

Third Quarter 2023 Financials



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Chief Financial Officer

As we move forward to close out 2023, the rising interest rate environment appears to have crested. The swift rise in rates rapidly reshaped one of the significant benefits fraternal organizations provide to their members, higher interest crediting rates on annuities. These benefits are designed to provide safety and security for those planning for retirement as well as creating wealth over the long-term. Crediting rates ebb and flow in unison with economic cycles.

While we carefully navigate the economic challenges in 2023, I am pleased to present GCU's financial results for the nine months ended September 30, 2023.

GCU's total assets increased \$51 million to \$2.69 billion and surplus strength was maintained increasing \$1 million to \$220.2 million. Total adjusted capital increased \$5.7 million to \$244.2 million as of September 30, 2023 compared to \$238.5 million as of December 31, 2022.

Income before net realized capital gains (losses) totaled \$8.1 million for the nine months ended September 30, 2023, compared to \$15.4 million reported in 2022. The net gain from operations was 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

\$7.4 million in 2023 compared to \$18.7 million in 2022. We had \$664 thousand in net realized losses in 2023 and \$281 thousand net gains in 2022.

The increase in Total Assets primarily reflect increases in invested assets: bonds; alternative assets; cash and derivative assets.

Liabilities totaling \$2.47 billion on September 30, 2023, increased relative to life and annuity sales. The \$51.9 million increase in total liabilities is due primarily to the \$45.9 million increase in life and annuity reserves reflecting new sales, interest credits and surrender activity, a \$5 million increase in Asset Valuation Reserve (AVR), offset by and a \$1 million decrease in the interest maintenance reserve (IMR).

Total Income was \$366.0 million through September 30, a decrease of \$26.7 million compared to \$392.6 million in 2022. Annuity new business sales remain strong although lower than last year. Net investment income increased modestly to \$88.2 million.

Operating expenses, before the change in reserves, totaled \$311 million versus \$180.3 million in 2022, an increase of \$131 million 72.6%. GCU disbursed \$89.1 million more in annuity benefits for death claims, full and partial surrenders. Annuity exchanges increased \$43.2 million. General insurance expenses were \$1.1 million higher in 2023 when compared to 2022 primarily due to the timing of when certain fraternal activities are funded.

The change in reserves totaled \$46.4 million in 2023 compared to \$193.7 million in 2022. Reserve changes are a function of premiums received, death claims, annuity benefits paid and interest accumulation.

Surplus on September 30, 2023, increased \$0.7 million to \$220.2 million versus year-end at \$219.5 million. The change

Summary of Financial Statistics

(000's omitted)	9/30/2023	9/30/2022	Change
Total Income	\$365,969	\$392,635	\$(26,666)
Total Expenses	357,695	373,991	(16,296)
Inc. Bef. Real. Gains (Losses)	8,050	18,421	(10,371)
Net Income (Loss)	7,386	18,702	(11,316)
Balance Sheet Summary	9/30/2023	12/31/2022	Change
Assets	\$2,693,160	\$2,641,749	\$51,411
Surplus (Net Worth)	220,178	219,484	694
Asset Valuation Reserve	23,895	18,876	5,019
Interest Maintenance Reserve	16,117	16,929	(812)
Total Adjusted Capital (TAC)	244,227	238,515	5,712
Solv. Ratio by Total Adj. Capital	110.0	109.9	0.1
Financial Strength Rating - KBRA	A-	A-	
Financial Strength Rating - AM Best	A-	A-	

Change in Surplus

(000's omitted)	
Beginning Surplus - December 31, 2022	\$219,484
Net Income	7,386
Change in Unrealized Gain/(Loss)	(63)
GCU Holding Company & Other	(982)
Changes in Non-Admitted Assets	(629)
Changes in Asset Valuation Reserve	(5,018)
Net Change in Surplus	694
Ending Surplus - 9/30/2023	\$220,178

es in surplus reflect the addition of net income and unrealized gains totaling \$7.3 million offset by decreases of \$5 million to fund additional AVR and \$1.6 million for non-admitted assets and the net loss of GCU Holding Company, Inc.

