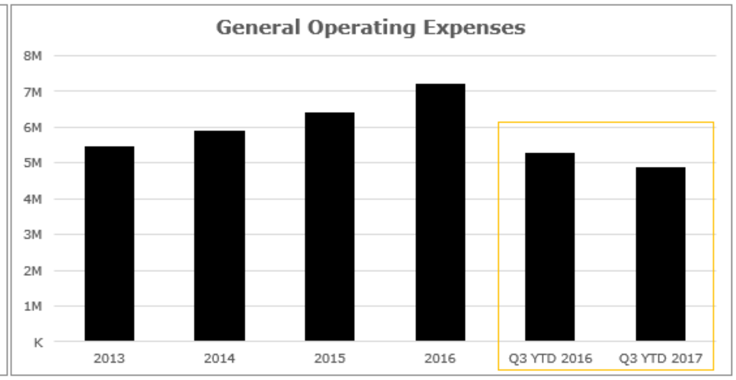
Operating Fundamentals

Operating performance plays a central role in the qualitative analysis. In addition to reviewing historical earnings trends and various profitability ratios, KBRA considers, if material, pro forma earnings for expected future scenarios. KBRA's analysis is intended to be forward-looking, and therefore is likely to take into account projections and estimates.

Profitability

Profitability is a measure of how well an insurer employs its capital to produce earnings to meet its policyholder obligations and financial commitments. KBRA believes insurers with stable and consistent earnings are better equipped to handle event risk and are viewed more favorably with regard to their long-term financial strength.





Since a low point in 2008 (less than $1 million in net gain from operations), GCU has successfully grown the net gain from operations over time, with the most recent year-end at $23.7 million. The society has maintained top line growth by expanding its membership base along with penetrating its existing membership with its new (more conservative) product offerings.

Net written premiums/deposits through Q3 2017 increased $3.9 million, or 1.5% over prior year-to-date, to $262.7 million. The increase is primarily due to continued growth in investment income of $5.3 million and a $1.1 million increase in commission allowances from ceded reinsurance reduced slightly by $2.6 million in overall life and annuity sales.

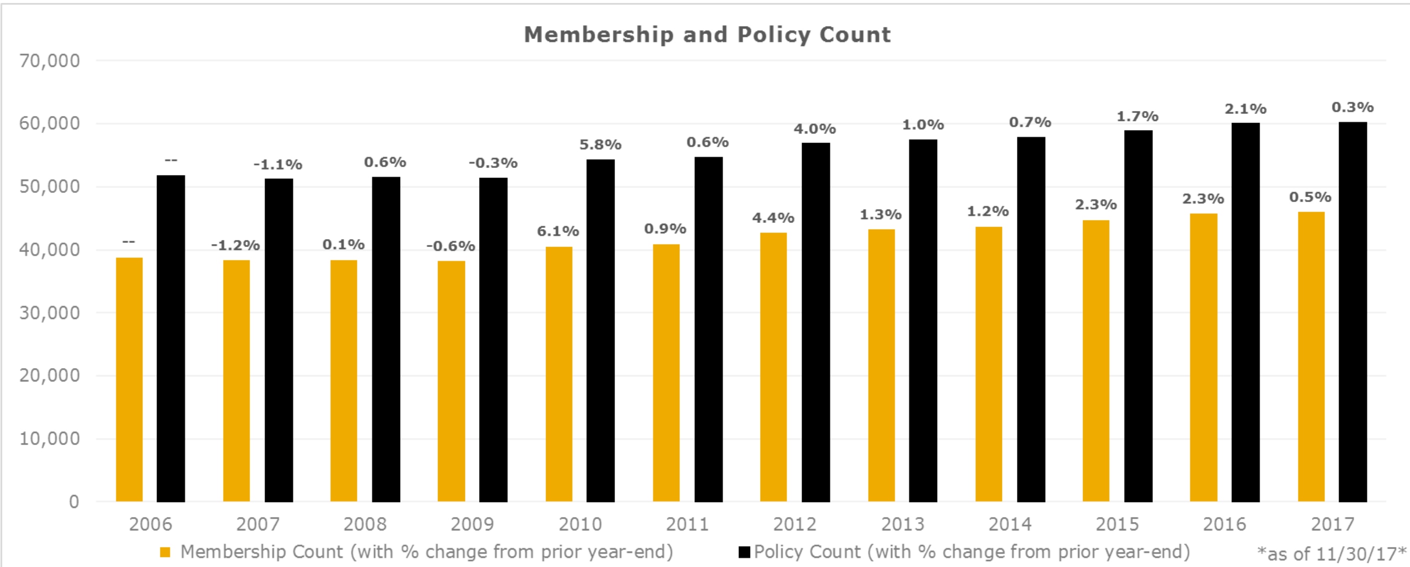
Net income, before realized gains and losses, for the nine months ending 9/30/2017 was $19.6 million, an increase of $1.2 million over the prior year despite some increased operating expenses. The increase in operating expenses was primarily due to higher annuity benefits paid of $18.1 million, exchanges to other annuity products of $5.1 million, and higher producer commissions of $2.3 million. GCU continues to control the growth in general insurance expenses which were $4.9 million in through Q3 2017, $0.4 million less than 2016 expenses of $5.3 million over the same period, and under budget.

