

First Quarter 2024 Financials



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Capital markets breathed a sigh of relief when the Federal Reserve announced it was pausing the raising of interest rates in the latter part of 2023. The rapid rise in short-term interest rates disrupted the financial markets and affected the life insurance industry. GCU is transitioning to this possible “new norm” with interest rates remaining higher for longer. As we increase annuity crediting rates, a positive benefit for our members, operating earnings will be challenged in the short term. Notwithstanding the high level of market volatility, GCU maintained its financial strength by growing total adjusted capital in a challenging environment. Our members trust GCU to be a Safe, Secure, and Stable community-based fraternal organization.

Highlights for the first quarter 2024 financial results are as follows:

GCU’s total assets increased \$31 million to \$2.74 billion and surplus decreased \$3 million as of March 31, 2024 compared to December 31, 2023 mainly due to increasing the asset valuation reserve by \$5 million.

Income (loss) before net realized capital gains (losses) totaled (\$1.50) million for the first quarter 2024 compared to \$1.7 million reported in 2023. The net loss for the first quarter was primarily due to increasing annuity crediting rates and lower net investment income from outflows on annuity products. Net income (loss) after realized capital gains (losses) was (\$1.3) million in 2024 compared to \$2.0 million in 2023. Net realized gains was \$145 thousand in

2024 compared to \$258 thousand in 2023.

Total Assets ended the first quarter at \$2.74 billion compared to \$2.70 billion at the end of 2023. The change reflects increases in bonds, alternative assets, and derivative assets.

Liabilities grew relative to new life and annuity sales, net of outflows from surrender activity and totaled \$2.52 billion at March 31, 2024 compared to \$2.48 billion at year-end 2023. The \$34 million increase in total liabilities is due primarily to a \$29.2 million increase in life and annuity reserves and a \$4.8 million increase in AVR.

Total Income decreased \$8.4 million to \$119.6 million in the first quarter compared to \$128.0 million in 2023. Annuity new business sales decreased \$12.9 million. We experienced an increase in conversion activity, with members electing to convert their out-of-surrender contracts for new contracts that can grow in value faster from higher crediting rates. Net investment income increased to \$29.6 million.

Operating expenses, before the increase in reserves, totaled \$92.4 million versus \$100.6 million in 2023, a decrease of \$8.2 million or -8%. GCU disbursed \$11.2 million less in annuity benefits for death claims, full and partial surrenders compared to the prior year. Annuity exchanges increased \$4.1 million. General insurance expenses were \$412 thousand lower in 2024 when compared to 2023 primarily due to expense saving initiatives and the timing of when certain expenses are incurred.

The change in reserves totaled \$28.6 million in 2024 compared to \$25.6 million in 2023. Reserve changes are a function of premiums received, death claims, annuity benefits paid and interest accumulation.

Surplus at March 31, 2024 decreased \$3 million to \$218 million from \$221 million year-end. The net decrease in

Summary of Financial Statistics

<i>(000's omitted)</i>	3/31/2024	3/31/2023	Change
Total Income	\$ 119,578	\$ 128,016	\$(8,438)
Total Expenses	120,990	126,213	(5,223)
Net Income (Loss) From Ops.	(1,487)	1,728	(3,215)
Net Income (Loss)	(1,342)	1,986	(3,328)
	3/31/2024	12/31/2023	Change
Assets	\$2,735,328	\$2,704,655	\$30,673
Asset Valuation Reserve	32,681	27,891	4,790
Interest Maintenance Rsrv.	14,803	15,134	(332)
Surplus (Net Worth)	218,266	221,307	(3,041)
Total Adjusted Capital (TAC)	251,101	249,353	1,749
Solv. Ratio by Total Adj. Cap.	110.1%	110.2%	(0.10%)

Change in Surplus

<i>(000's omitted)</i>	
Beginning Surplus	\$221,307
Net Income/(Loss)	(1,342)
Change in Unrealized Gain/(Loss)	3,638
GCU Holding Company & Other	(520)
Changes in Non-Admitted Assets	(27)
Changes in Asset Valuation Reserve	(4,790)
Net Change in Surplus	(3,041)
Ending Surplus	\$218,266

surplus reflects an increase in net unrealized gains offset by the reduction for the net loss in the period and an increase to the asset valuation reserve.

