

GCU



December 31, 2024
Financial Report



Tim Demetres
Chief Financial Officer

2024 Financial Results

Starting in the first quarter of 2022, the Federal Reserve increased interest rates eleven times to moderate growth and tame runaway inflation. It wasn't until September 2024 that the Fed reversed course and began to lower rates. In 2024's summer and fall months, the Fed's focus shifted from an emphasis on tempering inflation to one of maintaining labor market health. While inflation decreased considerably from a 9.1% 2022 peak, in 2024, the rate of decline leveled off. Although inflation is not now an immediate concern, the Fed appears to be zeroed in on the potential that tariffs could push prices higher. As such, the Fed opted to hold rates unchanged since December 2024 due to these uncertainties. The rate environment significantly affects consumer behavior and volatility in financial results stemming from rising crediting rates, investment valuations and cash flows. All things considered, 2024 was a challenging year financially for GCU as well as many other life insurance companies. Although operating earnings were negatively impacted, we successfully maintained our financial strength as evidenced by our solvency ratio at 110%.

GCU's total assets increased \$77 million to \$2.8 billion from additional purchases of high-quality bonds and investment in alternative assets. Surplus and total adjusted capital decreased \$14.3 million and \$4.5 million, respectively. Notwithstanding, GCU's solvency ratio based on total adjusted capital remained at a healthy 110%. This ratio means GCU has \$110 backing every \$100 of policy obligations. We have been strongly committed to serving the community and meeting the financial needs of our members since 1892. AM Best and KBRA, two leading credit rating agencies, reaffirmed GCU's A-, Excellent financial strength credit ratings in 2024.

Highlights of 2024

Income (loss) before net realized capital gains (losses) totaled (\$8.3) million in 2024 compared to \$10.8 million reported in 2023. The gain from operations was lower in 2024 primarily due to increased crediting rates on annuity contracts and strengthening annuity reserves by an additional \$5 million. Net income (loss) after realized capital gains (losses) was (\$4.9) million in 2024 compared to \$5.9 million in 2023. We had \$3.7 million in net realized capital gains primarily from expired in-the-money call options.

Total Assets increased \$77.2 million from growth in invested assets. The rate environment provided an opportunity to invest in new asset classes focused on: a) increased credit quality; b) shortening duration risk; and c) improved investment returns. We continue to employ a diversified asset allocation strategy to appropriately manage risk.

Liabilities grew \$91.6 million to \$2.575 billion in 2024 compared to \$2.483 billion at year-end 2023. Life and annuity reserves increased \$85.1 million along with a \$10 mil-

lion increase in the Asset Valuation Reserve (AVR—a reserve for future credit losses). The Interest Maintenance Reserve (IMR—an interest related reserve for deferring realized investment gains and losses) decreased \$2 million to \$15.1 million.

Total Income in 2023 was \$496.8 million, increased \$6.9 million compared to \$489.9 million in 2023. Life and annuity sales, including conversions, increased \$4.7 million year over year. Net investment income increased \$2.7 million from higher limited partner distributions.

Operating expenses, before the increase in reserves, totaled \$422.9 million in 2024 versus \$425.3 million in 2023. In 2024, GCU disbursed \$30.2 million less in annuity benefits due to death claims, full and partial surrenders. Annuity exchanges increased \$28.3 million from members moving to new contracts offering higher crediting rates. General insurance expenses were \$165.7 thousand higher in 2024 when compared to 2023. Pension expenses increased \$703 thousand due to higher pension distributions for retirees.

The increase in reserves totaled \$82.1 million in 2024 compared to \$53.9 million in 2023. Reserves generally increase from premiums received and interest accumulation offset by decreases from death claims and annuity benefit payments. We strengthened annuity reserves by \$5 million based on actuarial testing results.

Surplus decreased \$14.3 million to \$207.0 million in 2024 compared to \$221.3 million at year-end 2023. The \$14.3 million decrease in surplus primarily reflects the \$4.9 million net loss for the year and the \$9.9 million increase in the AVR. GCU Holding Company and Subsidiaries had a \$1.0 million net loss in 2024.

Total Adjusted Capital (TAC) was \$244.9 million at

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GCU Balance Sheet Comparison

AS OF DECEMBER 31,

Assets (000's omitted)	2024	2023	Difference
Bonds	\$2,567,927	\$2,499,632	\$68,295
Preferred Stocks	16,761	17,144	(383)
Common Stocks	27,230	27,935	(705)
Cash//Short Term Investments	37,292	38,457	(1,164)
Mortgages	2,570	2,509	61
Certificate Loans	971	671	299
Derivatives	5,557	3,337	2,220
Real Estate	15,463	15,858	(394)
Investment Income Due & Accrued	29,331	29,716	(385)
Alternative Investments	77,363	68,213	9,151
Other	1,423	1,186	237
Total Assets	\$2,781,889	\$2,704,657	\$77,232
Percentage Total Change Year to Year	2.9%	10.4%	
Liabilities			
Life Reserves	\$ 101,762	\$ 94,568	\$ 7,194
Annuity Reserves	2,412,957	2,335,053	77,904
Accident & Health Reserves	124	126	(2)
Employee Pension Liability	6,390	6,880	(490)
Advance Premium & Future Refund Reserves	350	350	—
Pending Investment Trades	4	559	(555)
Accounts Payable	832	1,233	(401)
Refund Accumulations	1,587	1,554	33
Asset Valuation Reserve-AVR	37,761	27,891	9,870
Interest Maintenance Reserve-IMR	13,146	15,134	(1,988)
Total Liabilities	\$2,574,913	\$2,483,350	\$91,563
Surplus Fund	206,976	221,307	(14,331)
Total Liabilities & Surplus	\$2,781,889	\$2,704,657	\$77,232
Solvency Ratio*	109.7%	110.2%	