In order to maintain current profitability, at or above a 15% return on capital, GCU will need to continue to monitor its crediting rate strategy on its annuity programs to insure a minimum spread of 100 bps, per its business plan. KBRA notes that GCU's crediting rate strategy needs to exhibit responsiveness in both up and down rate environments. Paired with continued success in its annuity book, successful growth of the society's life insurance portfolio will provide further stability to its operating results.

Please reference Appendix B for most recent year-end (2016) audited financial statements.

Earnings Diversification: Product/Geography

KBRA evaluates the quality of an insurer's earnings stream by assessing the breadth of operations, the diversification or concentration of earnings by product and geography, and the stability or volatility of each earnings component.



KBRA notes that GCU's membership has been slowly increasing since 2007. Management acknowledges that it has employed a strategy to sell annuities at crediting rates above the commercial market. KBRA notes that GCU has been successful in growing membership within the products it is actively marketing, and the policy/contract count has also benefited.

GCU maintains a fairly concentrated geographic distribution with the majority of its business written in mid-Atlantic and mid-western regions of the United States. GCU also has sizeable policy counts in Arizona, California, and Florida given the considerable Christian populations and targeted outreach in these regions. KBRA believes GCU's geographic distribution sufficiently supports the business strategies and continued stability in its core membership. GCU's top 2 states (PA and WI) account for over half of its direct premiums written, ranging from 59% to 62% since 2012.

Exposure to Event Risk

Event risk is defined as an unplanned or unforeseen event that in most cases will negatively affect the surplus and profitability of a company. Until the event is known or occurs, it is typically not included in the existing rating evaluation. Stress testing event scenarios heightens KBRA's confidence that an insurer's capital level remains supportive of its rating.

The financial crisis of 2008 and 2009 stands out as a major example of event risk for life insurers as their investment portfolios initially reported substantial unrealized losses and subsequently suffered other-than-temporary write-downs. Companies that were most exposed were those that had market and/or real estate exposure on both sides of the balance sheet such as variable annuity writers or mortgage insurers. Additionally, companies with large blocks of annuities out of the surrender charge periods were exposed to liquidity runs.

GCU does not sell variable products and, as a fraternal, benefits from the affinity relationship of its member policyholders. Credited rates are generally higher than commercial carriers; hence, it is not as likely for a fraternal to experience a "run-on-the-bank" scenario. KBRA notes that a significant portion of annuities are outside of surrender with 71% of policies having a surrender charge below 5%.

Company Profile and Risk Management

A major consideration in KBRA's rating assessment is the experience, track record and stability of the insurance company's management team as well as the enterprise's strategic direction.

Management Profile and Strategy

Insurers with seasoned and agile management teams have demonstrated a greater ability to withstand market downturns, and the effectiveness of their strategies will often translate into market power and enhanced financial strength. For fraternal organizations, it is critical for management to be engaged and closely associated with their members. GCU's management expertise is concentrated within several key persons who collectively have extensive experience in the society's products, operations, and history. KBRA believes GCU would benefit from a deeper bench of senior and mid-level managers to supplement and support the current team.

