

Examination Warrant Number 13-00000-56693-R1

**Report of Examination of
Greek Catholic Union of the USA
Beaver, Pennsylvania**

As of December 31, 2013

For Informational Purposes Only

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Harrisburg, Pennsylvania
January 26, 2015

Honorable Stephen J. Johnson, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 13-00000-56693-R1 dated March 01, 2013, an examination was made of

Greek Catholic Union of the USA, NAIC Code: 56693

a Pennsylvania domiciled fraternal benefit society, hereinafter referred to as "Society or GCU". The examination was conducted at the Society's home office, located at 5400 Tuscarawas Road, Beaver, Pennsylvania 15009.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Society was last examined as of December 31, 2008. This examination covered the five-year period from January 1, 2009 through December 31, 2013, and consisted of a general survey of the Society's business practices and management, and an evaluation of the Society's financial condition as of the latter date. Material subsequent events were also reviewed.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Pennsylvania Insurance Department ("Department") and the National Association of Insurance Commissioners ("NAIC").

The format of this report is consistent with the current practices of the Department and the examination format prescribed by the NAIC. It is limited to a description of the Society, a discussion of financial items that are of specific regulatory concern, and a factual disclosure of other significant regulatory information.

For each year during the period from 2009 to 2013, the Certified Public Accounting ("CPA") firm of McKeever, Varga and Senko, of Pittsburgh, Pennsylvania provided an unmodified audit opinion on the Society's year-end financial statements based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Society, was reviewed during the examination and incorporated into the examination workpapers.

HISTORY

The Society was organized under the laws of Pennsylvania on March 20, 1893. In 1994 the Society formed GCU Holding Company, Inc. to develop a residential community on real estate owned by the Society adjoining its home office and country club complex. GCU Holding Company Inc.'s two major investments are Seven Oaks Country Club, Inc. and GCU Real Estate Company, Inc. GCU Holding Company, Inc. also owns GCU Agency Inc., an insurance general agency formed to offer long-term care products to its members.

Effective January 1, 2000, United Society of the USA, a Pennsylvania domiciled fraternal benefit society with its principal place of business in McKeesport, Pennsylvania, merged into the Society which added 2,500 new members. The Department approved the merger on March 16, 2000.

The Society is authorized to transact business as a fraternal benefit society in Pennsylvania. As such the Society may provide those contractual benefits as described in 40 P.S. § 991.2431, (a)(1) Death benefits, (a)(2) Endowment benefits, (a)(3) Annuity benefits, (a)(4) Temporary or permanent disability benefits, (a)(5) Hospital, medical or nursing benefits, (a)(6) Other benefits which are authorized for insurers licensed to write life, accident and health insurance and which are not inconsistent with this sub article. The Society offers Life and Annuities and Accident and Health products.

