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Presented for your review are the financial results for the second quarter/six months of 2009. We are extremely pleased to present to you very strong financial results of the GCU for the first six months of 2009. Net Income of \$2.4 million was generated compared to a Net Loss of (\$1.3) million in 2008 for the first six month reflecting a \$3.7 million increase in 2009.

- ✓ Assets totaled \$652 million for the quarter ended June 30, 2009 compared to \$618 million for the year ended December 31, 2008. The enactment of the "Maintenance of Solvency Provision" placed into effect June 30, 2009 increased assets by \$12 million, also increasing Surplus by \$12 million for this period. Investment Income Due & Accrued shows an increase of \$1.3 million over 2008. An increase in the overall yield of our current bond portfolio produced this increase in Investment Income thus far in 2009.
- ✓ Liabilities total \$635 million for the second quarter of 2009 compared to December 31, 2008's total of \$612 million. Our Asset Valuation Reserve (AVR) increased by a total of \$1.3 million over the December 31, 2008 a total which is required to be funded according to statutory regulation that will assist in protecting possible future impairment within our investment portfolio.
- ✓ Surplus totals \$17.2 million as of June 30, 2009. Positive impacts to Surplus were Net Income of \$2.4 million, Changes in Unrealized Gains of \$1.9 million due to increase in the market value of our common stock portfolio and the Lien adjustment of \$12 million. Negative impacts to surplus included the funding of Asset Valuation Basis of \$1.3 million due to statutory regulations as previously noted and Changes in Reserve Valuation Basis showing an adjustment of \$3.5 million in order to comply to with Actuarial Guideline #33 required by the Pennsylvania Insurance Department. We continue to focus on various avenues to bolster surplus that will eventually lead to the removal of the recent lien imposed.

Summary of Financial Statistics

| (000's omitted) | <u>6/30/09</u> | <u>6/30/08</u> | <u>Change</u> |
|----------------------------------|----------------|----------------|---------------|
| Assets..... | \$651,901 | \$611,254 | \$40,647 |
| Total Income..... | 58,918 | 58,041 | 877 |
| Total Operating Exp. | 38,642 | 33,574 | 5,068 |
| Net Income (Loss)..... | 2,366 | (1,335) | 3,701 |
| Surplus (Net Worth) | 17,216 | 20,815 | (3,599) |
| Asset Valuation Reserve..... | 1,452 | 5,945 | (4,493) |
| Int. Maintenance Reserve ... | 7,569 | 8,322 | (753) |
| Surplus & Spec. Reserve.... | 26,237 | 35,082 | (8,845) |
| Normal Solvency Ratio..... | 102.7 | 103.5 | (1) |
| Solv. Ratio Incl. Spec. Rsrv.... | 104.2 | 106.1 | (2) |

- ✓ Gross Income \$27.1 million excluding conversion was recorded for the second quarter of 2009 compared to \$26.5 in 2008 excluding conversions. In the second quarter of 2009 Annuity sales decreased by \$716,000 and Life premium also decreased slightly by \$148,000, however investment income increased by \$1.4 million over the same period in 2008.
- ✓ For the first six months of 2009 Investment Income totaled \$18.4 million compared to \$15.2 million in 2008 reflecting an increase of \$3.1 million. The current portfolio average coupon rate is 6.32% and the current yield is 6.85%. The GCU continues to maintain a strong and positive cash flow position allowing us to take advantage of the current bond market opportunities.
- ✓ Life premiums total is \$862,000 for the first six months, a decrease of \$100,000 from the same period in 2008. New programs are being planned to increase sales of life premiums during the last six months of 2009.
- ✓ Annuity premiums less conversions totaled \$35.3 million for 2009 compared to sales less conversions in 2008 that totaled \$39.5 million. The sales of annuity products exceeded the 2009 GCU Business plan sales goal of \$4 million a month annuity by approximately \$2 million a month during the first six months of 2009.
- ✓ Total Expenses for the 2009 second quarter excluding