KBRA believes the following issues could present some challenges to GCU's business model:

- Membership and/or revenue declines
- Watering down of the common bond driving some fraternals to merge
- Potential elimination of fraternals' tax-exempt status
- Intense competition from commercial carriers as well as some of the larger fraternals
- Product pricing utilized to drive revenue and reserve build-up under guaranteed rates
- Little market penetration and name recognition in the society's major geographies
- Considerable effort/resources necessary to develop/hire talent, including experienced management

Market Position

An insurer's market presence in its core businesses and geographies, as well as the ability to maintain a competitive advantage in its target markets is an important qualitative rating determinant for commercial life insurers. For fraternal organizations, the foundation of the membership, principles of the organization, and fraternal benefits are important qualitative factors.

Even its largest territories GCU has little market penetration, and commercial carriers are looking for more and more ways to broaden sales – including product innovation, strategic relationships, cross-selling, worksite strategies, disintermediation of agents and social media. GCU has contracted with new distribution platforms, discussed in the following section, in addition to revitalizing its brand image. With the name change to GCU, and its outreach to all Christians, the society has launched a new website with agent and member portals to attract potential new policyholders and provide a more streamlined interface to its members/trading partners.

Please reference Appendix C for details on targeted markets.

Distribution

Distribution is a necessity of any insurance company, which allows it to sell its products, develop its reputation, increase revenues and generate earnings. GCU distributes its products through Independent Marketing Organizations (IMO), Managing General Agencies (MGA), and select Field Marketing Organizations (FMO). This strategy was implemented in 2013 to maximize the efforts of a small home office sales team and give higher value to the GCU contractual relationship. This distribution strategy has greatly increased GCU's access to target growth states through its working relationships with experienced, producing agents.

In 2016, GCU had over 20 agents with production of over $1 million in premium. Fifteen IMO/MGA organizations contracted with GCU had business production of over $5 million and the top 8 accounted for gross written premiums/deposits over $10 million each. In total, GCU has over 800 appointed agents across its distribution platforms.

Risk Management

KBRA evaluates the overall effectiveness of an insurer's risk management framework to determine whether it adequately captures and addresses all plausible risks to which the institution is exposed. KBRA considers the roles and responsibilities of individuals involved in the risk management function and the scope of risks to be managed, as well as the processes, systems and procedures to manage those risks.

GCU received approval in May 2017 from its board of directors to establish a formal enterprise risk management (ERM) program. The ERM program is designed to identify, assess, monitor, manage and report on risks now and into the future. Following the board approval, an Enterprise Risk Management Policy and GCU Risk Appetite Statement were constructed and subsequently rolled out. The key objective was to develop, and implement, an overall risk and control framework, including the key financial reporting controls for GCU and its subsidiaries.

GCU's board of directors and Risk Committee board representatives are ultimately responsible for the approval and establishment of the ERM policies for GCU, including reviewing and approving the reports from the Enterprise Risk Committee (ERC). The Risk Committee will be comprised of three or more members of the board of directors and representatives from the executive management team. Members of the Risk Committee will be appointed by the chairman of the board of directors and serve for a four-year period.

The ERC is delegated by the Risk Committee to oversee risk management activities, management of day-to-day risk decision-making, review and assessment of risk management reports from all areas of GCU, and approval of appropriate risk management procedures and measurement methodologies. The president and chief executive officer of GCU selects the chief risk officer (CRO) to serve as the head of the ERC. The current CRO is Tim Demetres, who also serves as the society's chief financial officer. The CRO is responsible for the management and supervision of the ERC and implementation of the ERM Policy. The CRO reports directly to the Risk Committee at least semi-annually to review the decisions made by the ERC and to give a transparent report of ERM activities including the results of any risk assessments performed across GCU.

For the program to be a success, key individuals will need to have clearly identified roles, responsibilities, and accountabilities. The board of directors, president and CEO, and, CRO must ensure that risk assessments are appropriately embedded in the executive decision-making process. Successful implementation and permeation of the ERM process throughout the society will aid in ensuring continued operating performance and the long-term viability of GCU. Due to the recent establishment of GCU's formal ERM program, the effectiveness of the society's process cannot yet be determined.