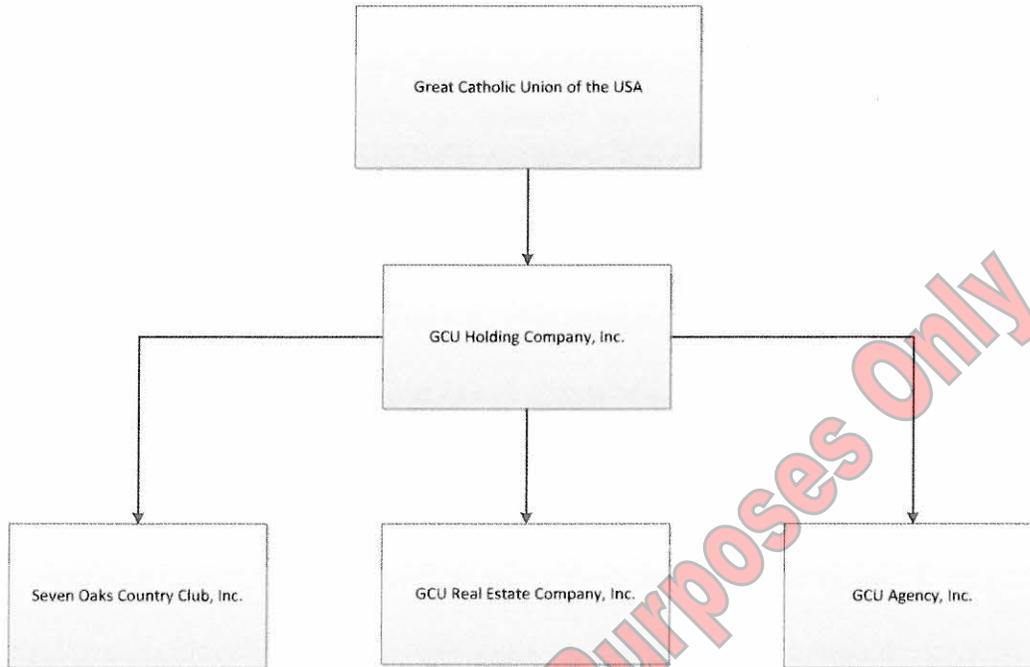
MANAGEMENT AND CONTROL

HOLDING COMPANY SYSTEM

The Society established a holding company system, effective July 1, 1994, consisting of its wholly-owned subsidiary, GCU Holding Company, Inc., which consists of three wholly-owned subsidiaries: GCU Real Estate Company, Inc., Seven Oaks Country Club, Inc., and GCU Agency, Inc.

The GCU Holding Company System is not an Insurance Holding Company System and is therefore not subject to the requirements of 40 P.S. §§ 991.1401- 991.1413.

The Society is named as the ultimate controlling person in the system. Members of the Holding Company System include the following entities as shown below:



NATIONAL CONVENTION

The National Convention (“Convention”) is the supreme legislative and judicial authority of the Society and consists of Spiritual Protectors, all elected officers of the Society which include National Spiritual Advisor, National Vice President, Supreme Tribunal and National Directors, delegates or alternates elected as representatives of the subordinate lodges, the President and Athletic Director of each District of the Society, or their elected alternates, the National Athletic Director and the qualified Honorary National Officers.

The Convention convenes every four years, at which time the Board of Directors are elected. The last Convention (41st) took place in Atlantic City, New Jersey between June 26 and 28, 2012.

BOARD OF DIRECTORS

The Board of Directors (“Board”) is the highest executive body of the Society. Excepting the right to change the Society’s By-Laws, which is expressly reserved to the Convention, the Board has all the other powers of the Convention to appoint officers, to manage, govern, administer and do anything necessary for the proper conduct of the business and purposes of the Society from one Convention to another that are not inconsistent with the By-Laws.

The Board was comprised of the following members as of the examination date, December 31, 2013:

Greek Catholic Union of the USA

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Name and Address	Principal Occupation
John W. Oslick Aurora, Colorado	Retired
Roger L. Embley Hamilton, New Jersey	Retired
Dorothy A. Foran Hazelton, Pennsylvania	Retired
John J. Urban Rocky River, Ohio	Attorney John J. Urban, Attorney at Law, Ltd.
Lisa C. Gulibon Souderton, Pennsylvania	Market Development Manager The DeWolf Companies
Michael W. Karaffa Strongsville, Ohio	Account Executive Sheakley-Uniservice, Inc.
George A. Kofel, Jr. Dunmore, Pennsylvania	Pharmacist CVS Pharmacy
Barbara J. Kushner Canonsburg, Pennsylvania	Sales Coordinator & Analyst Peoples Natural Gas Company
Very Reverend Richard I. Lambert Youngstown, Ohio	Catholic Priest National Spiritual Advisor
David A. Oleksa Aliquippa, Pennsylvania	Chemical/Environmental Engineer Department of Defense
Martha A. Seech Aliquippa, Pennsylvania	Retired
Gregory N. Vladika Mayfield, Pennsylvania	Owner Vladika Insurance Agency

As mentioned above, Directors are elected at the National Convention and serve a four year term. The Board of Directors meets for the purposes of reorganization no later than the 10th day of October after the regular Quadrennial Convention and at least quarterly thereafter. A majority of the Board shall constitute a quorum.

The Biographical Affidavits and Conflict of Interest Statements were reviewed. Board members are required to execute a Conflict of Interest and Acceptance of Trust Statement upon election to office and yearly thereafter.

EXECUTIVE FINANCE BOARD

The Executive Finance Board manages all investments of the Society and is obligated to deposit all funds to the credit of the Society and in the name of the Society. As of the examination date, December 31, 2013, the following members were appointed and serving on the Executive Finance Board:

NAME	TITLE
George N. Juba	President & Chief Executive Officer
Deborah A. Tatro	Executive Vice President & Chief Operating Officer
Gregory N. Vladika	National Vice President
Theodore M. Trbovich	General Counsel
Roger L. Embley	Board Member
George A. Kofel, Jr.	Board Member
John J. Urban	Board Member
John W. Oslick	Board Member

SUPREME TRIBUNAL

The Supreme Tribunal ("Tribunal") consists of seven members and is the judicial authority of the Society, separate and distinct from the Executive Branch and not under its jurisdiction or control. The Chairman and members of the Tribunal are not subject to suspension or removal, except in cases of misappropriation of funds or abandonment of the religion prescribed in the Society's By-Laws. The Tribunal did not meet at any time during the period under examination.