Income Statement

| | Six Months 2009 vs. 2008 Results | | |
|--------------------------------------|---|-----------------|---------------|
| (000's) Omitted | <u>6/30/09</u> | <u>6/30/08</u> | <u>Change</u> |
| Income | | | |
| Life Premium..... | \$ 862 | \$ 962 | \$ (100) |
| Annuity Premium..... | 34,451 | 38,575 | (4,124) |
| Annuity Exchanges | <u>4,828</u> | <u>2,731</u> | <u>2,097</u> |
| Sub Total..... | \$40,141 | \$42,268 | \$(2,127) |
| Net Investment Income... | 18,365 | 15,236 | 3,129 |
| Other (<i>See Detail Report</i>).. | <u>412</u> | <u>537</u> | <u>(125)</u> |
| Total Income..... | <u>\$58,918</u> | <u>\$58,041</u> | <u>\$ 877</u> |

Expenses

| | | | |
|-------------------------------|-----------------|------------------|------------------|
| Death Benefits | 1,164 | 764 | 400 |
| Annuity Benefits Paid | 28,604 | 25,794 | 2,810 |
| Annuity Exchanges | 4,828 | 2,731 | 2,097 |
| Surrender Benefits | 339 | 246 | 93 |
| Commissions..... | 983 | 1,066 | (83) |
| General Ins. Expenses | 2,540 | 2,859 | (319) |
| License, Taxes and Fees | 156 | 88 | 68 |
| Other | <u>28</u> | <u>27</u> | <u>1</u> |
| Sub-Total | <u>\$38,642</u> | <u>\$33,575</u> | <u>\$ 5,067</u> |
| Resrv-Life & Annuity.... | <u>18,280</u> | <u>24,302</u> | <u>(6,022)</u> |
| Resrv Fixed Options..... | <u>(447)</u> | <u>657</u> | <u>(1,104)</u> |
| Total Expenses..... | <u>\$56,475</u> | <u>\$ 58,534</u> | <u>\$(2,059)</u> |
| Net Oper. before Refnd.. | \$ 2,443 | \$ (493) | \$ 2,936 |
| Refunds to Members | <u>(101)</u> | <u>(198)</u> | <u>97</u> |
| Net Oper. after Refnd | \$ 2,342 | \$ (691) | \$ 3,033 |
| Net Cap. Gains (Losses) ... | <u>24</u> | <u>(645)</u> | <u>669</u> |
| Net Income/Loss..... | <u>\$ 2,366</u> | <u>\$(1,336)</u> | <u>\$ 3,702</u> |

Income Statement

Second Quarter 2009 vs. 2008 Results

| (000's) Omitted | <u>6/30/09</u> | <u>6/30/08</u> | <u>Change</u> |
|------------------------------|----------------|----------------|----------------|
| Income | | | |
| Life Premium..... | \$ 430 | 578 | (148) |
| Annuity Premium..... | 16,924 | 17,640 | (716) |
| Annuity Exchanges | <u>4,121</u> | <u>1,833</u> | <u>2,288</u> |
| Sub Total..... | \$21,475 | \$20,051 | \$ 1,424 |
| Net Investment Income..... | 9,526 | 8,062 | 1,464 |
| Other (See Detail Report)... | <u>212</u> | <u>234</u> | <u>(22)</u> |
| Total Income..... | \$31,213 | \$28,347 | \$ 2,866 |
| Expenses | | | |
| Death Benefits | 482 | 451 | 31 |
| Annuity Benefits Paid..... | 13,517 | 10,847 | 2,670 |
| Annuity Exchanges | 4,121 | 1,833 | 2,288 |
| Surrender Benefits | 148 | 106 | 42 |
| Commissions..... | 458 | 455 | 3 |
| General Ins. Expenses | 1,515 | 1,747 | (232) |
| Other | <u>13</u> | <u>12</u> | <u>1</u> |
| Sub-Total | \$20,254 | \$15,451 | \$ 4,803 |
| Resrv-Life & Annuity.... | <u>9,363</u> | <u>12,639</u> | <u>(3,276)</u> |
| Resrv Fixed Options..... | <u>(447)</u> | <u>657</u> | <u>(1,104)</u> |
| Total Expenses..... | \$29,170 | \$28,747 | \$ 423 |
| Net Oper. before Refnd.. | <u>2,043</u> | <u>(400)</u> | <u>2,443</u> |
| Refunds to Members | <u>(50)</u> | <u>(98)</u> | <u>48</u> |
| Net Oper. after Refnd | 1,993 | (498) | 2,491 |
| Net Cap. Gains (Losses).. | <u>24</u> | <u>21</u> | <u>3</u> |
| Net Income/Loss..... | \$2,017 | \$ (477) | \$2,494 |

