



Judith A. Gula
National
Secretary-Treasurer

The Third Quarter financial results for 2010 are presented for your review. We are once again proud to present to you very strong GCU financials reports for these nine months of 2010. The Net Income totals \$3.5million, Surplus \$20.2 million and the Safety Funds that includes Surplus, Asset Valuation Reserves, (AVR) and Interest Maintenance Reserves, (IMR) total \$33.8 million as of September 30, 2010.

☼ Assets totaled \$799.8 million for the quarter ended September 30, 2010 compared to \$659.7 million as of December 31, 2009, an increase of \$140.1 million. The bond portfolio totals \$687.7 million in 2010 compared to \$513.6 million in 2009 for nine months. Our equities portfolio totals \$66.5 million as of September 30, 2010, a reduction of \$10.4 million from September 30, 2009. Our investment managers continue to reduce our exposure in the equity market by selling at cost or if possible a gain. Investment income Due & Accrued for 2010 increased by \$2.6 million over 2009, that is primarily due to our increased bond portfolio.

☼ Liabilities totaled \$779.7 million for the third quarter of 2010 compared to the December 31, 2009 total of \$630.8 million. Life and annuity reserves are \$134.6 million over the December 31, 2009 totals, reflecting increases again in sales of life and annuity products thus far in 2010. Our Asset Valuation Reserve (AVR) increased by a total \$1.3 million over the December 31, 2009. This reserve is required to be funded in accordance to statutory regulation that will assist in protecting possible future impairment within our investment portfolio.

☼ Surplus totaled \$20.2 million as of September 30, 2010. Positive impacts to Surplus were Net Income of \$3.5 million and Changes in Unrealized Gains of \$2.4 million due to increases in equities and surplus notes as well as realized gains recorded on the sale of Triad Guaranty previously recorded as an unrealized loss in 2008 as an impaired security. Negative impacts to Surplus included the required funding of the Asset Valuation Reserves

Summary of Financial Statistics

(000's omitted)	<u>9/30/10</u>	<u>9/30/09</u>	<u>Change</u>
Assets.....	\$799,791	\$642,571	\$157,220
Total Income.....	207,188	86,865	120,323
Total Operating Exp.	202,572	82,933	119,639
Net Income (Loss).....	3,531	3,879	(348)
Surplus (Net Worth)	20,122	18,102	2,020
Asset Valuation Reserve.....	7,220	4,326	2,894
Interest Maint. Reserve.....	6,457	4,065	2,392
Surplus & Spec. Rsrv.....	33,799	26,493	7,306
Normal Solvency Ratio.....	102.6	102.9	(0.3)
Solv. Include Spec. Rsrv.	104.4	104.3	0.1

of \$1.3 million, a safeguard for increases in the bond portfolio, \$1.1 million in GCU Holding Company & Other, and \$1.7 million, an adjustment due to the loan to the GCU Real Estate Company Inc. being reclassified as a non-admitted asset as required by the recent audit of the Pennsylvania State Insurance Department.

- ☼ Gross income of \$189.8 million was recorded which excludes annuity exchanges for nine months in 2010 compared to \$78.2 excluding conversions for the same period in 2009, an increase of \$111.6 million. Annuity sales increased by \$104.8 million and Life Premium increased by \$1.6 million in nine months in 2010 over the same period in 2009. Increased sales are a reflection of the success of GCU's quality annuity products, rates and the success of the GCU's new pre-needs program.
- ☼ Net Investment Income also increased \$5.1 million in 2010 compared to the same period in 2009. A strong and positive cash flow continues to allow us to take advantage of opportunities in the market. The average quality is A with 94.6% being investment grade.
- ☼ Expenses for 2010 third quarter excluding conversions and prior to reserves totaled \$50,498 compared to \$65,641

Income Statement			
Nine Months 2010 vs. 2009 Results			
(000's) Omitted	<u>9/30/10</u>	<u>9/30/09</u>	<u>Change</u>
Income			
Life Premium.....	\$ 2,785	\$ 1,221	\$ 1,564
Annuity Premium.....	154,365	49,532	104,833
Annuity Exchanges	17,385	8,649	8,736
Sub Total.....	\$174,535	\$59,402	\$115,133
Net Investment Income	31,898	26,818	5,080
Other	755	645	110
Total Income.....	\$207,188	\$86,865	\$120,323
Expenses			
Death Benefits	\$ 1,618	\$ 1,768	\$ (150)
Annuity Benefits Paid.....	41,598	58,588	(16,990)
Annuity Exchanges	17,385	8,649	8,736
Surrender Benefits	485	689	(204)
Commissions.....	3,085	1,337	1,748
General Insurance Exp.....	3,438	3,006	432
License, Taxes and Fees	228	211	17
Other	46	42	4
Sub-Total	67,883	74,290	(6,407)
Reserves-Life & Anu.	134,116	8,834	125,282
Reserves Fixed Options.....	—	(321)	321
Pension Plan Rsrsv.	573	130	443
Total Expenses.....	\$202,572	\$82,933	\$119,639
Net Gain/Loss bef. Rfnd....	4,616	3,932	684
Refunds to Members	(150)	(149)	(1)
Net Gain/Loss after Refnd.	4,466	3,783	683
Net Cap. Gains (Losses) ...	(935)	96	(1,031)
Net Income/Loss.....	\$ 3,531	\$ 3,879	\$ (348)

Note: Financial results are unaudited but consistent with proper accounting procedure.

in 2009. The decrease of \$15,143 is primarily due to decreases in annuity benefits paid out. Commissions paid out increased by \$1,748 as a result of increased annuity and life premium sales.

