



**Tim Demetres**  
Chief Financial Officer  
CFO

# Another Annual Financial Record

GCU's year-end results mark yet another milestone. In terms of net income and member surplus, GCU reached new highs thanks to our increasing membership and controlled expense growth.

## Highlights of 2017

Net Income before net capital gains (losses) totaled \$28.7 million in 2017 compared to \$24.0 million in 2016, resulting in an increase of \$4.8 million. Largely due to lower energy prices and reduced demand, we impaired certain bond holdings earlier in the year resulting in a net realized capital loss of \$2.8 million. After net realized gains(losses), net income in 2017 was \$25.7 million compared to \$20.6 million in 2016, a 24.6% increase. Since the inception of our Society, the past five years have been the most profitable ever reported. Our goal is to continue to increase GCU's financial strength and security for our members!

Total Assets of \$1.712 billion, increased \$162.3 million or 10.5% from the prior year which totaled \$1.550 billion. The increase in assets is attributed to investing positive net operating cash flows mostly in investment grade fixed income securities.

Liabilities totaled \$1.579 billion for 2017 compared to \$1.441 billion as of December 31, 2016. The \$137.8 million increase is due primarily to: \$134.6 million increase in life and annuity reserves; \$4.8 million

increase in the interest maintenance reserve (IMR) from deferring net gains on bond sales; \$1.1 million increase in the asset valuation reserve (AVR) to provide a cushion against future credit losses; reduced by \$1.3 million lower pension liability and \$1.8 million settlement of prior year pending investment trades.

Total Income for 2017 was \$341.9 million compared to \$346.1 million in 2016. The \$4.2 million decrease is primarily attributable to \$15.3 million lower annuity sales, net of exchanges, \$2.9 million increase in life premiums, \$6.7 million increase in net investment income, and \$1.3 million increase in commission allowances from reinsurance.

Operating expenses before increase in reserves totaled \$178.4 million in 2017. Operating expenses for the same period in 2016 totaled \$154.1 million representing a year over year increase of \$24.3 million. The increase is due primarily to increased annuity benefits and exchanges of \$23.1 million, \$2.1 million increase in agent commissions reduced by \$1.1 million in lower general insurance expenses.

Reserves for Life and Annuities in 2017 totaled \$134.8 million compared to \$168.1 million in 2016. Reserves are established as a function of premium deposits, death and annuity benefits, and interest accumulation.

Surplus grew to \$133.0 million in 2017 compared to \$108.5 million in 2016. The \$24.5 million increase in our surplus is attributable to net income of \$25.7 million, a \$0.5 million increase from net unrealized gains, a \$0.6 million positive change in reducing non-admitted assets, reduced by a \$1.1 million increase in the Asset Valuation Reserve and \$1.3 million reduction from lower net equity in subsidiaries.

Total Adjusted Capital includes Surplus of \$133.0 million and adds back the Asset Valuation Reserve of \$18.7 and one-half the dividend liability of \$150,000 totaled \$151.9 million as of December 31, 2017. This is an increase of \$25.6 million over 2016. The solvency ratio based on total adjusted capital for years 2017 and 2016 are 109.7% and 108.9%, respectively. These ratios reflect a strong and stable balance sheet.

Spring is here and I hope everyone had a Happy Easter!

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## GCU Balance Sheet Comparison