Reinsurance Utilization

GCU has relationships with two insurers: Optimum Re Insurance Company (Optimum Re) and Aetna Life Insurance Company (Aetna), respectively, provide reinsurance to the various policies, life and Medicare supplements, offered by the society. The reinsurance coverages in place do not have any third-party guarantees. All treaties are solely between GCU and the reinsurers.

GCU has had a relationship with Optimum since July 2005. Optimum Re is used for facultative and automatic treaty reinsurance for its issued life insurance contracts. GCU maintains prudent retention levels in its transfer of risk for any single policy. The maximum retention on any individual life insurance policy, for both male and female certificates, is $200,000 for ages 0-40, $150,000 for ages 41-55, $100,000 for ages 56-66, and $50,000 for issue ages above 66. The retained limit per policy is also graded downward for substandard risks. GCU also has a ceded reinsurance treaty with Aetna for its Medicare supplement plans, since the product offering launch in 2015. The treaty provides coinsurance based on actual premiums and claims with Aetna assuming 95% of all premiums, expenses and claims and the GCU retaining 5% of all premiums, expenses, and claims. Equitable Life & Casualty administers all of the Medicare supplement policies in its capacity as a third-party administrator.

Outlook

The Stable Outlook reflects KBRA's expectation that GCU will continue to preserve, and improve upon, its current capitalization, grow its life insurance business, maintain sound investment portfolio credit quality, retain (and recruit) key members of its management team, and monitor current product offerings.

Drivers of a Rating Change

Rating Upgrade

A rating upgrade in the near future is not expected. However, sustained earnings, continued favorable capital trends, stable membership, successful execution of product diversity, demonstrated enterprise risk management process maturation, and maintenance of GCU's above-average investment performance without compromising credit quality could result in positive momentum and/or a change in the rating outlook.

Rating Downgrade

Change in risk profile, decline in earnings, material investment losses, lack of crediting rate discipline, failure to execute upon business plans, and/or departure of key members of the management team could result in a negative rating action.

Appendix A: Peer Comparisons

A.1 Fraternal Peer Comparison

Peer Comparison - 2016		FRATERNAL PEERS					
	GCU	Royal Neighbors of America	Catholic Order of Foresters	Catholic Life Insurance	Gleaner Life Ins. Society	Catholic Financial Life	GBU Financial Life
Balance Sheet							
Total Assets	$ 1.55 B	$ 979 M	$ 1.14 B	$ 1.15 B	$ 1.32 B	$ 1.42 B	$ 2.19 B
Capital & Surplus (C&S)	$ 108.5 M	$ 189.1 M	$ 81.8 M	$ 87.1 M	$ 90.8 M	$ 70.8 M	$ 154.1 M
Asset Valuation Reserve (AVR)	$ 17.6 M	$ 15.7 M	$ 8.9 M	$ 6.9 M	$ 7.3 M	$ 8.1 M	$ 13.9 M
Total Adjusted Capital (TAC)	$ 126.1 M	$ 204.8 M	$ 90.7 M	$ 94.0 M	$ 98.1 M	$ 78.9 M	$ 168.0 M
Change in TAC from prior year	21.4%	-4.1%	13.5%	4.9%	3.9%	20.8%	19.4%
C&S to Liabilities	8.9%	26.4%	8.6%	8.6%	8.0%	5.9%	8.3%
NAIC RBC (CAL)	287%	960%	410%	454%	407%	422%	417%
BIG Bonds to TAC	160.5%	22.2%	58.7%	20.7%	35.7%	33.2%	61.1%
Profitability							
Net Gain from Operations	$ 23.7 M	($ 5.6 M)	$ 9.4 M	$ 5.2 M	$ 4.2 M	$ 12.2 M	$ 27.9 M
Net Income	$ 20.6 M	($ 1.4 M)	$ 2.5 M	$ 5.2 M	$ 4.3 M	$ 11.6 M	$ 27.3M
Net Investment Yield	5.49%	4.07%	5.46%	4.26%	4.24%	4.86%	5.54%
Return on Equity	23.8%	-2.9%	3.0%	6.0%	4.8%	18.9%	19.6%
Return on Revenue	6.8%	-3.7%	1.8%	4.3%	4.0%	8.8%	6.0%
Key Insurance Metrics							
% Annuity w/o surrender charge	71.0%	58.4%	81.1%	80.2%	89.9%	80.3%	51.0%
Avg. Face Amt. of Life New Business	$ 37 K	$ 15 K	$ 149 K	$ 64 K	$ 51 K	$ 100 K	$ 48 K
Life Ins. as % of Total Reserves	4.7%	48.0%	43.8%	20.2%	14.3%	43.4%	5.7%
Lapse Ratio	0.7%	8.6%	3.0%	3.5%	3.2%	4.0%	3.9%
Current Liquidity	105.9%	98.0%	96.7%	106.5%	103.7%	100.5%	106.1%
Gen. Ins. Exp. to Total Assets	0.46%	3.03%	1.60%	0.78%	0.88%	1.17%	2.95%

