

# First Quarter 2021 Financials



**Tim Demetres**  
Chief Financial Officer

GCU continues to generate positive operating results and surplus growth. With implementing our risk management practices early on, it appears we are turning the corner from the global pandemic with minimal adverse effect to our financial condition. I am pleased to report to you our first quarter 2021 net income was \$6.8 million contributing \$4.5 million in surplus growth. Surplus reached a new high at \$187.2 million.

Highlights for the first quarter 2021 results are as follows:

Income before net capital gains (losses) totaled \$6.8 million in the first quarter 2021 compared to \$5.0 million reported in 2020. Net realized capital gains (losses) were \$112 thousand in 2021 compared to (\$4.0 million) in 2020.

Total Assets increased \$49.9 million to \$2.25 billion at March 31 from year-end 2020. The increase in assets is primarily attributed to investing excess cash flows in investment grade bonds, preferred and common stocks. We also invested \$15 million to purchase an income producing real estate property. Our investment strategy is keenly focused on credit quality and diversification, key components of producing a competitive return during a period of sustained low interest environment.

Liabilities grew commensurate with the increase in premium volume and totaled \$2.06 billion at March 31, 2021 compared to \$2.02 billion at year-end 2020. The \$45.4 million increase in total liabilities is due primarily to a \$35.3 million increase in life and annuity reserves and a \$1.3 million increase from deferring net investment gains

to the interest maintenance reserve (IMR). The asset valuation reserve (AVR) increased \$3.8 million to set aside additional funds for potential future credit losses. Unsettled investment trades also increased \$3.4 million trades.

Total Income in first quarter 2021 was \$101.2 million compared to \$91 million in 2020. The \$10 million increase reflects the growth in life and annuity premiums and investment income. Life premiums increased 67% from adding new agent relationships as well as expanding whole life products.

Operating expenses, before increase in reserves, totaled \$59.2 million in 2021 versus \$51.8 million in 2020, increasing \$7.3 million or 14.0%. This represents a \$9 million increase in life insurance claims and annuity benefits (death claims, full and partial withdrawals) reduced by \$2.6 million in annuity conversions. General insurance expenses and agent commissions increased \$460 thousand and \$589 thousand, respectively, from increased premium written.

The increase in reserves in the first quarter totaled \$35.3 million compared to \$34.2 million in 2020. Reserve changes are primarily a function of premiums received, death & annuity benefits paid out and interest accumulation.

Surplus increased \$4.5 million to \$187.2 million at March 31, 2021 compared to \$182.7 million at year-end 2020. The increase in surplus is attributable to: a) net income of \$6.8 million; b) a \$2.1 million increase in unrealized gains from the sale of a limited partnership interest and improved equity valuations; c) (\$0.3 million) charge for an increase in non-admitted assets from software development costs; d) (\$0.3 million) reduction for GCU Holding Company's net loss; and e) a (\$3.8 million) charge to increase the AVR.

Total Adjusted Capital (TAC) at March 31, 2021 was

## Summary of Financial Statistics

(000's omitted)	<u>3/31/21</u>	<u>3/31/20</u>	<u>Change</u>
Total Income	\$101,202	\$91,011	\$10,191
Total Expenses	94,417	86,000	8,417
Net Income (Loss)	6,806	967	5,839
	<u>3/31/21</u>	<u>12/31/20</u>	<u>Change</u>
Assets	\$2,250,733	\$2,200,816	\$49,917
Asset Valuation Reserve	12,141	8,316	3,825
Interest Maintenance Reserve	21,679	21,124	555
Surplus (Net Worth)	187,176	182,648	4,529
Total Adjusted Capital (TAC)	199,467	191,114	8,354
Solv. Ratio by Total Adj. Capital	109.7%	109.5%	0.21%

## Reconciliation of Change in Surplus

(000's omitted)	<u>3/31/20</u>
Beginning Surplus	\$182,648
Net Income/(loss)	6,806
Change in Unrealized Gain/(Loss)	2,093
GCU Holding Company & Other	(262)
Changes in Non-Admitted Assets	(283)
Changes in Asset Valuation Reserve	(3,825)
Net Change in Surplus	4,529
<b>Ending Surplus</b>	<b>\$187,177</b>

\$199.5 million. TAC starts with surplus of \$187.2 million and adds back the asset valuation reserve of \$12.1 million and one-half the dividend liability of \$150,000. TAC is used as a financial strength measure by rating agencies. The sol-

veny ratios based on TAC at March 31, 2021 and 2020 were 109.7% and 109.5%, respectively. These ratios reflect the continued financial strength and stability of GCU.