*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	2024	2023	Difference
Life Premium	\$ 10,341,804	\$ 9,378,895	\$ 962,909
Annuity Premium	259,943,325	284,412,591	(24,469,266)
Annuity Exchanges	102,659,257	74,362,618	28,296,639
Accident & Health	375,733	408,359	(32,627)
Sub Total	373,320,118	368,562,463	4,757,655
Net Investment Income	121,782,126	119,081,819	2,700,307
Amortization of Interest Maintenance Reserve	1,177,526	1,527,639	(350,113)
Commission allowance for reinsurance	216,397	416,453	(200,057)
Other	309,589	347,706	(38,117)
Total Income	\$496,805,756	\$489,936,082	\$ 6,869,675
Expenses			
Death Benefits	\$ 3,952,433	\$ 4,600,817	\$ (648,384)
Annuity Benefits Paid	285,322,723	315,554,827	(30,232,104)
Annuity Exchanges	102,659,257	74,362,618	28,296,639
Surrender Benefits	1,212,692	1,111,530	101,161
Accident & Health Benefits Paid	334,015	392,106	(58,091)
Commissions	16,609,120	17,360,297	(751,178)
General Insurance Exp	11,016,095	10,850,427	165,668
Insurance, Taxes, Licenses and Fees	411,576	557,377	(145,801)
Pension Distributions and Expense	896,284	193,956	702,327
Interest on contract and deposit type accounts	496,313	354,176	142,137
Sub-Total	\$422,910,507	\$ 425,338,133	\$ (2,427,626)
Increase in Reserves	82,196,251	53,852,430	28,343,821
Total Expenses	\$505,106,758	\$479,190,563	\$ 25,916,195
Net Gain/Loss from Operations before Refunds	(8,301,002)	10,745,518	(19,046,520)
Refunds to Members	297,033	297,160	(127)
Net Gain/Loss from Operations after Refunds	(8,598,035)	10,448,358	(19,046,393)
Net Capital Gains (Losses)	3,688,033	(4,551,918)	8,239,951
Net Income/Loss	\$ (4,910,002)	\$ 5,896,440	\$ (10,806,442)

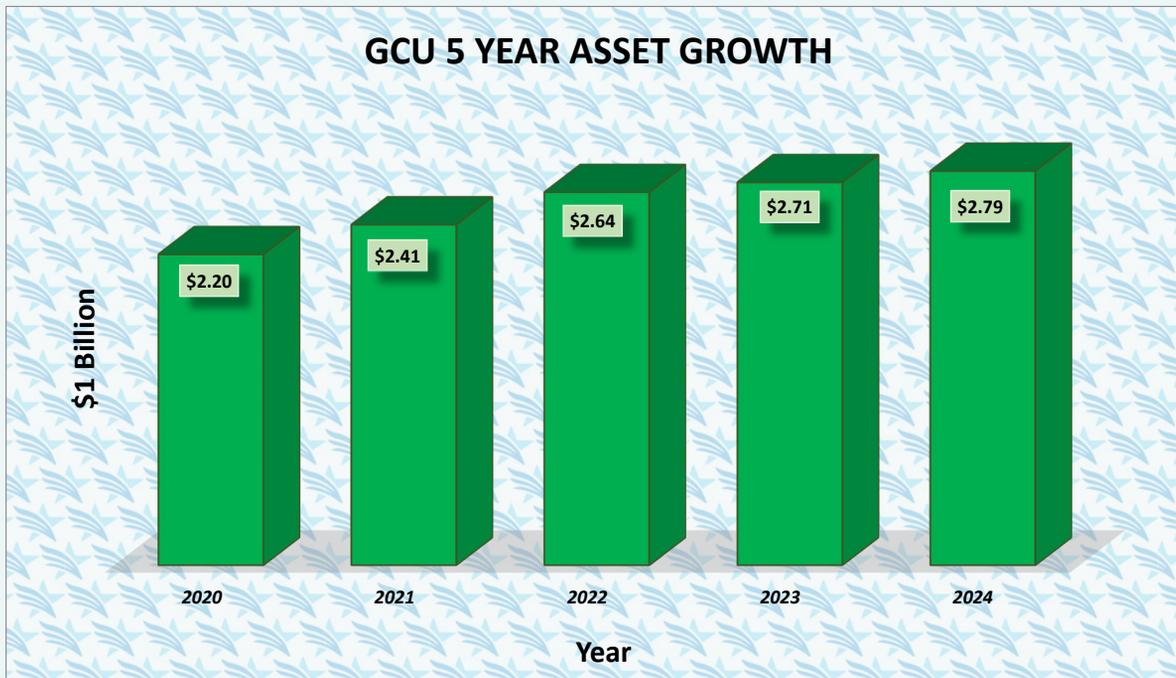
December 31, 2024. TAC starts with surplus of \$207.0 million and adds back the asset valuation reserve of \$37.8 million and one-half the dividend liability of \$155,000. TAC is a financial strength measure closely monitored by our rating agencies. The solvency ratios based on TAC were