A.2 Non-Fraternal Peer Comparison

Peer Comparison - 2016		NON-FRATERNAL PEERS					
	GCU	Baltimore Life	Boston Mutual Life	Columbian Mutual Life	Illinois Mutual Life	Security Mutual Life of NY	National Guardian Life
Balance Sheet							
Total Assets	$ 1.55 B	$ 1.24 B	$ 1.36 B	$ 1.40 B	$ 1.43 B	$ 2.72 B	$ 3.66 B
Capital & Surplus (C&S)	$ 108.5 M	$ 81.3 M	$ 178.0 M	$ 96.2 M	$ 226.0 M	$ 162.7 M	$ 293.3 M
Asset Valuation Reserve (AVR)	$ 17.6 M	$ 11.6 M	$ 12.4 M	$ 8.8 M	$ 16.6 M	$ 13.7 M	$ 32.3 M
Total Adjusted Capital (TAC)	$ 126.1 M	$ 92.9 M	$ 190.4 M	$ 105.0 M	$ 242.6 M	$ 176.4 M	$ 325.6 M
Change in TAC from prior year	21.4%	5.4%	12.3%	18.4%	8.2%	18.2%	8.0%
C&S to Liabilities	8.9%	8.1%	16.3%	8.1%	21.3%	7.1%	9.8%
NAIC RBC (CAL)	287%	361%	602%	319%	719%	520%	431%
BIG Bonds to TAC	160.5%	83.4%	14.0%	0.1%	20.0%	7.8%	29.1%
Profitability							
Net Gain from Operations	$ 23.7 M	$ 3.7 M	$ 11.7 M	$ 9.4 M	$ 10.3 M	$ 8.0 M	$ 18.1 M
Net Income	$ 20.6 M	$ 3.2 M	$ 11.4 M	$ 9.2 M	$ 9.4 M	$ 7.6 M	$ 18.1 M
Net Investment Yield	5.49%	5.35%	4.67%	4.55%	3.76%	4.73%	4.76%
Return on Equity	23.8%	4.6%	6.9%	10.6%	4.7%	5.3%	6.4%
Return on Revenue	6.8%	1.8%	4.6%	3.8%	6.4%	2.4%	2.3%
Key Insurance Metrics							
% Annuity w/o surrender charge	71.0%	32.0%	20.0%	94.0%	28.4%	79.8%	75.2%
Avg. Face Amt. of Life New Business	$ 37 K	$ 27 K	$ 22 K	$ 19 K	$ 100 K	$ 47 K	$ 5 K
Life Ins. as % of Total Reserves	4.7%	70.1%	96.5%	81.6%	40.2%	75.9%	44.4%
Lapse Ratio	0.7%	5.7%	8.9%	3.6%	5.2%	7.5%	1.2%
Current Liquidity	105.9%	90.8%	73.3%	79.9%	109.6%	81.2%	96.7%
Gen. Ins. Exp. to Total Assets	0.46%	2.17%	3.26%	1.69%	1.91%	2.15%	1.64%

