



GCU

December 31, 2022

Financial Report





Tim Demetres
Chief Financial Officer

2022 Financial Results

A Year of GCU Financial Growth & Strength

In 2022, the financial markets brought a swift end to low interest rates reacting to record high inflation, the Russia-Ukraine war, and a resilient economic environment. Notwithstanding, GCU managed premium growth and maintained financial strength strategically positioning our organization to weather the adverse effects of a potential recession. Market yields have risen to more normalized levels resulting in our ability to increase annuity crediting rates. GCU achieved a major milestone in 2022 obtaining an A.M. Best A- (excellent) financial strength rating.

Our latest product release, the *Aquila X*, is a 10-year fixed indexed annuity responsible for generating \$113 million in premiums in 2022. We will soon announce expanded product features including a new index crediting strategy, the Barclays US Tech 12% Index. We will also offer a 5-year version of the *Aquila X* contract. These offerings will provide for more flexible alternatives for wealth accumulation, retirement savings and guaranteed lifetime income benefits.

GCU's total assets grew in excess of \$2.6 billion and surplus surpassed \$219 million as of December 31, 2022. Promises made, Promises kept—our members have come to trust GCU to be a **Safe, Secure, and Stable** community based fraternal organization.

Highlights of 2022

Income before net realized capital gains (losses) totaled \$20.7 million in 2022 compared to \$32.8 million reported in 2021. The gain from operations was lower in 2022 primarily due to increased annuity crediting rates and lower net investment income from amortizing hedging costs associated with fixed indexed annuities. Net income after realized capital gains (losses) was \$18.1 million in 2022 compared to \$33 million in 2021. We had \$2.6 million in net realized losses in 2022.

Total Assets increased \$227.9 million

to \$2.64 billion in 2022 from \$2.414 billion in 2021. The increase in total assets reflects the reinvestment of asset returns as well as purchases in new investments from excess operating cash flows. We employ a diversified asset allocation strategy to appropriately manage risk (interest rate, credit and duration risk) in support of our life and annuity liabilities. A key objective of this strategy is to complement fixed income returns by allocating 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 \$2.422 billion as of December 31, 2022 compared to \$2.204 billion at year-end 2021. The \$218 million increase in total liabilities is due primarily to a \$230.2 million increase in life and annuity reserves, a \$4.9 million decrease in AVR, and a \$5.6 million decrease in the IMR from deferred investment net losses.

Total Income in 2022 grew to \$507.5 million, an increase of \$83.7 million compared to \$423.8 million in 2021. Life sales increased 19% from growth in our whole life single premium. Annuity sales and exchanges increased \$83.8 million to \$375.4 million in 2022. Net investment income increased modestly to \$117 million from growth in invested assets.

Operating expenses, before the increase in reserves, totaled \$255.6 million versus \$225.3 million in 2021, an increase of \$30.3 million or 13.4%. Meeting the needs of our members, GCU disbursed \$24.3 million more in annuity benefits for death claims, full and partial withdrawals. Annuity exchanges increased \$2.9 million. Commissions paid agents increased \$3.3 million commensurate with higher life and annuity sales. General insurance expenses were \$363.7 thousand higher in 2022 when compared to 2021. Pension expense decreased \$665 thousand due to lower pension distributions.

The increase in reserves totaled \$230.9 million in 2022 compared to \$165.4 million in 2021. Reserve changes are primarily a function of premiums received, death claims and annuity benefits, and interest accumulation.

Surplus grew to \$219.5 million in 2022 compared to \$209.2 million at year-end 2021. The \$10.2 million increase in surplus is attributable to the additions of \$18.1 million net income and the \$5 million change in AVR, reduced by the (\$11.9 million) change in unrealized gains(losses); (\$0.4 million) increase in non-admitted software development costs; and (\$0.6 million) for GCU Holding Company's net loss.

Total Adjusted Capital (TAC) was \$238.5 million at December 31, 2022.

