

The third quarter financial report continues to show very strong financial results for the GCU. Net Income totaled \$5.5 million compared to a Net Income of \$3.5 million for the first nine months in 2010, an increase of \$2 million.



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Executive
Vice President/COO

* Assets totaled \$828.9 million for the quarter ended September 2011 compared to \$799.8 for the same period in 2010 reflecting an increase of \$29.1 million. The GCU bond portfolio as of September 30, 2011 totals \$742 million compared to \$687.7 million in 2010. Our equities portfolio totals \$49.3 million which includes preferred and common stock, a reduction of \$17.2 million. Our investment managers continue to reduce our exposure in the equity market by selling at cost or if possible, a gain. 98% of the GCU portfolio continues to be in the fixed market resulting in Investment Income Due and Accrued totaling \$12 million in 2011 compared to \$10.5 million in 2010.

* Liabilities totaled \$803.1 million for the third quarter of 2011 compared to the December 31, 2010 total of \$789.3 million. Life and Annuity Reserves totaled \$775 million compared to \$766.1 million, due to increased life and annuity sales. Our Asset Valuation Reserve (AVR) increased slightly over the 2010 total reflecting the quality in our portfolio.

* As of September 30, 2011 our Surplus totals \$25.8 million compared to the same period in 2010 that totals \$20.1 million and December 31, 2010 totaling \$21.4 million. Positive impacts to Surplus included Net Income of \$5.5 million and changes in Asset Valuation Reserves. Negative impacts to Surplus were Changes in Realized Gain/(Loss) of (\$730,000), that included the decline in the stock market for that period, however it has rebounded, GCU Holding Company & Other, and Changes of (\$856,000) and Non-Admitted Assets of (\$20,000). We continue our commitment to find various ways to strengthen our surplus.

* Gross Income for the first nine months totaled \$109.2 million excluding conversions compared to \$189.8 million

excluding conversions in 2010 for the same period. This decrease is a result of our conscious effort to reduce annuity premium sales volume, especially in our short term annuity products beginning in the third quarter of 2010. Life premium sales for nine months increased by \$2.7 million totaling \$5.5 million compared to \$2.8 million in 2010.

* Net Investment Income also increased \$5.1 million in 2011, totaling \$37 million for nine months compared to \$31.9 million in 2010. We continue to have strong and positive cash flows allowing us to take advantage of opportunities in the market. The average quality of our portfolio is A with 96.2 % being investment grade.

* Total Expenses for nine months of 2011 were \$90.4 million compared to \$51 million. The increase is primarily due to annuity benefits paid that totaled \$81 million compared to \$41.6 million in 2010.

* Net changes in Life and Annuity Reserves totaled \$13 million for nine months in 2011 compared to \$134.1 million in 2010. The decrease is a result of decreased annuity premium sales as well as an increase in claims experience in 2011 for nine months.

**Balance Sheet
Nine Months 2011 vs. 2010 Results**

Assets	<u>9/30/11</u>	<u>9/30/10</u>	<u>12/31/10</u>
(000's omitted)			
Bonds.....	742,007	687,751	\$719,215
Preferred Stocks.....	33,655	44,696	38,994
Common Stocks	15,569	21,792	21,034
Cash/Short Term Inv.....	10,948	16,995	5,167
Mortgages	2,542	3,301	2,921
Real Estate			
Beaver Home Office.....	640	518	682
Certificate Loans	501	696	524
Invest. Inc. Due & Accr....	11,982	10,536	10,858
Other	<u>11,063</u>	<u>13,506</u>	<u>11,415</u>
Total Assets.....	\$828,907	\$799,791	\$810,810
Liabilities			
Life Reserve Fund.....	\$ 58,349	\$ 52,454	\$ 53,443
Annuity Reserve Fund...	716,752	706,204	712,663
Employee Pension Fund.....	4,335	3,510	4,022
Convention Reserve	334	235	260
Adv. Prem. & Fut. Rfnd. Rsrv ..	239	239	239
Accounts Payable	—	787	91
Refund Accumulations.....	992	992	977
Other	<u>6,255</u>	<u>1,571</u>	<u>1,279</u>
Sub-Total Liabilities.....	\$787,256	\$765,992	\$772,974
Asset Value Resrv.-AVR.....	7,227	7,220	7,680
Int. Maint. Resrv.-IMR.....	<u>8,617</u>	<u>6,457</u>	<u>8,703</u>
Total Liabilities.....	\$803,100	\$779,669	\$789,357
Surplus Fund.....	<u>25,807</u>	<u>20,122</u>	<u>21,453</u>
Total Liab. & Surplus....	\$828,907	\$799,791	\$810,810

Note: The GCU quarterly report is unaudited but consistent with proper accounting procedure.

Note: Small dollar differences in these reports are due to rounding.