Appendix A: Peer Comparisons (cont'd)

A.3 Fraternal Composites

Document: Side by Side Comparison Calendar Year: 2016	Company Name: GCU State of Domicile: PA Formation: Fraternal NAIC Code: 56693	AVG - ALL Fraternal	AVG - Excl Bigs* Fraternal
Balance Sheet Items			
TOTAL admitted assets excluding Separate Accounts business	$1,549,960,643	$1,724,611,236	$332,580,097
TOTAL liabilities excluding Separate Accounts business	$1,441,428,668	$1,534,148,258	$305,558,222
Aggregate reserve for life insurance certificates and contracts	$1,383,334,000	$1,202,285,038	$276,491,232
Aggregate reserve for accident and health certificates	$72,187	$81,938,687	$952,425
Deposit-type contract funds	$15,821,531	$152,899,372	$7,717,399
Asset Valuation Reserve	$17,556,902	$26,525,291	$2,831,134
Surplus	$108,531,975	$191,075,344	$27,021,875
Cash Flow			
Net cash from operations	$190,347,243	$54,390,471	$9,065,072
Percentage Distribution of Assets			
Bonds	93.65%	84.59%	84.95%
Stocks	3.67%	4.57%	4.58%
Mortgage loans on real estate	0.10%	4.45%	4.17%
Real estate	0.04%	0.96%	1.00%
Cash, cash equivalents, and short-term investments	1.72%	3.84%	3.95%
Contract loans	0.04%	1.09%	1.02%
Derivatives	0.00%	0.00%	0.00%
Other invested assets	0.78%	0.40%	0.28%
Receivables for securities	0.00%	0.00%	0.00%
Securities lending reinvested collateral assets	0.00%	0.07%	0.01%
Aggregate write-ins for invested assets	0.00%	0.03%	0.03%
TOTAL	100.00%	100.00%	100.00%
TOTAL Nonadmitted Assets and Admitted Assets			
TOTAL nonadmitted assets	$1,266,346	$5,834,516	$1,305,761
TOTAL admitted assets	$1,549,960,643	$2,087,556,110	$332,580,097
Investment Data			
Net investment income	$77,563,952	$75,760,709	$14,614,397
Realized capital gains (losses)	($3,069,730)	$514,546	$15,653
Unrealized capital gains (losses)	$2,715,950	$1,458,733	$278,030
TOTAL of above	$77,210,172	$77,733,989	$14,908,079
Net Gains from Operations After Refunds to Members by Lines of Business			
Life insurance	$1,454,995	$3,451,157	($399,217)
Annuity	$23,774,271	$6,126,367	$1,766,124
Supplemental contracts	$0	$443,200	$228
Accident and health	($165,466)	($968,951)	$114,530
Aggregate of all other lines	$0	$7,356,928	$329,647
Fraternal	($1,357,989)	($4,774,334)	($558,515)
Expense	$0	$3,761	$3,970
TOTAL	$23,705,811	$11,638,127	$1,256,766

***** "Bigs" include: Thrivent Financial, Knights of Columbus, Modern Woodmen, WoodmenLife

Appendix B: Year-End 2016 Audited Financials

Admitted Assets	2016	2015
Cash and invested assets:		
Bonds – at amortized cost (market $1,471,022,426, and $1,234,709,855, respectively)	**$ 1,430,406,992**	$ 1,261,831,337
Stocks:		
Preferred stocks – at cost (fair value $41,229,897 and $22,177,456, respectively)	**44,259,004**	21,413,155
Common stock – at market (fair value $13,794,926 and $16,167,802, respectively)	**11,796,525**	12,313,564
Mortgage loans on real estate	**1,552,189**	1,119,684
Real estate:		
Occupied property – at cost, less allowance for depreciation ($1,576,966 and $1,520,641, respectively)	**590,727**	401,182
Certificate loans	**625,578**	658,821
Other invested assets	**11,945,290**	6,170,497
Cash on hand and on deposit	**26,262,312**	30,815,446
Total cash and invested assets	**1,527,438,617**	1,334,723,686
Receivable from subsidiaries and affiliates	**24,770**	28,081
Accrued investment income	**21,431,743**	19,501,215
Premiums receivable	**91,007**	76,881
Deferred premiums and agents' balances	**11,543**	8,726
Other admitted assets	-	40,371
Deposit - fixed assets	-	244,740
Health care and other accounts receivable	-	303,736
Receivable from reinsurance contracts	**962,963**	-
Total admitted assets	**$ 1,549,960,643**	$ 1,354,927,436