Continued on page 4

GCU Balance Sheet Comparison

AS OF DECEMBER 31,

Assets (000's omitted)	2022	2021	Difference
Bonds	\$2,472,932	\$2,213,353	\$259,579
Preferred Stocks	18,626	23,125	(4,499)
Common Stocks	27,985	35,384	(7,399)
Cash//Short Term Investments	15,575	48,638	(33,063)
Mortgages	3,473	3,674	(201)
Certificate Loans	630	608	22
Derivatives	1,115	472	643
Real Estate	15,059	15,461	(402)
Investment Income Due & Accrued	29,829	27,575	2,254
Alternative Investments	55,912	45,062	10,850
Other	611	476	135
Total Assets	\$2,641,748	\$2,413,828	\$227,920
Percentage Total Change Year to Year	9.4%		
Liabilities			
Life Reserves	\$ 89,472	\$ 81,792	\$ 7,680
Annuity Reserves	2,286,024	2,063,504	222,520
Accident & Health Reserves	120	131	(11)
Employee Pension Liability	6,595	6,869	(274)
Symposium Reserve	127	127	—
Advance Premium & Future Refund Reserves	356	368	(12)
Pending Investment Trades	—	1,666	(1,666)
Accounts Payable	1,211	1,139	72
Refund Accumulations	2,555	2,599	(44)
Asset Valuation Reserve-AVR	18,876	23,831	(4,955)
Interest Maintenance Reserve-IMR	16,929	22,558	(5,629)
Total Liabilities	\$2,422,265	\$2,204,586	\$217,679
Surplus Fund	219,484	209,242	10,242
Total Liabilities & Surplus	\$ 2,641,748	\$ 2,413,827	\$227,921
Normal Solvency	109.1%	109.5%	
Solvency Ratio*	109.9%	110.7%	

*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	2022	2021	Difference
Life Premium	\$ 11,512,247	\$ 9,695,999	\$ 1,816,248
Annuity Premium	357,606,944	276,696,382	80,910,562
Annuity Exchanges	17,812,639	14,919,390	2,893,249
Accident & Health	460,505	528,255	(67,750)
Sub Total	387,392,335	301,840,026	85,552,309
Net Investment Income	116,950,591	116,856,455	94,136
Amortization of Interest Maintenance Reserve	1,903,220	2,111,022	(207,802)
Commission allowance for reinsurance	869,813	1,476,321	(606,508)
Other	398,499	1,552,585	(1,154,086)
Total Income	\$507,514,458	\$423,836,410	\$83,678,048
Expenses			
Death Benefits	\$ 3,922,426	\$ 3,793,657	\$ 128,769
Annuity Benefits Paid	201,761,922	177,433,848	24,328,074
Annuity Exchanges	17,812,639	14,919,390	2,893,249
Surrender Benefits	480,729	488,871	(8,142)
Accident & Health Benefits Paid	393,864	475,678	(81,814)
Commissions	19,591,528	16,321,671	3,269,857
General Insurance Exp	10,221,708	9,858,036	363,672
Insurance, Taxes, Licenses and Fees	517,752	486,516	31,236
Pension Distributions and Expense	590,566	1,255,851	(665,285)
Interest on contract and deposit type accounts	322,823	281,433	41,390
Sub-Total	\$255,615,957	\$225,314,951	\$30,301,006
Increase in Reserves	230,915,150	165,354,693	65,560,457
Total Expenses	\$486,531,107	\$390,669,644	\$95,861,463
Net Gain/Loss from Operations before Refunds	20,983,351	33,166,766	(12,183,415)
Refunds to Members	297,206	326,412	(29,206)
Net Gain/Loss from Operations after Refunds	20,686,145	32,840,354	(12,154,209)
Net Capital Gains (Losses)	(2,558,448)	180,168	(2,738,616)
Net Income/Loss	\$18,127,697	\$33,020,522	\$(14,892,825)

TAC starts with surplus of \$219.5 million and adds back the asset valuation reserve of \$18.8 million and one-half the dividend liability of