Summary of Financial Statistics

(000's omitted)	<u>9/30/11</u>	<u>9/30/10</u>	<u>Change</u>
Assets.....	\$828,907	\$799,791	\$ 29,116
Total Income.....	120,330	207,188	(86,858)
Total Operating Exp.	114,537	202,572	(88,035)
Net Income (Loss).....	5,507	3,531	1,976
Surplus (Net Worth)	25,807	20,122	5,685
Asset Valuation Reserve.....	7,227	7,220	7
Interest Maint. Reserve.....	8,617	6,457	2,160
Surplus & Special Reserves	41,651	33,799	7,852
Normal Solvency Ratio.....	103.2	102.6	0.6
Solv. Include Spec. Reserv...	105.2	104.4	0.8

Income Statement

Third Quarter 2011 vs. 2010 Results

(000's) Omitted	<u>9/30/11</u>	<u>9/30/10</u>	<u>Change</u>
Income			
Life Premium.....	\$ 2,045	\$ 1,189	\$ 856
Annuity Premium.....	27,458	59,202	(31,744)
Annuity Exchanges	4,514	5,408	(894)
Sub Total.....	<u>\$34,017</u>	<u>\$65,799</u>	<u>\$(31,782)</u>
Net Investment Income....	12,192	11,400	792
Other	446	222	224
Total Income.....	\$46,655	\$77,421	\$(30,766)
Expenses			
Death Benefits	\$ 600	\$ 626	\$ (26)
Annuity Benefits Paid.....	25,778	14,117	11,661
Annuity Exchanges	4,514	5,408	(894)
Surrender Benefits	144	157	(13)
Commissions.....	1,253	1,111	142
General Insurance Exp.....	1,712	1,280	432
Pension Benefits Paid	21	21	
Other	14	16	(2)
Sub-Total	<u>\$34,036</u>	<u>\$22,715</u>	<u>\$11,321</u>
Reserves-Life & Anu	<u>11,249</u>	<u>52,922</u>	<u>(41,673)</u>
Total Expenses.....	\$45,285	\$75,637	\$(30,352)
Net Gain/Loss bef. Rfnd..	<u>1,370</u>	<u>1,784</u>	<u>(414)</u>
Refunds to Members	<u>(48)</u>	<u>(47)</u>	<u>(1)</u>
Net Gain/Loss after Rfnd..	<u>1,322</u>	<u>1,737</u>	<u>(415)</u>
Net Cap. Gains (Losses) ..	<u>(17)</u>	<u>(880)</u>	<u>863</u>
Net Income/Loss.....	\$ 1,305	\$ 857	\$ 448

Income Statement

Nine Months 2011 vs. 2010 Results

(000's) Omitted	<u>9/30/11</u>	<u>9/30/10</u>	<u>Change</u>
Income			
Life Premium.....	\$ 5,493	\$ 2,785	\$ 2,708
Annuity Premium.....	65,438	154,365	(88,927)
Annuity Exchanges	11,062	17,385	(6,323)
Sub Total.....	<u>\$ 81,993</u>	<u>\$174,535</u>	<u>\$(92,542)</u>
Net Investment Income....	36,991	31,898	5,093
Other	1,346	755	591
Total Income.....	\$120,330	\$207,188	\$(86,858)
Expenses			
Death Benefits	\$ 1,452	\$ 1,618	\$ (166)
Annuity Benefits Paid.....	81,052	41,597	39,455
Annuity Exchanges	11,062	17,386	(6,324)
Surrender Benefits	545	485	60
Commissions.....	3,071	3,085	(14)
General Insurance Exp.....	4,227	3,666	561
Pension Benefits Paid	81	573	(492)
Other	44	46	(2)
Sub-Total	<u>\$101,534</u>	<u>\$ 68,456</u>	<u>\$ 33,078</u>
Reserves-Life & Anu ...	<u>13,003</u>	<u>134,116</u>	<u>(121,113)</u>
Total Expenses.....	\$114,537	\$202,572	\$(88,035)
Net Gain/Loss bef. Rfnd..	<u>5,793</u>	<u>4,616</u>	<u>1,177</u>
Refunds to Members	<u>(153)</u>	<u>(150)</u>	<u>(3)</u>
Net Gain/Loss after Rfnd.....	<u>5,640</u>	<u>4,466</u>	<u>1,174</u>
Net Cap. Gains (Losses) ..	<u>(133)</u>	<u>(52)</u>	<u>(81)</u>
Gain/Loss prev. in Surp	<u>—</u>	<u>(883)</u>	<u>—</u>
Net Income/Loss.....	\$ 5,507	\$ 3,531	\$ 1,976

* The GCU solvency ratios for nine months of 2011 are 103.2 and 105.2 that includes Special Reserves, Asset Valuation Reserves (AVR) and Interest Maintenance Reserves (IMR). The total of GCU Safety Funds that includes Surplus, Asset Valuation Reserves (AVR) and Interest Maintenance Reserves (IMR) as September 30, 2011 is \$41.6 million compared to \$33.8 million for the same period in 2010, an increase of \$7.8 million.

We continue to present to our members a financially strong and ever growing GCU. We thank you our members for your continued support and trust in the GCU.

May you, your family and friends have a blessed Christmas and a healthy, prosperous New Year for “God is With Us!”

Please do hesitate to contact me with your questions or comments.

Reconciliation of Change in Surplus

(000's omitted)	<u>9/30/11</u>
Surplus Previous Year 12/31/10	\$21,453
Net Income.....	5,507
Change in Unrealized Gain/(Loss).....	(730)
GCU Holding Company & Other	(856)
Changes in Non-Admitted Assets	(20)
Changes in Asset Valuation Reserve.....	453
Net Change in Surplus	<u>4,354</u>
Ending 09/30/11 Surplus.....	\$25,807