Appendix B: Year-End 2016 Audited Financials (cont'd)

Liabilities and Surplus

	2016	2015
Liabilities:		
Aggregate reserve for life certificates and contracts	**$ 1,376,266,099**	$ 1,208,798,633
Employee pension reserve	**7,067,901**	6,548,367
Aggregate reserve for accident and health contracts	**72,187**	8,957
Deposit – type contracts	**15,821,531**	14,828,247
Certificate and contract claims	**600,000**	600,000
Accident and health contract claims	**61,910**	7,064
Provisions for refunds payable in following calendar year	**300,000**	300,000
Premiums and annuity considerations received in advance	**45,687**	40,881
General expenses due or accrued	**309,251**	-
Amount withheld by society, as agent	**810,302**	452,095
Other liabilities	**2,650,363**	2,650,585
Drafts outstanding	**8,938**	-
Payable for securities	**1,798,893**	-
Interest maintenance reserve	**18,058,704**	16,735,318
Asset valuation reserve	**17,556,902**	13,217,553
Total liabilities	**1,441,428,668**	1,264,187,700
Surplus:		
Unassigned funds	**108,531,975**	90,739,736
Total liabilities and surplus	**$ 1,549,960,643**	$ 1,354,927,436

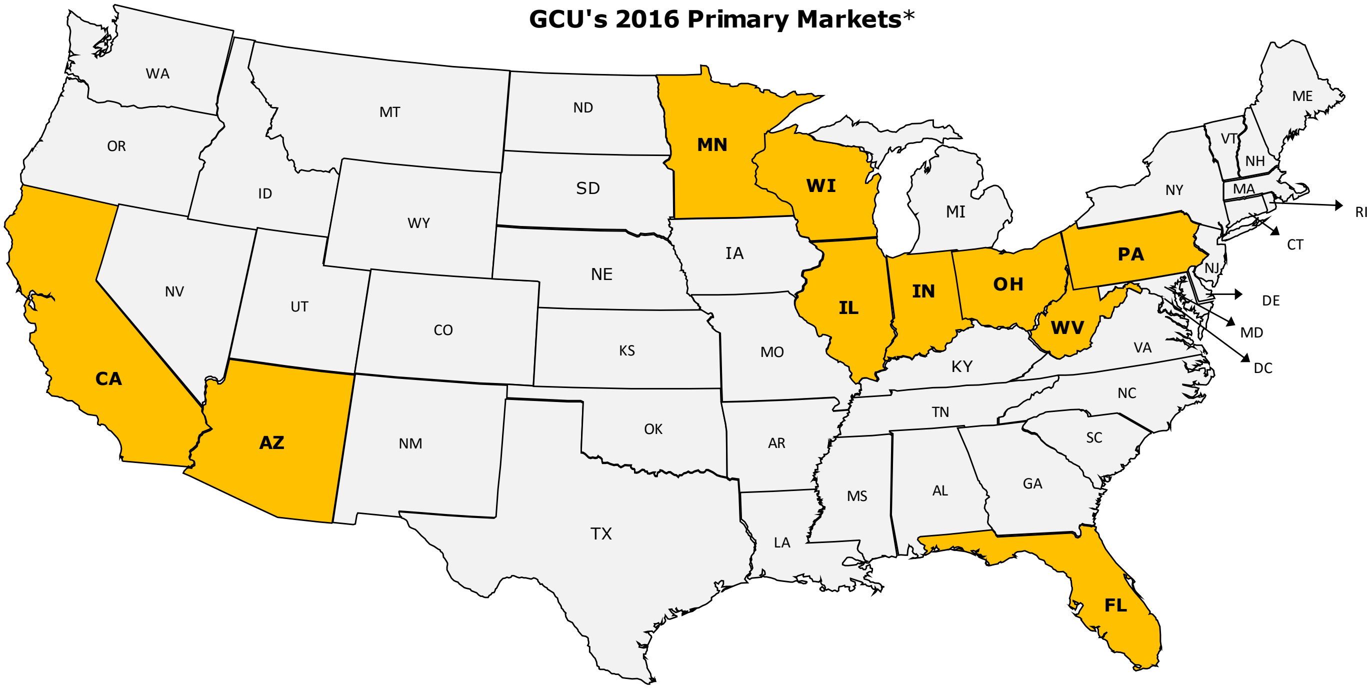
Appendix B: Year-End 2016 Audited Financials (cont'd)

