

# First Quarter 2023 Financials



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Chief Financial Officer

**I**n 2023, the Federal Reserve continued to raise interest rates marking a total of 10 consecutive rate increases in just over a year. The rapid rise in short-term interest rates has resulted in rising annuity crediting rates, a positive benefit for our members, however many insurance companies are experiencing above average surrender and partial withdrawal activity. Notwithstanding, GCU is maintaining its financial strength in a challenging environment. Promises made, Promises kept - our members have come to trust GCU to be a Safe, Secure, and Stable community based fraternal organization.

Highlights for the first quarter 2023 financial results are as follows:

GCU's total assets increased \$30 million to \$2.67 billion and surplus remained level at \$219 million as of March 31, 2023.

Income before net realized capital gains (losses) totaled \$1.7 million for the first quarter 2023 compared to \$8.7 million reported in 2022. The net gain from operations were lower in 2023 primarily due to increasing annuity crediting rates and lower net investment income from increased outflows on annuity products. Net income after realized capital gains (losses) was \$2 million in 2023 compared to \$8.8 million in 2022. We had \$258 thousand in net realized gains in 2023.

Total Assets ended the first quarter at \$2.67 billion compared to \$2.64 billion at the end of 2022. The change reflects increases in bonds, alternative assets, cash and derivative assets.

Liabilities grew relative to sustained life and annuity sales, net of outflows from surrender activity and totaled \$2.45 billion at March 31, 2023 compared to \$2.42 billion at year-end 2022. The \$31 million increase in total liabilities is due primarily to a \$25.8 million increase in life and annuity reserves, a \$3.6 million increase in AVR, and a \$2 million increase in investments purchased and not settled.

Total Income grew to \$128 million in the first quarter, an increase of \$3.5 million compared to \$124.5 million in 2022. Annuity new business sales and exchanges increased \$5.4 million. Net investment income decreased modestly to \$28.6 million.

Operating expenses, before the increase in reserves, totaled \$100.6 million versus \$61.2 million in 2022, an increase of \$39.4 million or 64%. GCU disbursed \$27.5 million more in annuity benefits for death claims, full and partial surrenders. Annuity exchanges increased \$11 million. General insurance expenses were \$700 thousand higher in 2023 when compared to 2022 primarily due to the timing of when certain fraternal activities are funded.

The change in reserves totaled \$25.6 million in 2023 compared to \$54.5 million in 2022. Reserve changes are a function of premiums received, death claims, annuity benefits paid and interest accumulation.

Surplus at March 31, 2023 remained level with year-end at \$219 million. Surplus increased from the additions of net income and unrealized gains totaling \$3.6 million which was offset by a decrease to fund the AVR totaling \$3.6 million.

Total Adjusted Capital (TAC), a risk metric used by regulators and rating agencies, increased \$3 million to \$241.5 million as of March 31, 2023, from \$238.5 million at De-

## Summary of Financial Statistics

(000's omitted)	<u>3/31/2023</u>	<u>3/31/2022</u>	<u>Change</u>
Total Income	\$ 127,995	\$ 124,483	\$ 3,512
Total Expenses	126,192	115,666	10,526
Net Income (Loss)	1,986	8,818	(6,832)
	<u>3/31/2023</u>	<u>3/31/2022</u>	<u>Change</u>
Assets	\$2,671,886	\$2,641,748	\$30,138
Asset Valuation Reserve	22,497	18,876	3,621
Interest Maint. Reserve	16,526	16,929	(403)
Surplus (Net Worth)	218,831	219,484	(653)
Total Adjusted Capital (TAC)	241,478	238,510	2,968
Solv. Ratio by Total Adj. Capital	109.9%	109.9%	0.00%

## Change in Surplus

(000's omitted)	
Beginning Surplus	\$219,484
Net Income/(loss)	1,986
Change in Unrealized Gain/(Loss)	1,582
GCU Holding Company & Other	(441)
Changes in Non-Admitted Assets	(160)
Changes in Asset Valuation Reserve	(3,621)
Net Change in Surplus	(654)
<b>Ending Surplus</b>	<b>\$218,830</b>

cember 31, 2022. TAC starts with surplus of \$218.8 million and adds back the asset valuation reserve of \$22.5 million and one-half the dividend liability of \$150,000. The solvency ratios based on TAC was unchanged at 109.9% as

of March 31, 2023. This ratio reflects GCU's consistency in financial strength.

