



GCU

December 31, 2021 Financial Report





Tim Demetres
Chief Financial Officer

2021 Financial Results

A Year Highlighted by Financial Growth & Strength

The year 2021 was exciting for GCU in terms of growth, financial strength, and credit rating improvement to A-. GCU also introduced the Aquila X, a fixed indexed annuity product. GCU continues to grow with total assets exceeding \$2.4 billion and surplus surpassing \$209 million as of December 31, 2021.

Highlights of 2021

Income before net capital gains (losses) totaled \$32.8 million in 2021 compared to \$29.7 million reported in 2020. Net income after realized capital gains (losses) was \$33 million in 2021 compared to \$12.8 million in 2020. In 2020, we recognized \$16.9 million in impairments from certain energy related investments.

Total Assets increased \$213 million to \$2.414 billion in 2021 from \$2.201 billion in 2020. The increase in assets reflects continued growth in invested assets from new business activity and positive cash flows. We employ a diversified asset allocation strategy to generate appropriate risk adjusted returns in support of our life and annuity liabilities. A key objective of this strategy is to complement fixed income returns by modestly increasing exposure to alternative assets (investments in LLC's and limited partnerships), real estate and public equities to less than 5% of total invested assets.

Liabilities grew commensurate with increased life and annuity sales and totaled \$2.205 billion as of December 31, 2021 compared to \$2.018 billion at year-end 2020. The \$186.4 million increase in total liabilities is due primarily to a \$169.1 million increase in life and annuity reserves, a \$15.5 million increase in AVR, and a \$1.4 million increase in the IMR from

deferred investment gains.

Total Income in 2021 grew to \$423.8 million, an increase of \$69 million compared to \$354.9 million in 2020. Life sales increased 75% from growth in our whole life single premium and final expense products. Annuity sales and exchanges increased \$51.9 million to \$291.6 million in 2021. Net investment income increased \$13.5 million to \$116.9 million from growth in invested assets and income earned from make-whole premiums on bond calls and tender offers.

Operating expenses, before the increase in reserves, totaled \$225.3 million versus \$190 million in 2020, an increase of \$35.3 million or 18.6%. Largely attributable to meeting the needs of our members, GCU paid \$30.1 million more in annuity benefits (death claims, full and partial withdrawals). Annuity exchanges decreased \$6 million. Commissions paid agents increased \$7.3 million commensurate with higher life and annuity sales. General insurance expenses were \$1.6 million higher in 2021 when compared to 2020 due to increased depreciation of EDP equipment and software. Pension expenses increased \$1.2 million due to employee attrition and pension distributions. The higher pension expenses were mostly offset by a decrease in the pension fund liability resulting

in a minimal impact to net income.

The increase in reserves totaled \$165.4 million in 2021 compared to \$134.9 million in 2020. Reserve changes are primarily a function of premiums received, death claims and annuity benefits, and interest accumulation.

Surplus grew to \$209.2 million in 2021 compared to \$182.7 million at year-end 2020. The \$26.6 million increase in surplus is attributable to the additions of net income and the change in unrealized gains of \$33 million and \$11.2 million, respectively, reduced by the change in AVR (\$15.5 million); (\$1.6 million) increase in non-admitted software development costs; and (\$0.5 million) reduction for GCU Holding Company's net loss.

Total Adjusted Capital (TAC) was \$233.2 million at December 31, 2021. TAC starts with surplus of \$209.2 million and adds back the asset valuation reserve of \$23.8 million and one-half the dividend liability of \$150,000. TAC is a financial strength measure closely monitored by rating agencies. The solvency ratios based on TAC were 110.7% and 109.5%, as of December 31, 2021 and 2020, respectively. These strong ratios reflect GCU's excellent financial strength.

Spring is here, Happy Easter!

