

Third Quarter 2024 Financials



Tim Demetres
Chief Financial Officer

AM Best reaffirmed GCU's financial strength rating at A-Excellent. With inflation moderating, the Fed lowered interest rates two times: 50 bps in September and 25 bps in November. The Fed also signaled it will continue lowering rates at a measured pace throughout 2025. Lower rate volatility is accretive to GCU's financial performance by enabling us to better set crediting rates in a competitive market. Our goal is to provide our members with the best product returns while growing financial strength.

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

GCU's total assets increased \$69.7 million to \$2.77 billion and surplus decreased slightly to \$216.7 million as of September 30, 2024. Notwithstanding, total adjusted capital increased to \$256 million on September 30, 2024.

Income (loss) before net realized capital gains (losses) totaled (\$1.1) million for the nine months ended September 30, 2024 compared to \$8.1 million reported in 2023. The net gain from operations was lower in 2023 primarily due to increased annuity crediting rates. Net income (loss) after realized capital gains (losses) was \$0.71 million in 2024 compared to \$7.4 million in 2023. We had \$1.8 million in net realized gains in 2024.

Total Assets increased from year-end through reinvestment of investment earnings into bonds and alternative assets. The increase in derivative assets is primarily due to higher closing values of the indices underlying our fixed index annuities.

Liabilities totaling \$2.56 billion on September 30, 2024, increased relative to new life and annuity premiums, net of outflows for surrender activity. The \$74.3 million increase in total liabilities primarily represents a \$65.0 million increase in life and annuity reserves, an \$11.2 million increase in Asset Valuation Reserve (AVR), reduced by (\$2.0) million change in the interest maintenance reserve (IMR).

Total Income was \$373.3 million in the first three quarters of 2024, a increase of \$7.3 million compared to \$366 million in 2023. Annuity premium and exchanges increased \$5.7 million from the prior year. Net investment income increased \$1.6 million to \$89.9 million.

Operating expenses, before the change in reserves, totaled \$310.7 million versus \$311.2 million in 2023, a decrease of \$548 thousand. Annuity surrenders and death claims decreased \$25.7 million in 2024 to \$203.7 million in paid benefits. Annuity conversions increased \$25.4 million to \$81 million. We were successful in limiting the growth in general expenses which remained level compared to 2023.

The change in reserves totaled \$63.5 million in 2024 compared to \$46.5 million in 2023. Reserve changes are a function of premiums received, death claims, annuity benefits paid and interest accumulation.

Surplus on September 30, 2024 decreased \$4.6 million to \$216.7 million versus \$221.3 million at prior year-end. The changes in surplus reflect the increase in unrealized gains offset by the net loss and additional funding to the AVR.

Total Adjusted Capital (TAC), a risk metric used by regu-

Summary of Financial Statistics

<i>(000's omitted)</i>	9/30/2024	9/30/2023	Change
Total Income	\$373,302	\$365,969	\$7,333
Total Expenses	374,180	357,695	16,485
Inc. Bef. Real. Gains (Losses)	(1,101)	8,050	(9,151)
Net Income (Loss)	712	7,386	(6,674)
Balance Sheet Summary	9/30/2024	12/31/2023	Change
Assets	\$2,774,345	\$2,704,655	\$69,690
Surplus (Net Worth)	216,687	221,307	(4,620)
Asset Valuation Reserve	39,128	27,891	11,237
Interest Maintenance Reserve	13,172	15,134	(1,962)
Total Adjusted Capital (TAC)	255,970	249,353	6,617
Solv. Ratio by Total Adj. Capital	110.2	110.2	—
Financial Strength Rating - KBRA	A-	A-	
Financial Strength Rating - AM Best	A-	A-	

Change in Surplus

<i>(000's omitted)</i>	
Beginning Surplus - December 31, 2023	\$221,307
Net Income	712
Change in Unrealized Gain/(Loss)	7,157
GCU Holding Company & Other	(1,123)
Changes in Non-Admitted Assets	(129)
Changes in Asset Valuation Reserve	(11,237)
Net Change in Surplus	(4,620)
Ending Surplus - 9/30/2024	\$216,687

lators and rating agencies, increased \$6.6 million to \$256 million as of September 30, 2024, from \$249.4 million at December 31, 2023. TAC starts with surplus of \$216.6 million and adds back the asset valuation reserve of \$39.1 million and one-half the dividend liability of \$155,000. The solvency ratios based on TAC was unchanged at 110.2% on

September 30, 2024 and December 31, 2023. GCU's continues to maintain its financial strength and credit ratings.