AS OF DECEMBER 31,

<b>Assets (000's omitted)</b>	<b>2017</b>	<b>2016</b>	<b>Difference</b>
Bonds	\$ 1,595,058	\$ 1,430,407	\$ 164,651
Preferred Stocks	50,146	44,259	5,887
Common Stocks	12,375	11,797	578
Cash//Short Term Investments	11,318	26,262	(14,944)
Mortgages	2,489	1,552	937
Certificate Loans	642	626	16
Real Estate			
Beaver Home Office	527	591	(64)
Investment Income Due & Accrued	22,787	21,432	1,355
Alternative Investments	15,985	11,945	4,040
Other	959	1,090	(131)
<b>Total Assets</b>	<b>\$ 1,712,286</b>	<b>\$ 1,549,961</b>	<b>\$ 162,325</b>
<b>Percentage Total Change Year to Year</b>	<b>10.5%</b>	<b>14.4%</b>	
<b>Liabilities</b>			
Life Reserves	\$ 69,360	\$ 65,678	\$ 3,682
Annuity Reserves	1,457,906	1,327,009	130,897
Accident & Health Reserves	141	134	7
Employee Pension Liability	6,956	8,216	(1,260)
Convention Reserve	279	179	100
Advance Premium & Future Refund Reserves	372	345	27
Pending Investment Trades	0	1,799	(1,799)
Accounts Payable	762	650	112
Refund Accumulations	1,935	1,803	132
Asset Valuation Reserve-AVR	18,662	17,557	1,105
Interest Maintenance Reserve-IMR	22,870	18,059	4,811
<b>Total Liabilities</b>	<b>\$1,579,244</b>	<b>\$1,441,429</b>	<b>\$ 137,815</b>
<b>Surplus Fund</b>	<b>133,042</b>	<b>108,532</b>	<b>24,510</b>
<b>Total Liabilities &amp; Surplus</b>	<b>\$1,712,286</b>	<b>\$1,549,961</b>	<b>\$162,325</b>
<b>Normal Solvency</b>	<b>108.4%</b>	<b>107.5%</b>	
<b>Solvency Ratio*</b>	<b>109.7%</b>	<b>108.9%</b>	

\*Adds AVR and one half dividend liability to surplus  
Financial information is unaudited and is presented on the statutory basis of accounting.

# GCU Income Statement Comparison

YEAR ENDED DECEMBER 31,

Income (000's omitted)	2017	2016	Difference
Life Premium	\$ 5,035,377	\$ 2,132,421	\$ 2,902,956
Annuity Premium	215,189,406	237,624,471	(22,435,065)
Annuity Exchanges	30,791,991	23,650,231	7,141,760
Accident & Health	596,998	293,997	303,001
Sub Total	251,613,772	263,701,120	(12,087,348)
Net Investment Income	84,242,334	77,563,952	6,678,382
Amortization of Interest Maintenance Reserve	2,914,364	2,725,275	189,089
Commission allowance for reinsurance	2,578,324	1,324,077	1,254,247
Other	548,347	809,563	(261,216)
<b>Total Income</b>	<b>\$341,897,141</b>	<b>\$346,123,987</b>	<b>(\$4,226,846)</b>
<b>Expenses</b>			
Death Benefits	\$ 2,493,491	\$ 2,457,341	\$ 36,150
Annuity Benefits Paid	125,643,693	109,652,193	15,991,500
Annuity Exchanges	30,791,991	23,650,231	7,141,760
Surrender Benefits	844,574	823,475	21,099
Accident & Health Benefits Paid	472,991	226,384	246,607
Commissions	11,402,457	9,256,484	2,145,973
General Insurance Exp	6,128,598	7,198,319	(1,069,721)
Insurance, Taxes, Licenses and Fees	14,984	502,808	(487,824)
Pension Expense	500,261	274,678	225,583
Interest on contract and deposit type accounts	69,876	68,642	1,234
Sub-Total	\$ 178,362,916	\$ 154,110,555	\$ 24,252,361
Increase in Reserves	134,816,868	168,050,223	(33,233,355)
<b>Total Expenses</b>	<b>\$ 313,179,784</b>	<b>\$322,160,778</b>	<b>(\$8,980,994)</b>
<b>Net Gain from Operations before Refunds</b>	<b>28,717,357</b>	<b>23,963,209</b>	<b>4,754,148</b>
<b>Refunds to Members</b>	<b>261,841</b>	<b>257,398</b>	<b>4,443</b>
<b>Net Gain from Operations after Refunds</b>	<b>28,455,516</b>	<b>23,705,811</b>	<b>4,749,705</b>
<b>Net Capital Gains (Losses)</b>	<b>(2,747,753)</b>	<b>(3,069,730)</b>	<b>321,977</b>
<b>Net Income</b>	<b>\$ 25,707,763</b>	<b>\$ 20,636,081</b>	<b>\$ 5,071,682</b>