Tim

GCU Balance Sheet Comparison

AS OF DECEMBER 31,

Assets (000's omitted)	2021	2020	Difference
Bonds	\$ 2,213,353	\$2,015,625	\$197,728
Preferred Stocks	23,125	40,562	(17,437)
Common Stocks	35,384	26,707	8,677
Cash//Short Term Investments	48,638	54,663	(6,025)
Mortgages	3,674	3,449	225
Certificate Loans	608	574	34
Derivatives	472	—	472
Real Estate	15,461	471	14,990
Investment Income Due & Accrued	27,575	26,134	1,441
Alternative Investments	45,062	31,950	13,112
Other	475	682	(207)
Total Assets	\$2,413,827	\$2,200,816	\$213,011
Percentage Total Change Year to Year	9.7%	10.4%	
Liabilities			
Life Reserves	\$ 81,792	\$ 75,154	\$ 6,638
Annuity Reserves	2,063,504	1,901,020	162,484
Accident & Health Reserves	131	177	(46)
Employee Pension Liability	6,869	7,464	(595)
Symposium Reserve	127	127	(—)
Advance Premium & Future Refund Reserves	368	356	12
Pending Investment Trades	1,666	1,730	(64)
Accounts Payable	1,140	961	179
Refund Accumulations	2,599	1,739	860
Asset Valuation Reserve-AVR	23,831	8,316	15,515
Interest Maintenance Reserve-IMR	22,558	21,124	1,434
Total Liabilities	\$2,204,585	\$2,018,169	\$186,416
Surplus Fund	209,242	182,648	26,594
Total Liabilities & Surplus	\$2,413,827	\$2,200,816	\$213,011
Normal Solvency	109.5%	109.1%	
Solvency Ratio*	110.7%	109.5%	

*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,

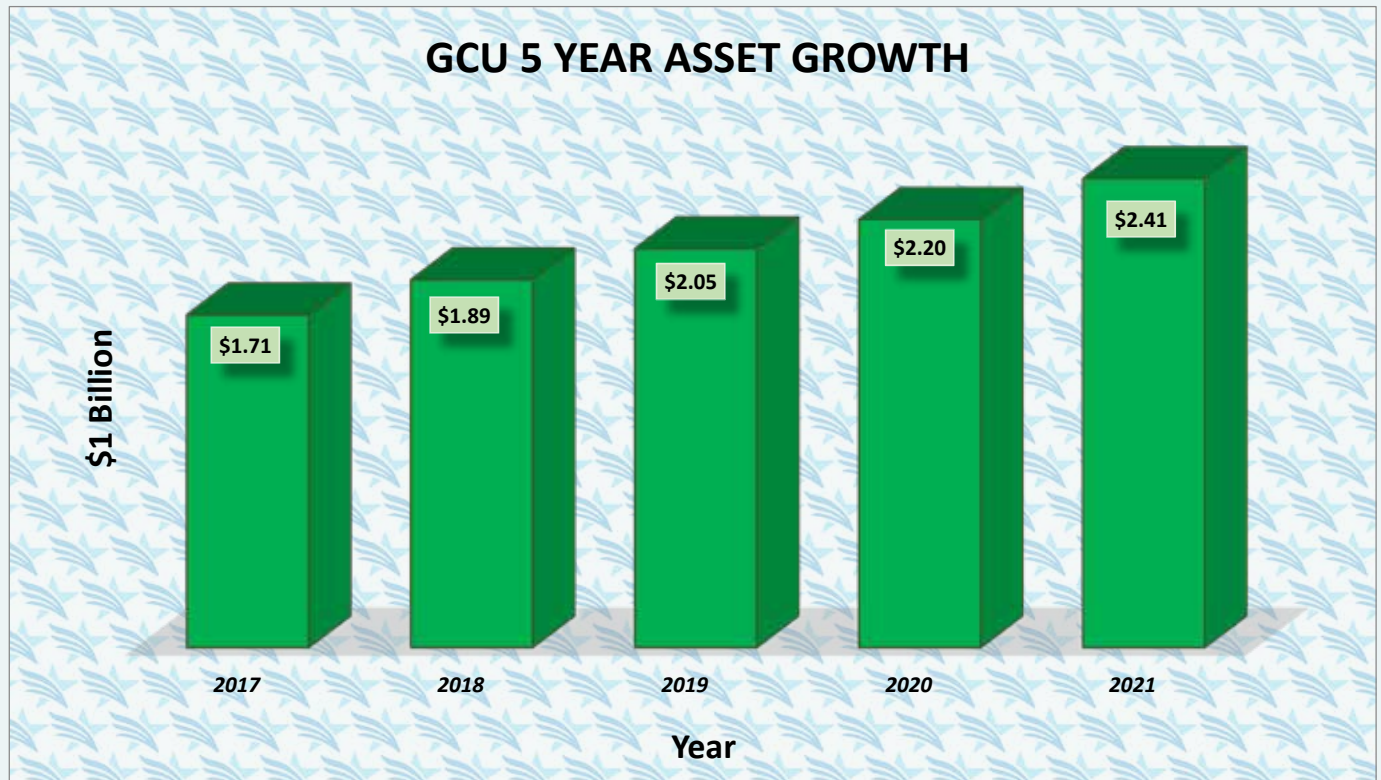
Income	2021	2020	Difference
Life Premium	\$9,695,999	\$5,553,181	\$4,142,818