- * Net Changes in Life and Annuity Reserves totaled \$134.1 million for nine months ended September 30, 2010 compared to \$8.8 million in 2009. The \$125.3 million increase in the life and annuity reserves were a result of increased life and annuity premium sales as well as a reduction in claims experience in the nine months of 2010.
- * Net Income from operations for nine months of 2010 totals \$4.6 million compared to \$3.9 million for the same period of 2009. Net income after dividends and net capital losses totals \$3.5 million. A loss of \$883,000 was recorded from the sale of an impaired bond Triad Guarantee, as recommended by our portfolio manager and agreed upon the GCU Executive Finance Board. This bond was written down to market value in 2009 and recorded as an unrealized loss to surplus as required by statutory regulations. The realized loss on the sale of this bond is recorded against operations which was previously noted as an unrealized loss in 2009.

Income Statement

Third Quarter 2010 vs. 2009 Results

(000's) Omitted	<u>9/30/10</u>	<u>9/30/09</u>	<u>Change</u>
Income			
Life Premium.....	\$ 1,189	\$ 359	\$ 830
Annuity Premium.....	59,202	15,081	44,121
Annuity Exchanges	<u>5,408</u>	<u>3,821</u>	<u>1,587</u>
Sub Total.....	<u>\$65,799</u>	<u>\$19,261</u>	<u>\$46,538</u>
Net Investment Income...	11,400	8,453	2,947
Other	<u>222</u>	<u>233</u>	<u>(11)</u>
Total Income.....	\$77,421	\$27,947	\$49,474
Expenses			
Death Benefits	\$ 626	\$ 604	\$ 22
Annuity Benefits Paid.....	14,117	29,984	(15,867)
Annuity Exchanges	5,408	3,821	1,587
Surrender Benefits	157	350	(193)
Commissions.....	1,111	354	757
General Insurance Exp.....	1,280	521	759
Other	<u>16</u>	<u>14</u>	<u>2</u>
Sub-Total	<u>\$22,715</u>	<u>\$35,648</u>	<u>\$(12,933)</u>
Reserves-Life & Anu	52,877	(9,446)	62,323
Reserves Fixed Options.....	0	126	(126)
Pension Plan Reserves ...	<u>45</u>	<u>130</u>	<u>(85)</u>
Total Expenses.....	\$75,637	\$26,458	\$49,179
Net Gain/Loss bef. Rfnd....	<u>1,784</u>	<u>1,489</u>	<u>295</u>
Refunds to Members	<u>(47)</u>	<u>(48)</u>	<u>1</u>
Net Gain/Loss after Rfnd..	<u>1,737</u>	<u>1,441</u>	<u>296</u>
Net Cap. Gains (Losses) ...	<u>(880)</u>	<u>72</u>	<u>(952)</u>
Net Income/Loss.....	\$ 857	\$ 1,513	\$ (656)

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

Note: Small dollar differences throughout this report are due to rounding.

- * The GCU solvency ratios for the nine months of 2010 are 102.6 and 104.4 that included special reserves, asset valuation reserves (AVR) and interest maintenance reserves (IMR). The total of the GCU Safety Fund that includes Surplus, AVR and IMR as of September 30, 2010 is \$33.8 million compared to \$26.5 million for the same period in 2009.

We continue to make great progress resulting in a strong and growing GCU. We thank all of our members for their continue support of our GCU.

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

May you have a blessed Christmas and a healthy and prosperous New Year for "God is With Us."

Balance Sheet Nine Months 2010 vs. 2009 Results

Assets	<u>9/30/10</u>	<u>9/30/09</u>	<u>12/31/09</u>
(000's omitted)			
Bonds.....	687,751	513,580	\$549,038
Preferred Stocks.....	44,696	50,044	48,046
Common Stocks	21,792	26,514	23,711
Cash//Short Term Inv.....	16,995	23,409	10,739
Mortgages.....	3,301	4,091	3,841
Real Estate			
Beaver Home Office.....	518	752	738
Certificate Loans	696	592	594
Invest. Inc. Due & Accr.	10,536	7,875	8,024
Other	<u>13,506</u>	<u>15,714</u>	<u>14,944</u>
Total Assets.....	\$799,791	\$642,571	\$659,675
Liabilities			
Life Reserve Fund.....	\$ 52,454	\$ 49,549	\$ 50,403
Annuity Reserve Fund...	706,204	559,901	573,609
Employee Pension Fund ...	3,510	3,976	4,080
Convention Reserve	235	135	160
Adv Prem & Fut. Rfnd Rsvr....	239	247	239
Accounts Payable	787	(10)	62
Refund Accumulations.....	992	966	973
Other	<u>1,571</u>	<u>1,314</u>	<u>1,288</u>
Sub-Total Liabilities.....	\$765,992	\$616,078	\$630,814
Asset Value Resrv-AVR	7,220	4,326	5,929
Int. Maint. Resrv-IMR....	<u>6,457</u>	<u>4,065</u>	<u>4,765</u>
Total Liabilities	\$779,669	\$624,469	\$641,508
Surplus Fund.....	<u>20,122</u>	<u>18,102</u>	<u>18,167</u>
Total Liab. & Surplus ..	\$799,791	\$642,571	\$659,675

Reconciliation of Change in Surplus

(000's omitted)	<u>9/30/10</u>
Surplus Previous Year 12/31/09.....	\$18,167
Net Income.....	3,531
Change in Unrealized Gain/(Loss)	2,459
GCU Holding Company & Other	(1,059)
Changes in Non-Admitted Assets	(1,685)
Changes in Asset Valuation Reserve.....	(1,291)
Net Change in Surplus	<u>1,955</u>
Ending 09/30/10 Surplus.....	\$20,122