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# Second Quarter 2024 Financials

**A**s seasons change so do the ebbs and flows of our economic environment. In the past two years, we experienced record high inflation, sharp increases in interest rates, and volatile global tension. That said, the U.S. economy has been stubbornly resilient. We come to expect change as inevitable. It appears we are on the cusp of another change. Consensus opinion points to the Fed lowering interest rates as soon as September. For retirees and investors alike, it may be time to speak with your advisor and lock these higher rates with GCU. Our primary goal is to maintain financial strength in changing rate environments. Our members trust GCU to “do-the-right-thing,” knowing their investments in annuity and life products will remain safe and secure for the long term.

The financial results for the six months ended June 30, 2024, as compared to the prior period in 2023 are as follows:

GCU’s total assets increased \$46.7 million to \$2.75 billion and surplus decreased slightly to \$216.9 million as of June 30, 2024. Total adjusted capital increased to \$252.2 million at June 30, 2024.

Income (loss) before net realized capital gains (losses) totaled (\$1.7) million for the six months ended June 30, 2024 compared to \$3.1 million reported in 2023. The net gain from operations was lower in 2024 primarily due to

increased crediting rates on annuity products. Net income (loss) after realized capital gains (losses) was (\$1.2) million in 2024 compared to \$2.7 million in 2023. We had \$403 thousand in net realized gains in 2024.

Total Assets increased from year-end through reinvestment of investment earnings into bonds and alternative assets. The market value of derivative assets increased due to the growth in value of the indices underlying our fixed index annuities.

Liabilities totaling \$2.53 billion on June 30, 2024, increased relative to new life and annuity premiums, net of outflows for surrender activity. The \$51.1 million increase in total liabilities primarily represents a \$43.1 million increase in life and annuity reserves, a \$7.3 million increase in Asset Valuation Reserve (AVR), reduced by \$765 thousand change in the interest maintenance reserve (IMR).

Total Income was \$230.8 million in the first half of 2024, a decrease of \$13.7 million compared to \$244.5 million in 2023. Annuity premium and exchanges decreased \$14 million from the prior year. Net investment income increased \$1.1 million to \$59.8 million.

Operating expenses, before the change in reserves, totaled \$190.0 million versus \$192.0 million in 2023, a decrease of \$2.0 million. Annuity surrenders and death claims decreased \$9.4 million in 2024 to \$131.8 million in paid benefits. We were successful in limiting the growth in general expenses which were \$0.5 million lower in 2024 when compared to 2023.

The change in reserves totaled \$42.8 million in 2024 compared to \$49.2 million in 2023. Reserve changes are a function of premiums received, death claims, annuity

## Summary of Financial Statistics

<i>(000's omitted)</i>	<b>6/30/2024</b>	<b>6/30/2023</b>	<b>Change</b>
Total Income	\$230,781	\$244,500	\$(13,719)
Total Expenses	232,283	241,212	(8,930)
Inc. Bef. Real. Gains (Losses)	(1,650)	3,137	(4,787)
Net Income (Loss)	(1,247)	2,674	(3,921)
<b>Balance Sheet Summary</b>	<b>6/30/2024</b>	<b>12/31/2023</b>	<b>Change</b>
Assets	\$2,751,387	\$2,704,690	\$46,697
Surplus (Net Worth)	216,877	221,307	(4,430)
Asset Valuation Reserve	35,172	27,891	7,281
Interest Maintenance Reserve	14,369	15,869	(1,500)
Total Adjusted Capital (TAC)	252,204	249,353	2,851
Solv. Ratio by Total Adj. Capital	110.1	110.2	(0.1)
Financial Strength Rating - KBRA	A-	A-	
Financial Strength Rating - AM Best	A-	A-	

## Change in Surplus

<i>(000's omitted)</i>	
Beginning Surplus - Beginning	\$221,307
Net Income	(1,247)
Change in Unrealized Gain/(Loss)	4,923
GCU Holding Company & Other	(744)
Change in Pension Asset/Liability	—
Changes in Non-Admitted Assets	(80)
Changes in Asset Valuation Reserve	(7,281)
Net Change in Surplus	(4,430)
<b>Ending Surplus - Current Period</b>	<b>\$216,877</b>

benefits paid and interest accumulation.

Surplus on June 30, 2024 decreased \$4.4 million to \$216.9 million versus \$221.3 million at year-end. The changes in surplus reflect the increase in unrealized gains offset by the net loss additional funding to the AVR.