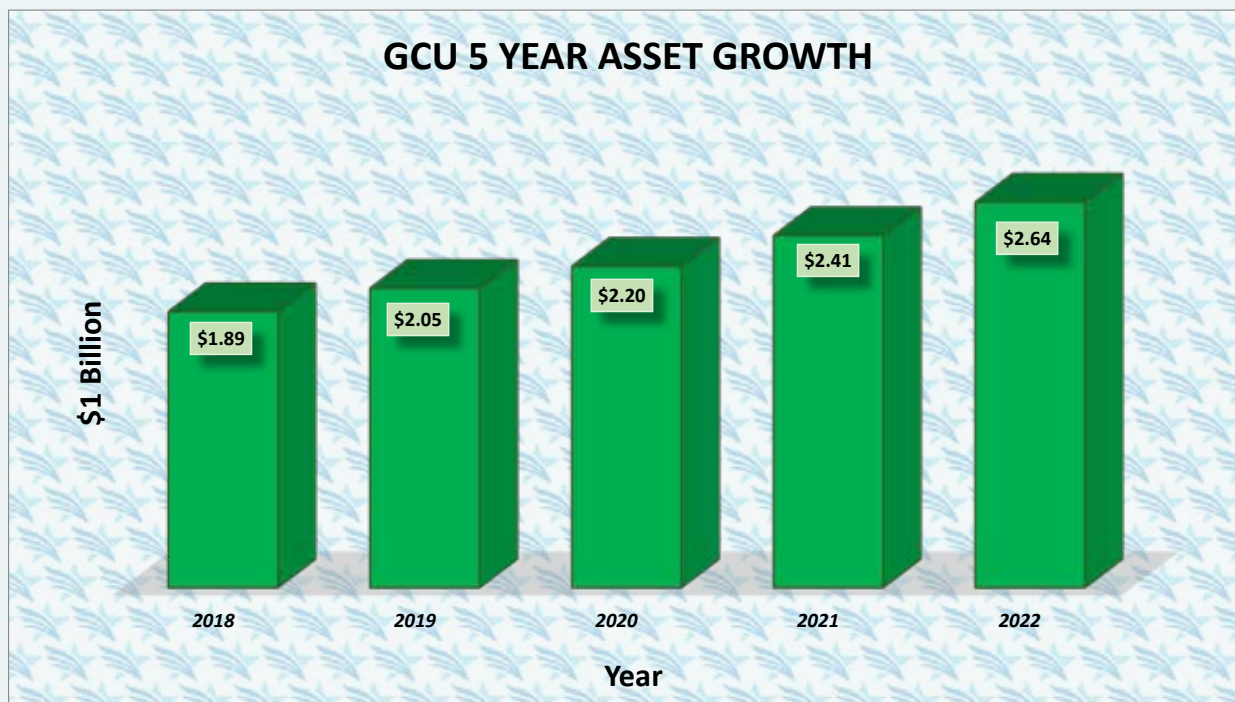
\$150,000. TAC is a financial strength measure closely monitored by rating agencies. The solvency ratios based on TAC were 109.9% and 110.7%, as

of December 31, 2022 and 2021, respectively. These strong ratios reflect GCU's excellent financial strength.

Spring is here, Happy Easter! Tim

Financial Report Four Year Comparative Summary

	YEAR ENDED DECEMBER 31,			
	2022	2021	2020	2019
Assets	\$ 2.64 Bil	\$ 2.41 Bil	\$ 2.20 Bil	\$ 2.05 Bil
Total Income	507.5 Mil	424 Mil	354 Mil	348 Mil
Total Operating Expense	486.5 Mil	390.7 Mil	325.0 Mil	316.2 Mil
Reserve Change - Life and Annuities	230.9 Mil	165.5 Mil	134.9 Mil	137.0 Mil
Income from Operations	20.7 Mil	32.8 Mil	29.7 Mil	31.7 Mil
Refunds to Members	(297,206)	(326,412)	(278,922)	(276,334)
Capital Gains (Losses)	(2,558,448)	180,168	(16,851,138)	(3,972,941)
Net Income	18,127,696	33,020,548	12,817,883	27,712,796
Reserve - Interest Maintenance	16,928,863	22,558,433	21,124,000	21,539,184
Reserve - Asset Valuation	18,876,443	23,831,449	8,316,048	18,746,796
Surplus (Net Worth)	\$219,483,621	\$209,241,589	\$202,850,229	\$162,741,529