Please continue to be safe and healthy.

Tim

## GCU INCOME STATEMENT

Three Months 2021 vs. 2020

INCOME (000's omitted)	3/31/2021	3/31/2020	Change
Life Premium	\$ 2,374	\$ 1,421	\$ 953
Annuity Premium	67,298	57,897	9,401
Annuity Exchanges	2,992	5,613	(2,621)
Accident & Health	134	164	(30)
Sub Total	72,798	65,095	7,703
Net Investment Income	27,349	24,703	2,646
Amort. of Int. Maint. Resrv.	531	564	(33)
Commission/Reinsurance	392	515	(123)
Other	132	133	(2)
<b>Total Income</b>	<b>\$101,202</b>	<b>\$91,011</b>	<b>\$10,191</b>
<b>EXPENSES</b>			
Death Benefits	\$ 1,567	\$ 783	\$ 784
Annuity Benefits Paid	48,762	40,543	8,219
Annuity Exchanges	2,992	5,613	(2,621)
Surrender Benefits	155	150	4
Accident & Health Bene. Pd.	139	157	(18)
Commissions	2,909	2,320	589
General Insurance Exp.	2,425	1,965	460
Ins., Taxes, Licenses & Fees	137	181	(44)
Pension Expense	4	39	(35)
Int. on Contract & Dep. Accts.	64	55	9
Sub-Total	\$ 59,154	\$ 51,807	\$ 7,347
Increase in Reserves	35,263	34,193	1,070
<b>Total Expenses</b>	<b>\$94,417</b>	<b>\$86,000</b>	<b>\$ 8,417</b>
<b>Net Gain/Loss Before Refunds</b>	<b>6,786</b>	<b>5,011</b>	<b>1,774</b>
<b>Refunds to Members</b>	<b>92</b>	<b>75</b>	<b>18</b>
<b>Net Gain/Loss After Refunds</b>	<b>6,693</b>	<b>4,936</b>	<b>1,757</b>
<b>Net Capital Gains (Losses)</b>	<b>112</b>	<b>(3,970)</b>	<b>4,082</b>
<b>Net Income/Loss</b>	<b>\$ 6,806</b>	<b>\$ 967</b>	<b>\$5,839</b>

## BALANCE SHEETS

March 31, 2021 vs. December 31, 2020

ASSETS (000's omitted)	3/31/2021	12/31/2020	Change
Bonds	\$2,083,543	\$2,015,625	\$67,918
Preferred Stocks	38,875	40,562	(1,686)
Common Stocks	27,423	26,707	716
Alternative Investments	32,785	31,950	835
Cash/Short Term Investments	19,886	54,663	(34,778)
Mortgages	3,205	3,449	(244)
Certificate Loans	569	574	(5)
Real Estate - Home Office	15,762	481	15,281
Inv. Income Due & Accrued	27,877	26,134	1,743
Other	809	672	136
<b>Total Assets</b>	<b>\$2,250,733</b>	<b>\$2,200,816</b>	<b>\$49,917</b>
<b>LIABILITIES</b>			
Life Reserves	\$ 76,788	\$ 75,466	\$ 1,322
Annuity Reserves	1,934,720	1,900,707	34,013
Accident & Health Reserves	333	177	156
Employee Pension Liability	7,591	7,464	127
Convention Reserve	127	127	0
Adv. Prem. & Fut. Ref. Resrvs.	374	356	18
Pending Investment Trades	5,173	1,730	3,443
Accounts Payable	1,418	961	457
Refund Accumulations	3,212	1,739	1,473
Asset Valuation Resrv.-AVR	12,141	8,316	3,825
Int. Maint. Reserve-IMR	21,679	21,124	555
<b>Total Liabilities</b>	<b>\$2,063,557</b>	<b>\$2,018,168</b>	<b>\$45,389</b>
<b>Surplus Fund</b>	<b>187,176</b>	<b>182,648</b>	<b>4,529</b>
<b>Total Liabilities &amp; Surplus</b>	<b>\$2,250,733</b>	<b>\$2,200,816</b>	<b>\$49,917</b>
<b>Normal Solvency</b>	<b>109.1%</b>	<b>109.1%</b>	
<b>Solvency Ratio*</b>	<b>109.7%</b>	<b>109.5%</b>	

\*Adds AVR + 1/2 of dividend liability to surplus.

Financial information is unaudited and presented on the statutory basis of accounting.

Totals may vary slightly due to rounding.