Balance Sheet

Six Months 2009 vs. 2008 Results

| Assets | <u>6/30/09</u> | <u>6/30/08</u> | <u>12/31/08</u> |
|---------------------------------|----------------|----------------|-----------------|
| (000's) Omitted..... | | | |
| Bonds..... | \$523,149 | \$482,300 | \$489,022 |
| Preferred Stocks..... | 54,276 | 63,510 | 63,508 |
| Common Stocks | 25,245 | 31,716 | 23,946 |
| Cash/Short Term Invest... .. | 20,306 | 18,243 | 25,408 |
| Mortgages..... | 4,152 | 4,000 | 4,372 |
| Real Estate | | | |
| Beaver Home Office..... | 766 | 822 | 794 |
| Chapel | — | 693 | 667 |
| Certificate Loans | 654 | 611 | 626 |
| Inv. Inc. Due & Accrued | 7,720 | 6,071 | 6,380 |
| Other | <u>15,633</u> | <u>3,288</u> | <u>3,460</u> |
| Total Assets..... | \$651,901 | \$611,254 | \$618,183 |
| Liabilities | | | |
| Life Reserve Fund..... | \$ 49,868 | \$ 49,322 | \$ 49,664 |
| Annuity Rsrv Fund..... | 568,448 | 519,884 | 547,667 |
| Employee Pension Fund.... | 4,622 | 4,348 | 4,623 |
| Convention Reserve | 510 | 377 | 60 |
| Adv. Prem. & Fut. Ref. Rsrv ... | 246 | 446 | 247 |
| Accounts Payable | 106 | 65 | 156 |
| Refund Accumulations..... | 960 | 937 | 948 |
| Other | <u>904</u> | <u>793</u> | <u>851</u> |
| Sub-Total Liabilities..... | \$625,664 | \$576,172 | \$604,216 |
| Asset Valu. Rsrv-AVR..... | 1,452 | 5,945 | 127 |
| Int. Maint. Rsrv-IMR ... | <u>7,569</u> | <u>8,322</u> | <u>7,430</u> |
| Total Liabilities | \$634,685 | \$590,439 | \$611,773 |
| Surplus Fund..... | <u>17,216</u> | <u>20,815</u> | <u>6,410</u> |
| Total Liab. & Surplus.. | \$651,901 | \$611,254 | \$618,183 |

conversions totaled \$16.3 million compared to \$13.6 million in 2008. The increase of \$2.5 million in 2009 is primarily due to annuity benefits paid out. General insurance expenses, licenses and fees continue to show reductions in 2009 compared to the same period in 2008 as spending is carefully monitored and reduced.

- ✓ Net Changes in Life and Annuity Reserves and Fixed Options totaled \$17.8 million for the six months ended June 30, 2009 compared to \$25 million in 2008. The \$7.2 million decrease in life and annuity reserves were a result of decrease in annuity sales of annuity products as well as claim experienced in the first six months of 2009.
- ✓ The GCU solvency ratios for the first six months are 102.7 and 104.2 that includes special reserves, asset valuation reserves (AVR) and interest maintenance reserves (IMR). The solvency ratios as of December 31, 2008 were 101.0 and 102.3 showing an increase in the first six month of 1.7 and 1.9 respectfully.

We at the GCU, as with the whole world, are cautiously optimistic as the current economy and investment markets are showing signs of recovery. It has been a slow process and are confident this recovery will continue. As stated, we have experienced positive cash flow and have presented a very strong financial report for the first six months of 2009.

Reconciliation of Change in Surplus
(000's omitted) 6/30/09

| | |
|--|----------|
| Surplus Previous Year 12/31/08..... | \$6,410 |
| Net Income..... | 2,366 |
| Change in Unrealized Gain/(Loss)..... | 1,912 |
| GCU Holding Company & Other | (639) |
| Changes in Non-Admitted Assets | 45 |
| Changes in Asset Valuation Reserve..... | (1,325) |
| Change in Reserves Valuation Basis | (3,151) |
| Lien Dividend Reserve | (400) |
| 2% Lien adjustment | 11,998 |
| Net Change in Surplus | 10,806 |
| Ending 06/30/09 Surplus..... | \$17,216 |

We are confident that our growth and financial success will continue for the remaining six months of 2009.

Once again this recovery takes time. We thank you, our members for your patience, support and confidence in our GCU during this difficult and cumbersome period. Please do not hesitate to contact me with your questions or concerns.