It is hard to believe we are approaching the final month of 2024. Best wishes to all during this holiday season, *Merry Christmas!* Tim

GCU INCOME STATEMENT

Nine Months 2024 vs. 2023

INCOME (000's omitted)	9/30/2024	9/30/2023	Change
Life Premium	\$ 7,687	\$ 7,212	\$ 475
Annuity Premium	192,890	212,574	(19,684)
Annuity premium exchanges	80,980	55,548	25,431
Accident & Health	283	308	(25)
Subtotal	281,839	275,641	6,198
Net investment income	89,852	88,247	1,604
Amort. of Int. Maint. Resrv.	1,137	1,203	(66)
Commissions-Reinsurance	172	331	(159)
Other	302	547	(245)
Total Income	\$373,302	\$365,970	\$ 7,334
EXPENSES			
Death Benefits - Life Ins.	\$ 2,853	\$,510	\$ (657)
Annuity Benefits Paid	203,710	228,791	(25,081)
Annuity Benefits Exchanges	80,980	55,548	25,431
Life Insurance Surrender	613	941	(327)
Accident /Health Benefits Paid	255	301	(47)
Commissions	13,248	13,005	243
General Operating Exp.	8,246	8,272	(26)
Ins., Taxes, Bank & Audit Fees	309	419	(110)
Pension expense	171	193	(22)
Interest on Deposit Accounts	313	266	47
Subtotal	\$310,699	\$311,247	\$ (548)
Changes to reserves	63,481	46,448	17,032
Total Expenses	374,180	357,695	16,485
Net Gain/Loss Bef. Refunds	(878)	8,275	(9,153)
Refunds to members	223	224	(1)
Net Gain/Loss after Refunds	(1,101)	8,051	(9,152)
Net realized gains / (losses)	1,813	(664)	2,477
Net Income	\$ 712	\$ 7,387	\$(6,675)

BALANCE SHEETS

September 30, 2024 vs. December 31, 2023

ASSETS (000's omitted)	9/30/2024	12/31/2023	Change
Bonds	\$ 2,557,741	\$2,499,632	\$ 58,109
Preferred Stocks	17,604	17,144	460
Common Stocks	27,439	27,935	(496)
Alternative investments	76,068	68,213	7,855
Cash//Short Term Investments	36,201	38,457	(2,256)
Mortgages	2,582	2,509	73
Certificate Loans	791	671	120
Derivatives	8,159	3,337	4,822
Real Estate	15,562	15,858	(296)
Inv.Income Due & Accrued	30,761	29,716	1,045
Other	1,437	1,184	253
Total Assets	\$2,774,345	\$2,704,656	\$69,689
% Total Change Year to Year	2.6%		
LIABILITIES			
Life Reserve Fund	\$100,416	\$94,568	\$5,848
Annuity Reserve Fund	2,394,170	2,335,053	59,117
Accident Health Resrv. Fund	128	126	2
Employee Pension Fund	6,990	6,880	110
Adv. Prem. & Fut. Rfnd. Resrvs.	345	350	(5)
Pending Investment Trades	991	559	432
Accounts Payable	1,177	1,233	(56)
Refund Accumulations & Other	1,141	1,554	(413)
Asset Valuation Resrv. - AVR	39,128	27,891	11,237
Interest Maint. Resrv. - IMR	13,172	15,134	(1,962)
Total Liabilities	\$2,557,658	\$2,483,349	\$74,309
Surplus Fund	216,687	221,307	(4,620)
Total Liabilities & Surplus	\$2,774,345	\$2,704,656	\$69,689
Solvency Ratio	110.0%	110.2%	-0.2%

*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.