109.6% and 110.2%, as of December 31, 2024 and 2023, respectively. These strong ratios reflect GCU's commitment to financial strength.

We look forward to 2025 being a year of renewal. Flowers bloom and birds sing as spring returns, Enjoy! Tim

Financial Report Four Year Comparative Summary

	YEAR ENDED DECEMBER 31,			
	2024	2023	2022	2021
Assets	\$ 2.79 Bil	\$ 2.71 Bil	\$ 2.64 Bil	\$ 2.41 Bil
Total Income	496.8 Mil	489.9 Mil	507.5 Mil	424 Mil
Total Operating Expense	505.1 Mil	479.2 Mil	486.5 Mil	390.7 Mil
Reserve Change - Life and Annuities	82.2 Mil	53.9 Mil	230.9 Mil	165.5 Mil
Income (Loss) from Operations	(8.6 Mil)	10.5 Mil	20.7 Mil	32.8 Mil
Refunds to Members	(297,033)	(297,160)	(297,206)	(326,412)
Capital Gains (Losses)	3,688,033	(4,551,918)	(2,558,448)	180,168
Net Income (Loss)	(4,910,002)	5,896,448	18,127,696	33,020,548
Reserve - Interest Maintenance	13,145,660	15,134,251	16,928,863	22,558,433
Reserve - Asset Valuation	37,761,089	27,891,009	18,876,443	23,831,449
Surplus (Net Worth)	\$206,976,462	\$221,306,671	\$219,483,621	\$209,241,589



General Insurance Expenses

YEAR ENDED DECEMBER 31,

	2024	2023	Difference
Rent	\$ 154,000	\$ 94,000	\$ 60,000
Salaries & Wages	4,727,825	4,812,770	(84,945)
Employee Benefits	837,198	698,664	138,534
Legal Fees & Expenses	128,491	60,843	67,648
Medical Examination Fees	20,654	141,529	(120,875)
Accounting, Actuarial and Banking Fees	600,789	567,390	33,399
Board Meetings, Travel and Other	189,390	188,477	913
Advertising	2,308	6,600	(4,292)
Postage & Phone	254,048	232,084	21,964
Printing & Stationary	171,712	134,749	36,963
Rental of Equipment	30,278	29,877	401
Books and Periodicals	3,389	17,300	(13,911)
Bureau and Association Dues	36,932	62,395	(25,463)
Cost or depreciation of furniture and equipment	1,896,403	1,947,860	(51,457)
Insurance Fees	147,175	57,080	90,095
Sundry General Expenses	280,087	141,598	138,489
Official Publication	62,558	66,894	(4,336)
Fraternal Activities	1,073,525	1,246,603	(173,078)
Data Processing Supplies/Exp.	392,684	255,414	137,270
Marketing Consultant Fees and Exp.	6,649	88,300	(81,651)
Total	\$11,016,095	\$10,850,427	\$165,668

GCU Subsidiary Operations - Year 2024*

	GCU Holding & Subsidiaries	GCU Holding Co.	GCU Real Estate Co.	Seven Oaks Country Club	GCU Agency Inc.
Equity, Beginning of Year	\$ 25,373,972	\$ 45,211	\$ 1,125,139	\$ 24,142,551	\$ 61,071
Net Income (Loss)	(1,011,227)	983	(31,153)	(982,988)	1,931
Capital Contributions	300,000	—	—	300,000	—
Other	(53,824)	—	—	(53,824)	—
Equity, End of Year	\$24,608,922	\$46,194	\$1,093,986	\$23,405,739	\$63,003

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

GCU Surplus Comparison

YEAR ENDED DECEMBER 31,

	2024	2023	Change
Beginning Surplus	\$221,306,672	\$ 219,483,624	\$ 1,823,048
Net Income (Loss)	(4,910,056)	5,896,449	(10,806,505)
Change in Unrealized Gain/(Loss)	2,578,883	7,232,407	(4,653,524)
GCU Holding Company	(1,272,941)	(1,042,493)	(230,448)
Changes in Pension Asset/Liability	(114,134)	(861,385)	747,251
Changes in Non-Admitted Assets	(741,932)	(387,364)	(354,568)
Changes in Asset Valuation Reserve	(9,870,080)	(9,014,566)	(855,514)
Net Change in Surplus	(14,330,261)	1,823,048	(16,153,309)
Ending Surplus	\$206,976,411	\$221,306,672	\$(14,330,261)



GCU

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