Annuity Premium	276,696,381	218,822,916	57,873,465
Annuity Exchanges	14,919,390	20,929,792	(6,010,402)
Accident & Health	528,255	649,738	(121,483)
Sub Total	301,840,025	245,955,627	55,884,398
Net Investment Income	116,856,455	103,363,483	13,492,972
Amortization of Interest Maintenance Reserve	2,111,022	2,937,810	(826,788)
Commission Allowance for Reinsurance	1,476,321	1,872,452	(396,131)
Other	1,552,586	768,828	783,758
Total Income	\$423,836,410	\$354,898,200	\$68,938,210
Expenses			
Death Benefits	\$3,793,657	\$2,643,372	\$1,150,285
Annuity Benefits Paid	177,433,848	147,337,627	30,096,221
Annuity Exchanges	14,919,390	20,929,792	(6,010,402)
Surrender Benefits	488,871	496,783	(7,912)
Accident & Health Benefits Paid	475,678	514,576	(38,898)
Commissions	16,321,671	9,005,767	7,315,904
General Insurance Expense	9,858,036	8,263,419	1,594,617
Insurance, Taxes, Licenses and Fees	486,516	482,940	3,576
Pension Expense (Credit)	1,255,850	98,507	1,157,343
Interest on Contract and Deposit Accounts	281,433	235,295	46,138
Sub-Total	\$225,314,950	\$190,008,077	\$35,306,873
Increase in Reserves	165,354,693	134,942,153	30,412,540
Total Expenses	\$390,669,643	\$324,950,230	\$65,719,413
Net Gain from Operations before Refunds	33,166,767	29,947,970	3,218,797
Refunds to Members	326,412	278,922	47,490
Net Gain from Operations after Refunds	32,840,355	29,669,048	3,171,307
Net Capital Gains (Losses)	180,168	(16,851,138)	17,031,306
Net Income	\$33,020,522	\$12,817,910	\$20,202,611