	2016	2015
Revenues:		
Premiums and annuity considerations	$ 263,701,121	$ 242,805,533
Net investment income	77,563,952	71,778,773
Amortization of interest maintenance reserve	2,725,275	2,726,856
Commissions on reinsurance ceded	1,324,076	112,478
Miscellaneous income	809,563	784,109
Total revenue	346,123,987	318,207,749
Benefits and expenses:		
Benefits paid or provided:		
Death benefits	2,457,341	2,336,035
Annuity benefits	133,302,424	147,479,455
Disability benefits – medicare supplement	226,384	12,034
Surrender benefits	823,475	1,242,015
Interest on contract and deposit – type contracts	68,642	66,623
Increase in certificate reserves	168,050,223	130,976,957
Total benefits paid or provided	304,928,489	282,113,119
Operating expenses:		
Commissions	9,256,484	6,689,711
General expenses – insurance and fraternal	7,198,319	6,397,100
Taxes, licenses and fees	502,808	438,903
Pension paid retirees	274,678	272,721
Total operating expenses	17,232,289	13,798,435
Total benefits and expenses	322,160,778	295,911,554
Net income from operations before refunds to members	23,963,209	22,296,195
Refunds to members	257,398	256,199
Net income from operations after refunds to members and before net realized capital gains (losses)	23,705,811	22,039,996
Net realized capital gains (losses)	(3,069,730)	21,926
Net income	$ 20,636,081	$ 22,061,922

Appendix C: Targeted Markets

C.1 Largest Markets Map

GCU's 2016 Primary Markets*



*Primary markets highlighted had greater than $5mln in direct written premium (life and annuities combined) in 2016

C.2 Year over Year DWP Comparison by State

GCU					**(in Millions)**
State	**2012**	**2013**	**2014**	**2015**	**2016**
Pennsylvania	$64.9	$71.0	$79.8	$114.4	$121.5
	-	*9%*	*12%*	*43%*	*6%*
Wisconsin	$30.7	$23.3	$22.8	$29.0	$37.0
	-	*-24%*	*-2%*	*27%*	*28%*
Arizona	$21.8	$20.9	$16.8	$16.3	$19.3
	-	*-4%*	*-20%*	*-3%*	*18%*
California	$16.9	$15.1	$17.2	$24.7	$18.7
	-	*-11%*	*14%*	*44%*	*-24%*
Ohio	$6.5	$4.7	$5.8	$11.9	$12.6
	-	*-28%*	*23%*	*105%*	*6%*
Illinois	$8.4	$5.1	$3.7	$6.0	$9.9
	-	*-39%*	*-27%*	*62%*	*65%*
Florida	$3.3	$2.0	$4.6	$5.8	$8.3
	-	*-39%*	*130%*	*26%*	*43%*
Minnesota	$3.7	$3.2	$4.7	$10.4	$8.2
	-	*-14%*	*47%*	*121%*	*-21%*
Indiana	$1.6	$2.9	$4.1	$6.7	$7.8
	-	*81%*	*41%*	*63%*	*16%*
West Virginia	$0.2	$0.1	$0.4	$6.6	$6.0
	-	*-50%*	*300%*	*1550%*	*-9%*
All Other	$2.6	$3.9	$5.4	$10.9	$19.6
	-	*50%*	*38%*	*102%*	*80%*

Appendix D: Crediting Rates History (Annuities – Current & Discontinued)