Spring is a time of rebirth, flowers bloom and trees fill with leaves. Enjoy the warmth of summer! Tim

## GCU INCOME STATEMENT

### Three Months 2023 vs. 2022

INCOME (000's omitted)	3/31/2023	3/31/2022	Change
Life Premium	\$ 2,781	\$ 3,771	\$ (991)
Annuity Premium	81,414	86,988	(5,574)
Annuity Exchanges	14,430	3,466	10,964
Accident & Health	102	116	(13)
Sub Total	98,728	94,342	4,386
Net Investment Income	28,556	29,291	(735)
Amort. of Int. Maint. Resrv	403	490	(87)
Commission-Reinsurance	122	262	(140)
Other	186	98	88
<b>Total Income</b>	<b>\$127,995</b>	<b>\$124,483</b>	<b>\$ 3,512</b>

## EXPENSES

Death Benefits	\$ 1,289	\$ 1,412	\$ (123)
Annuity Benefits Paid	76,395	48,877	27,518
Annuity Exchanges	14,430	3,466	10,964
Surrender Benefits	220	(52)	272
Accident & Health Benefits Pd.	102	98	4
Commissions	4,921	4,907	14
General Insurance Exp.	2,948	2,251	697
Ins., Taxes, Licenses & Fees	186	162	24
Pension Expense	4	4	—
Int. on Contract & Dep. Accts.	91	78	13
Sub-Total	\$100,586	\$ 61,203	\$39,383
Increase in Reserves	25,606	54,463	(28,857)
<b>Total Expenses</b>	<b>\$126,192</b>	<b>\$115,666</b>	<b>\$10,526</b>
<b>Net Gain/Loss bef. Refunds</b>	<b>1,803</b>	<b>8,816</b>	<b>(7,014)</b>
<b>Refunds to Members</b>	<b>75</b>	<b>73</b>	<b>2</b>
<b>Net Gain/Loss after Refunds</b>	<b>1,728</b>	<b>8,744</b>	<b>(7,016)</b>
<b>Net Capital Gains (Losses)</b>	<b>258</b>	<b>74</b>	<b>184</b>
<b>Net Income/Loss</b>	<b>\$ 1,986</b>	<b>\$ 8,818</b>	<b>\$(6,832)</b>

## BALANCE SHEETS

### March 31, 2023 vs. December 31, 2022

ASSETS (000's omitted)	3/31/2023	12/31/2022	Change
Bonds	\$ 2,493,531	\$2,472,932	\$20,599
Preferred Stocks	19,075	18,626	449
Common Stocks	27,478	27,985	(507)
Alternative Investments	57,955	55,912	2,043
Cash/Short Term Investments	20,517	15,575	4,942
Mortgages	3,610	3,473	136
Certificate Loans	620	630	(10)
Derivatives	2,116	1,115	1,001
Real Estate - Home Office	14,971	15,059	(88)
Inv. Income Due & Accrued	31,287	29,829	1,458
Other	725	611	114
<b>Total Assets</b>	<b>\$2,671,886</b>	<b>\$2,641,748</b>	<b>\$30,138</b>
<b>% Total Change Year to Year</b>	<b>1.1%</b>		

## LIABILITIES

Life Reserves	\$ 90,942	\$ 89,472	\$ 1,469
Annuity Reserves	2,310,305	2,286,024	24,281
Accident & Health Reserves	118	120	(2)
Employee Pension Liability	6,760	6,595	165
Convention Reserve	127	127	—
Adv. Prem. & Fut. Rfnd. Resrvs.	358	356	3
Pending Investment Trades	1,987	—	1,987
Accounts Payable	1,106	1,211	(104)
Refund Accumulations	2,328	2,555	(226)
Asset Valuation Resrv-AVR	22,497	18,876	3,621
Interest Maint. Reserve-IMR	16,526	16,929	(403)
<b>Total Liabilities</b>	<b>\$2,453,055</b>	<b>\$2,422,265</b>	<b>\$30,790</b>
Surplus Fund	218,831	219,484	(653)
<b>Total Liabilities &amp; Surplus</b>	<b>\$2,671,886</b>	<b>\$2,641,748</b>	<b>\$30,138</b>
<b>Solvency Ratio*</b>	<b>109.9%</b>	<b>109.9%</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.