Financial Report

Four Year Comparative Summary

YEAR ENDED DECEMBER 31,

	2021	2020	2019	2018
Assets	\$ 2.41 Bil	\$ 2.20 Bil	\$ 2.05 Bil	\$ 1.89 Bil
Total Income	424 Mil	354 Mil	348 Mil	336 Mil
Total Operating Expense	390.7 Mil	325.0 Mil	316.2 Mil	310.3 Mil
Reserve Change - Life and Annuities	165.4 Mil	134.9 Mil	137.0 Mil	150.2 Mil
Income from Operations	32.8 Mil	29.7 Mil	31.7 Mil	25.6 Mil
Refunds to Members	(326,412)	(278,922)	(276,334)	(271,796)
Capital Gains (Losses)	180,168	(16,851,138)	(3,972,941)	(3,413,447)
Net Income (Loss)	33,020,522	12,817,910	27,712,796	22,182,736
Reserve - Interest Maintenance	22,558,432	21,124,000	21,539,184	22,582,928
Reserve - Asset Valuation	23,831,449	8,316,048	18,746,796	19,311,098
Surplus (Net Worth)	\$209,241,561	\$182,647,591	\$162,741,529	\$154,269,000



General Insurance Expenses

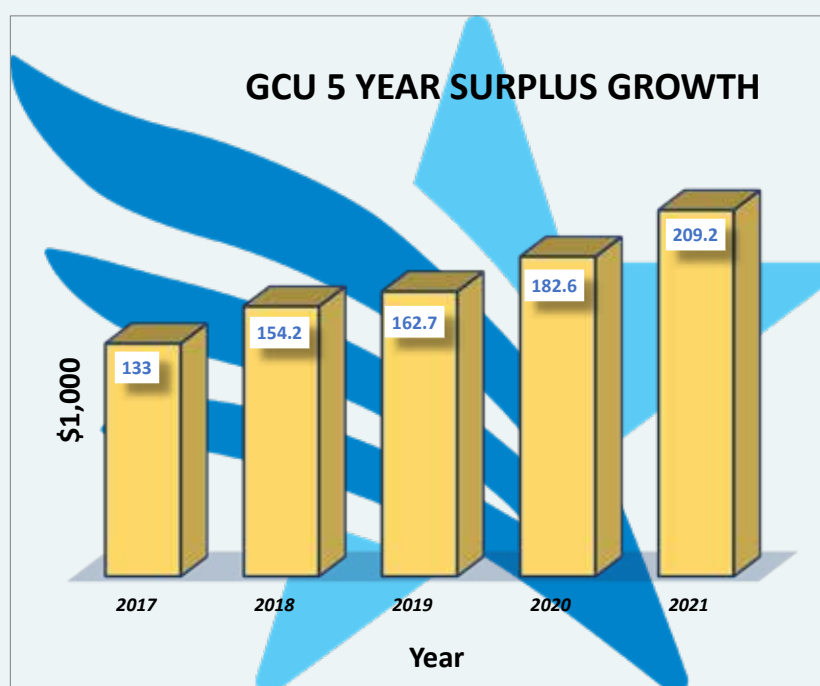
YEAR ENDED DECEMBER 31,

	2021	2020*	Difference
Rent	\$ 94,000	\$ 94,000	\$ —
Salaries & Wages	3,941,255	3,790,423	150,832
Employee Benefits	1,023,477	855,837	167,640
Legal Fees & Expenses	78,848	54,936	23,912
Medical Examination Fees	223,082	115,355	107,727
Fees-CPA, Actuarial and Banking	498,683	476,374	22,309
Board Meeting Expenses/Travel	95,710	93,579	2,131
Advertising	—	415	(415)
Postage & Phone	178,591	178,905	(314)
Printing & Stationary	129,506	93,998	35,508
Rental of Equipment	23,929	24,787	(858)
Books and Periodicals	1,554	2,306	(752)
Bureau and Association Dues	42,396	26,476	15,920
Cost or Depreciation of EDP Equipment & Software	1,546,101	442,364	1,103,737
Insurance Fees	221,331	93,144	128,187
Sundry General Expenses	271,020	134,223	136,797
Official Publication	47,877	46,607	1,270
Fraternal Activities	1,018,838	1,156,671	(137,833)
Data Processing Supplies/Exp.	406,969	538,437	(131,468)
Marketing Consultant Fees and Expenses	14,869	44,582	(29,713)
Total	\$9,858,036	\$8,263,419	\$1,594,617

*Certain amounts have been restated to conform with the 2021 presentation.

GCU Surplus Comparison

	YEAR ENDED DECEMBER 31,		
	2021	2020	Difference
Beginning Surplus	\$182,647,529	\$ 162,741,529	\$ 19,906,000
Net Income	33,020,548	12,818,000	20,202,548
Change in Unrealized Gain/(Loss)	11,151,635	(600,000)	11,751,635
GCU Holding Company	(447,128)	(727,000)	279,872
Changes in Non-Admitted Assets	(1,615,622)	(2,016,000)	400,378
Changes in Asset Valuation Reserve	(15,515,401)	10,431,000	(25,946,401)
Net Change in Surplus	26,594,032	19,906,000	6,688,032
Ending Surplus	\$209,241,561	\$182,647,529	\$26,594,032



GCU Subsidiary Operations - Year 2021*

	GCU Holding & Subsidiaries	GCU Holding Co.	GCU Real Estate Co.	Seven Oaks Country Club	GCU Agency Inc.
Equity, beginning of year	\$ 10,917,264	\$ 162,177	\$ 1,294,527	\$ 9,402,221	\$58,339
Prior period audit adjustments	38,685	—	—	38,685	—
Equity, adjusted beginning of year	10,955,949	162,177	1,294,527	9,440,906	58,339
Net Income (Loss)	(485,844)	(46,919)	(94,130)	(345,221)	426
Capital Contribution (Distribution)	3,020,000	—	—	3,020,000	—
Equity, end of year	\$13,490,105	\$115,258	\$1,200,397	\$12,115,685	\$58,765

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