## Financial Report Four Year Comparative Summary

	YEAR ENDED DECEMBER 31,			
	2017	2016	2015	2014
Assets	\$ 1.71 Bil	\$ 1.550 Bil	\$ 1.355 Bil	\$ 1.197 Bil
Total Income	342 Mil	346.0 Mil	318.0 Mil	235.0 Mil
Total Operating Expense	313.2 Mil	322.1 Mil	295.8 Mil	215.4 Mil
Reserve Change - Life and Annuities	134.8 Mil	168.0 Mil	131.0 Mil	97.0 Mil
Income from Operations	28.7 Mil	23.9 Mil	22.3 Mil	19.6 Mil
Refunds to Members	(261,841)	(257,398)	(256,199)	(341,293)
Capital Gains (Losses)	(2,747,753)	(3,069,730)	21,926	(1,076,551)
Net Income	25,707,763	20,636,081	22,063,543	18,166,287
Reserve - Interest Maintenance	22,869,833	18,058,704	16,735,318	16,113,913
Reserve - Asset Valuation	18,662,238	17,556,902	13,217,553	11,663,823
<b>Surplus (Net Worth)</b>	<b>\$133,042,421</b>	<b>\$108,531,974</b>	<b>\$90,739,736</b>	<b>\$71,825,430</b>

## GCU Surplus Comparison

	YEAR ENDED DECEMBER 31,		
	2017	2016	Difference
Beginning Surplus	\$ 108,531,974	\$ 90,739,736	\$ 17,792,238
Net Income	25,707,763	20,636,081	5,071,682
Change in Unrealized Gain/(Loss)	570,958	2,715,950	(2,144,992)
GCU Holding Company & Other	(1,299,846)	(878,563)	(421,283)
Changes in Non-Admitted Assets	636,909	(341,881)	978,790
Changes in Asset Valuation Reserve	(1,105,337)	(4,339,349)	3,234,012
Net Change in Surplus	24,510,447	17,792,238	6,718,209
<b>Ending Surplus</b>	<b>\$133,042,421</b>	<b>\$108,531,974</b>	<b>\$24,510,447</b>

# General Insurance Expenses

YEAR ENDED DECEMBER 31,

	2017	2016	Difference
Rent	\$ 94,000	\$ 94,000	\$ —
Salaries & Wages	2,466,354	2,882,898	(416,544)
Employee Benefits	521,728	411,499	110,229
Employee Pension Expense	-	400,000	(400,000)
Legal Fees & Expenses	73,041	5,448	67,593
Medical Examination Fees	6,377	69,176	(62,799)
Fees-CPA, Actuarial and banking	564,733	528,051	36,682
Board Meeting Expenses/Travel	208,842	179,829	29,013
Advertising	3,035	4,391	(1,356)
Postage & Phone	189,335	223,903	(34,568)
Printing & Stationary	108,831	144,027	(35,196)
Depreciation of Furniture/Equip.	64,357	89,686	(25,329)
Rental of Equipment	104,074	168,448	(64,374)
Books and Periodicals	1,999	2,893	(894)
Bureau and Association Dues	62,644	107,723	(45,079)
Insurance Fees	52,979	68,942	(15,963)
Sundry General Expenses	168,277	160,570	7,707
Official Publication	46,540	54,541	(8,001)
Future Convention Reserves	102,118	113,350	(11,232)
Field Expense Allowance	92,457	88,015	4,442
Fraternal Activities	826,238	710,053	116,185
Data Processing Supplies/Exp.	118,748	350,823	(232,075)
Marketing + Consultants Fees and Exp.	251,891	340,053	(88,162)
<b>Total</b>	<b>\$6,128,598</b>	<b>\$7,198,319</b>	<b>\$(1,069,721)</b>

## GCU Subsidiary Operations - Year 2017\*

	<b>GCU Holding &amp; Subsidiaries</b>	<b>GCU Holding Co.</b>	<b>GCU Real Estate Co.</b>	<b>Seven Oaks Country Club</b>	<b>GCU Agency Inc.</b>
Equity , Beginning of Year	\$7,502,967	\$304,346	\$ 2,346,241	\$4,796,850	\$55,530
Profit or (Loss) for Year	(891,880)	(45,305)	(47,284)	(800,000)	709
Capital Contribution	1,865,000	—	—	1,865,000	—
Other	(407,966)	—	(362,417)	(45,549)	—
<b>Equity, End of Year</b>	<b>\$8,068,121</b>	<b>\$259,041</b>	<b>\$1,936,540</b>	<b>\$5,816,301</b>	<b>\$56,239</b>

\*Financial information is unaudited and is presented in accordance with generally accepted accounting principles.