Total Adjusted Capital (TAC), a risk metric used by regulators and rating agencies, increased \$2 million to \$251.1 million as of March 31, 2024, from \$249.4 million at December 31, 2023. TAC starts with surplus of \$218.3 million

and adds back the asset valuation reserve of \$32.6 million and one-half the dividend liability of \$150,000. The solvency ratios based on TAC was unchanged at 110.1% as of March 31, 2024. This ratio reflects GCU's consistency in financial strength.

Summer is close at hand, let the sun shine upon us all!

Tim

GCU STATEMENTS OF OPERATIONS

Three Months 2024 vs. 2023

INCOME (000's omitted)	3/31/2024	3/31/2023	Change
Life Premium	\$ 2,286	\$ 2,781	\$ (495)
Annuity Premium	68,561	81,415	(12,853)
Annuity Exchanges	18,533	14,430	4,103
Accident & Health	92	102	(10)
Sub Total	89,473	98,728	(9,255)
Net Investment Income	29,616	28,577	1,039
Amort. of Int. Maint. Resrv.	332	403	(71)
Commission-Reinsurance	64	122	(58)
Other	94	186	(93)
Total Income	\$119,578	\$128,016	\$(8,439)
EXPENSES			
Death Benefits	\$1,029	1,289	\$(260)
Annuity Benefits Paid	65,245	76,395	(11,150)
Annuity Exchanges	18,533	14,430	4,103
Surrender Benefits	232	220	11
Accident & Health Benefits Pd.	91	102	(11)
Commissions	4,412	4,921	(509)
General Insurance Exp	2,557	2,969	(412)
Ins., Taxes, Licenses & Fees	74	186	(112)
Pension Expense	168	4	164
Int. on Contract & Dep. Accts.	88	91	(3)
Sub-Total	\$92,430	100,607	\$(8,177)
Increase in Reserves	28,560	25,606	2,954
Total Expenses	\$120,990	126,213	\$(5,224)
Net Gain/Loss bef. Refunds	(1,412)	1,803	(3,215)
Refunds to Members	75	75	—
Net Gain/Loss after Refunds	(1,487)	1,728	(3,215)
Net Capital Gains (Losses)	145	258	(113)
Net Income/Loss	\$(1,342)	1,986	\$(3,328)

BALANCE SHEETS

March 31, 2024 vs. December 31, 2023

ASSETS (000's omitted)	3/31/2024	12/31/2023	Change
Bonds	\$ 2,524,911	\$2,499,632	\$25,279
Preferred Stocks	17,222	17,144	78
Common Stocks	27,540	27,935	(395)
Alternative Investments	70,786	68,213	2,573
Cash/Short Term Investments	36,373	38,457	(2,084)
Mortgages	2,495	2,509	(14)
Certificate Loans	729	671	58
Derivatives	5,910	3,337	2,573
Real Estate - home office	15,757	15,858	(101)
Inv. Income Due & Accrued	32,124	29,716	2,408
Other	1,479	1,184	295
Total Assets	\$2,735,328	\$2,704,656	\$30,672
% Total Change Year to Year	1.1%	3.5%	
LIABILITIES			
Life Reserves	\$ 96,051	\$ 94,568	\$ 1,483
Annuity Reserves	2,362,770	2,335,053	27,717
Accident & Health Reserves	133	126	7
Employee Pension Liability	6,806	6,880	(74)
Adv. Prem. & Fut. Rfnd. Resrvs.	351	350	1
Pending Investment Trades	8	559	(551)
Accounts Payable	1,196	1,233	(37)
Refund Accumulations	2,265	1,554	711
Asset Valuation Resrv.-AVR	32,681	27,891	4,790
Interest Maint. Reserve-IMR	14,803	15,134	(331)
Total Liabilities	\$ 2,517,063	\$2,483,248	\$33,715
Surplus Fund	218,266	221,307	(3,041)
Total Liabilities & Surplus	\$2,735,328	\$2,704,655	\$30,673
Solvency Ratio*	110.1%	110.1%	

*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.