COMMITTEES

As of the examination date, December 31, 2013, Directors and/or Officers were assigned to serve on the following committees as listed below:

Audit Committee

John Oslick
Lisa Gulibon
Michael Karaffa
David Oleksa
John J. Urban

Strategic Vision Committee

Lisa Gulibon
Roger Embley
Mike Karaffa
David Oleksa
Martha Seech
Greg Vladika
George Juba

By-Law Committee

John Urban
Roger Embley
George Kofel
Fr. Richard Lambert
Greg Vladika
George Juba
Theodore Trbovich

Budget & Salary Committee

Roger Embley
Lisa Gulibon
Mike Karaffa
Barbara Kushner
David Oleksa
John Oslick

OFFICERS

As of the examination date, December 31, 2013, the following officers were appointed and serving in accordance with the Society's By-Laws:

Name	Title
George N. Juba	President & Chief Executive Officer
Deborah A. Tatro	Executive Vice President & Chief Operating Officer
Daniel M. Mattingly	Vice President & Chief Financial Officer
Theodore M. Trbovich	General Counsel

CORPORATE RECORDS

MINUTES

A review of the minutes of the meetings held by the National Convention, Board of Directors and Executive Finance Board during the period under examination indicate all meetings were held in compliance with the Society's By-Laws. The Board of Directors was elected during the Convention. All Board of Directors and Executive Finance Board meetings were well attended with quorums established at all such meetings. All investments were properly approved by the Executive Finance Board and ratified by the Board of Directors.

ARTICLES OF INCORPORATION

There were no changes or amendments made to the Society's Articles of Incorporation during the period under examination.

BY-LAWS

There were a number of relatively minor amendments made to the Society's By-Laws during the 2012 National Convention. Resolution 3 was most significant which pursuant to referendum submitted by mail to adult members, the offices of President & Chief Executive Officer, Executive Vice President & Chief Operating Officer, and General Counsel become positions that are appointed by the Board of Directors and Spiritual Advisor, and the National Vice President position is eliminated. The resolution was approved and shall take effect for the 2016 National Convention. The amended By-Laws were submitted to and approved by the Department.

SERVICE AND OPERATING AGREEMENTS

The following summarizes the significant service and operating agreements in effect as of December 31, 2013:

The Society entered into a service agreement with Bruce and Bruce Company, Consulting Actuaries ("BBC") of Lake Bluff, Illinois, effective January 1, 2013 and continuing

through December 31, 2014. BBC performs actuarial and accounting services for the Society as well as various other services such as annual and quarterly statements preparations and filings, marketing proposals, acquisitions, as well as attendance at meetings from time to time for a fixed annual fee, to be billed monthly. The contract contains an arbitration clause for resolution of any disputes between the two parties. This agreement may be terminated at any time by the Society.

The Society entered into a software licensing agreement with SunGard iWORKS, LLC formerly known as SunGard Insurance Systems LLC, successor by conversion to SunGard Insurance Systems, Inc., ("SunGard"), for the use of its Enterprise Accounting System (EAS) Modules, and the Enterprise Portfolio System (EPS) Foundation Modules, effective October 28, 2002. This Agreement has an initial term of five (5) years and thereafter for successive three (3) year renewal terms unless and until terminated in accordance with this Agreement. Either party may terminate this Agreement at the end of the initial term or at the end of any renewal term by giving at least ninety (90) days prior written notice of termination. Under terms of the Agreement the Society pays an initial license fee and an annual fee thereafter. The agreement was amended on April 30, 2007 and August 5, 2008 to add Custom Reports Module ("CRM") to the agreement and to upgrade from the Enterprise Portfolio System ("EPS") to iWORKs Investment Accounting, respectively.

The Society entered into a master software licensing agreement with Liberty Insurance Services Corporation ("LIS"), a South Carolina corporation, for the use of its Genelco Life Plus System, effective October 31, 2002. The Genelco Life Plus System is used for policy management, claims and reserving and producer management. The Society paid a one-time license fee for the use of the system for a twenty-five year period.

The Society entered into a service agreement with Venia LLC doing business as KEANE, a Delaware limited liability company, effective June 7, 2013. Under this agreement, KEANE will perform certain unclaimed property compliance, communication and consulting services. This Agreement shall remain in effect for an initial term of two (2) years. Upon expiration of the initial term, this Agreement shall become quarter-to-quarter. Either party may terminate this Agreement by providing written notice to the other party within ninety (90) days of the initial expiration date.