Total Adjusted Capital (TAC), a risk metric used by regulators and rating agencies, increased \$2.9 million to \$252.2 million as of June 30, 2024, from \$249.4 million at December 31, 2023. TAC starts with surplus of \$216.9 million and

adds back the asset valuation reserve of \$35.2 million and one-half the dividend liability of \$155,000. The solvency ratios based on TAC was 110.1% on June 30, 2024 and 110.2% at December 31, 2023. GCU strives to maintain stability of financial strength in high interest rate environments.

Beautiful summer days will soon give way to vibrant autumn color. Enjoy the seasonal change and best wishes to all! Tim

## GCU INCOME STATEMENT

### Six Months 2024 vs. 2023

INCOME (000's omitted)	6/30/2024	6/30/2023	Change
Life Premium	\$ 4,763	\$ 4,939	\$ (176)
Annuity Premium	124,542	146,685	(22,142)
Annuity Exchanges	40,459	32,570	7,889
Accident & Health	189	206	(17)
Subtotal	169,954	184,400	(14,446)
Net Investment Income	59,781	58,687	1,094
Amort. of Int. Maint. Resrv.	734	805	(71)
Commissions-Reinsurance	121	232	(110)
Other	191	375	(184)
<b>Total income</b>	<b>\$230,782</b>	<b>\$244,500</b>	<b>\$(13,717)</b>
<b>EXPENSES</b>			
Death Benefits - Life Ins.	\$ 2,087	\$ 2,396	\$ (310)
Annuity Benefits Paid	131,754	141,125	(9,371)
Annuity Benefits Exchanges	40,459	32,570	7,889
Life Insurance Surrenders	341	543	(203)
Accident/Health Benefits Paid	175	198	(23)
Commissions	8,654	8,652	2
General Operating Exp.	5,504	5,916	(412)
Ins., Taxes, Bank & Audit Fees	206	339	(133)
Pension Expense	170	109	61
Int. on Contract & Dep. Accts.	176	178	(2)
Subtotal	189,525	192,026	(2,501)
Changes to Reserves	42,759	49,186	(6,427)
<b>Total Expenses</b>	<b>\$232,284</b>	<b>\$241,212</b>	<b>\$(8,929)</b>
<b>Net Gain/Loss Bef. Refunds</b>	<b>(1,502)</b>	<b>3,287</b>	<b>(4,789)</b>
<b>Refunds to Members</b>	<b>148</b>	<b>150</b>	<b>(2)</b>
<b>Net Gain/Loss after Refunds</b>	<b>(1,650)</b>	<b>3,137</b>	<b>(4,787)</b>
<b>Net Realized Gains/(Losses)</b>	<b>403</b>	<b>(463)</b>	<b>866</b>
<b>Net Income</b>	<b>\$ (1,247)</b>	<b>\$ 2,674</b>	<b>\$(3,921)</b>

## BALANCE SHEETS

### June 30, 2024 vs. December 31, 2023

ASSETS (000's omitted)	6/30/2024	12/31/2023	Change
Bonds	\$ 2,541,113	\$2,499,632	\$ 41,481
Preferred Stocks	16,771	17,144	(373)
Common Stocks	27,268	27,935	(667)
Alternative investments	73,254	68,213	5,041
Cash//Short Term Investments	35,456	38,457	(3,001)
Mortgages	2,826	2,509	317
Certificate Loans	700	671	29
Derivatives	7,498	3,337	4,161
Real Estate	15,660	15,858	(198)
Inv. Income Due & Accrued	29,365	29,716	(351)
Other	1,476	1,218	258
<b>Total Assets</b>	<b>\$2,751,387</b>	<b>\$2,704,690</b>	<b>\$46,697</b>
<b>Total Change Year to Year</b>	<b>1.7%</b>		
<b>LIABILITIES</b>			
Life Reserve Fund	\$ 98,218	\$ 94,568	\$ 3,650
Annuity Reserve Fund	2,374,532	2,335,053	39,479
Accident Health Resrv. Fund	134	126	8
Employee Pension Fund	6,898	6,880	18
Adv. Prem. & Fut. Rfnd. Resrvs.	352	350	2
Pending Investment Trade	1,622	559	1,063
Accounts Payable	1,120	1,267	(147)
Refund Accum. and Other	2,092	1,554	538
Asset Valuation Resrv. - AVR	35,172	27,891	7,281
Interest Maint. Reserve - IMR	14,369	15,134	(765)
<b>Total Liabilities</b>	<b>\$2,534,510</b>	<b>\$2,483,383</b>	<b>\$ 51,127</b>
Surplus Fund	216,877	221,307	(4,430)
<b>Total Liabilities &amp; Surplus</b>	<b>\$2,751,387</b>	<b>\$2,704,690</b>	<b>\$46,697</b>
<b>Solvency Ratio</b>	<b>110.1%</b>	<b>110.2%</b>	<b>-0.1%</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.