Total Adjusted Capital (TAC), a risk metric used by regulators and rating agencies, increased \$5.7 million to \$244.2 million as of September 30, 2023, from \$238.5 million on December 31, 2022. TAC starts with surplus of \$220.2 mil-

lion and adds back the asset valuation reserve of \$23.9 million and one-half the dividend liability of \$155,000. The solvency ratios based on TAC were 110.0% on September 30, 2023 and 109.9% at December 31, 2022. These ratios reflect the stability of GCU's financial strength.

Have a Merry Christmas and enjoy the festive holiday season! Tim

GCU INCOME STATEMENT

Nine Months 2023 vs. 2022

INCOME (000's omitted)	9/30/2023	9/30/2022	Change
Life premium	\$ 7,212	\$ 8,586	\$ (1,374)
Annuity Premium	212,574	281,796	(69,222)
Annuity Exchanges	55,548	12,370	43,178
Accident & Health	308	347	(40)
Subtotal	275,641	303,099	(27,458)
Net investment income	88,247	87,063	1,185
Amort. of Int. Maint. Resrv.	1,203	1,469	(266)
Commissions-Reinsurance	331	699	(369)
Other	547	305	242
Total income	\$365,969	\$392,635	\$(26,664)

EXPENSES

Death Benefits - Life Ins.	\$ 3,510	\$ 3,009	\$ 501
Annuity Benefits Paid	228,791	139,705	89,086
Annuity Exchanges	55,548	12,370	43,178
Life Insurance Surrender	941	553	388
Accident/Health Benefits Paid	301	309	(8)
Commissions	13,005	16,204	(3,199)
General Operating Exp.	8,272	7,125	1,147
Ins., Taxes, Bank & Audit Fees	419	363	56
Pension Expense	193	406	(213)
Ins., Taxes, Bank & Audit Fees	266	233	33
Subtotal	\$311,247	\$180,277	\$130,970
Changes to Reserves	46,448	193,714	(147,266)
Total Expenses	357,695	373,991	(16,295)
Net Gain/Loss Bef. Refunds	8,274	18,645	(10,371)
Refunds to Members	224	224	—
Net Gain/Loss after Refunds	8,050	18,421	(10,371)
Net Realized Gain /(Losses)	(664)	281	(945)
Net Income	\$ 7,386	\$ 18,702	\$(11,316)

BALANCE SHEETS

September 30, 2023 vs. December 31, 2022

ASSETS (000's omitted)	9/30/2023	12/31/2022	Change
Bonds	\$ 2,498,122	\$2,472,932	\$ 25,190
Preferred Stocks	16,616	18,626	(2,010)
Common Stocks	30,508	27,985	2,523
Alternative investments	63,713	55,912	7,801
Cash//Short Term Investments	31,152	15,575	15,577
Mortgages	2,523	3,473	(950)
Certificate Loans	674	630	44
Derivatives	1,010	1,115	(105)
Real Estate	15,958	15,059	899
Inv. Income Due & Accrued	31,955	29,829	2,126
Other	2,114	612	1,502

Total Assets **\$2,694,345** **\$2,641,749** **\$52,596**

% Total Change Year to Year **2%**

LIABILITIES

Life Reserve Fund	\$ 93,012	\$ 89,472	\$ 3,540
Annuity Reserve Fund	2,328,418	2,286,024	42,394
Accident Health Resrv. Fund	124	120	4
Employee Pension Fund	6,989	6,595	394
Symposium Reserve	—	127	(127)
Adv. Prem. & Fut. Rfnd. Resrvs.	347	356	(9)
Pending investment trade	437	—	437
Accounts Payable	2,290	1,211	1,079
Refund Accumulations & Other	2,538	2,555	(17)
Asset Valuation Resrv. - AVR	23,895	18,876	5,019
Interest Maint. Resrv. - IMR	16,117	16,929	(812)

Total Liabilities **\$ 2,474,167** **\$2,422,266** **\$ 51,901**

Surplus Fund 220,178 219,484 694

Total Liabilities & Surplus **\$2,694,345** **\$ 2,641,749** **\$52,596**

Solvency Ratio **110.0%** **109.9%** **0.1%**

**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.