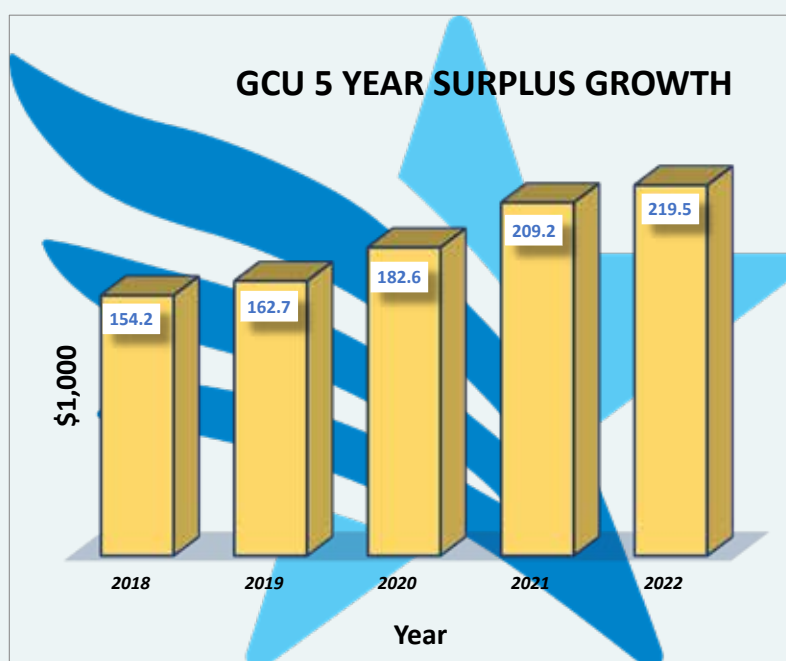
General Insurance Expenses

YEAR ENDED DECEMBER 31,

	2022	2021	Difference
Rent	\$ 94,000	\$ 94,000	\$ —
Salaries & Wages	4,521,527	3,941,255	580,272
Employee Benefits	703,497	1,023,477	(319,980)
Legal Fees & Expenses	22,149	78,848	(56,699)
Medical Examination Fees	104,527	223,082	(118,555)
Accounting, Actuarial and Banking Fees	560,368	498,683	61,685
Board Meetings, Travel and Other	151,863	95,710	56,153
Postage & Phone	202,269	178,591	23,678
Printing & Stationary	152,564	129,506	23,058
Rental of Equipment	17,826	23,929	(6,103)
Books and Periodicals	1,643	1,554	89
Bureau and Association Dues	43,517	42,396	1,121
Cost or depreciation of furniture and equipment	1,896,014	1,546,101	349,913
Insurance Fees	142,481	221,331	(78,850)
Sundry General Expenses	167,643	271,020	(103,377)
Official Publication	65,645	47,877	17,768
Fraternal Activities	1,165,149	1,018,838	146,311
Data Processing Supplies/Exp.	207,059	406,969	(199,910)
Marketing Consultant Fees and Exp.	1,967	14,869	(12,902)
Total	\$10,221,708	\$9,858,036	\$363,672

GCU Surplus Comparison

	YEAR ENDED DECEMBER 31,		
	2022	2021	Difference
Beginning Surplus	\$209,241,589	\$182,647,557	\$26,594,032
Net Income	18,127,697	33,020,548	(14,892,851)
Change in Unrealized Gain/(Loss)	(11,943,632)	11,151,635	(23,095,267)
GCU Holding Company	552,194	447,128	105,067
Changes in Non-Admitted Assets	344,842	1,615,622	(1,270,781)
Changes in Asset Valuation Reserve	(4,955,006)	15,515,401	(20,470,407)
Net Change in Surplus	10,242,031	26,594,032	(16,352,000)
Ending Surplus	\$219,483,621	\$209,241,589	\$10,242,031



GCU Subsidiary Operations - Year 2022*

	GCU Holding & Subsidiaries	GCU Holding Co.	GCU Real Estate Co.	Seven Oaks Country Club	GCU Agency Inc.
Equity, Beginning of Year	\$13,490,105	\$115,258	\$1,200,397	\$12,115,685	\$58,765
Net Income (Loss)	(552,195)	(46,850)	(54,073)	(451,689)	417
Capital Contributions	9,508,430	—	—	9,508,430	—
Other	(926)	—	—	(926)	—
Equity, End of Year	\$22,445,414	\$68,408	\$1,146,324	\$21,171,500	\$59,182

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



GCU

www.GCUusa.com
800.722.4428