The Society entered into a service agreement with CTR Employee Management Services, Inc. ("CTR"), a Pennsylvania company, effective January 1, 2014. Under this agreement, CTR will perform certain employee compensation related services including payroll, tax, retirement benefits, etc. This Agreement has an initial term of one year from the effective date. After the initial term, the Agreement will renew for additional one-year periods unless terminated by either party upon at least ninety (90) days prior written notice to the other party.

REINSURANCE

CEDED

The Society has a reinsurance agreement in force with Optimum Re Insurance Company. The Society did not cede any reinsurance under this agreement during 2013. At December 31, 2013, the Society had a total amount of reinsurance in force of \$1,641,498. This amount is insignificant due to size and the nature of the Society. Life business accounted for less than 3% of premium written in 2013.

Reinsurer: Optimum Re Insurance Company
 Type of contract: Automatic
 Intermediary: None
 Effective date: January 1, 2010
 Term: Continuous until termination. It may be terminated by either party giving a ninety (90) day written notice to the other.
 Business covered: 10-Year Level Term, 20-Year Level Term, 30-Year Level Term, Ordinary Whole Life, 20-Payment Whole Life, Single Premium Whole Life.
 Company's retention: Life, Disability and Accidental Death

ISSUE AGE	STANDARD	TABLE B	TABLES C - D	TABLES E - H
0 - 40	\$200,000	\$35,000	\$35,000	\$30,000
41 - 55	\$150,000	\$30,000	\$10,000	\$10,000
56 - 65	\$100,000	\$10,000	\$0	\$0
66+	\$50,000	\$0	\$0	\$0

Reinsurance limits: Automatic Reinsurance Limit per Life: \$0.00
 Facultative Reinsurance Limit per Life: \$4,000,000
 Jumbo Limit : \$4,000,000
 Minimum Cession : \$5,000

The reinsurance contract contained insolvency clauses and the contract also contained satisfactory arbitration clauses.

ASSUMED

The Society did not assume any reinsurance during the period under examination.

TERRITORY AND PLAN OF OPERATIONS

The Society is licensed to conduct business in the District of Columbia and the following jurisdictions:

- | | |
|----------------|----------------|
| Arizona | California |
| Connecticut | Florida |
| Georgia | Illinois |
| Indiana | Maryland |
| Michigan | Minnesota |
| New Jersey | New York |
| North Carolina | Ohio |
| Pennsylvania | South Carolina |
| Virginia | West Virginia |
| Wisconsin | |

The following is a distribution of premiums by lines of business for the year ending December 31, 2013:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
December 31, 2013				
Ordinary life	2,596,517	0	2,596,517	1.7 %
Individual annuities	149,647,913	0	149,647,913	98.3 %
Totals	\$ 152,244,430	\$ 0	\$ 152,244,430	100.0 %

The Society has a system of 75 lodges or branches through which business is generated and fraternal activities are conducted. The Society has approximately 144 independent general agents selling and marketing its products. These agents are located primarily in Pennsylvania, Wisconsin, Ohio, Minnesota, California, Michigan, Illinois, New Jersey and Florida. The Society currently sells the following products:

LIFE INSURANCE

- Juvenile-Term to Age 30
- Annual Renewable Term
- 10 Year Renewable and Convertible Term
- 20 Year Level Term
- 30 Year Level Term
- Single Premium
- 20 Year Payment
- Ordinary Whole Life

ANNUITIES

- One Plus Four
- Triple Advantage
- Five Year Advantage
- Flex 8
- GCU Option A
- GCU Option B:
 1. Fixed Period Certain
 2. Life Income Options

SIGNIFICANT OPERATING TRENDS

The following indicates the growth of the Society during the period covered by this examination:

	2013	2012	2011	2010	2009
Admitted Assets	\$ 1,080,114,466	\$ 977,200,911	\$ 852,673,285	\$ 810,809,677	\$ 659,674,884
Liabilities	\$ 1,029,622,236	\$ 940,032,732	\$ 824,244,985	\$ 789,356,323	\$ 641,507,392
Capital and Surplus Funds	\$ 50,492,230	\$ 37,168,178	\$ 28,428,300	\$ 21,453,354	\$ 18,167,491
Net Premiums Written	\$ 152,244,430	\$ 160,741,886	\$ 113,302,870	\$ 195,526,055	\$ 83,399,614
Benefits to Members *	\$ 102,680,775	\$ 83,804,499	\$ 113,253,827	\$ 81,971,481	\$ 84,835,871
Net Investment Income	\$ 59,794,471	\$ 54,268,968	\$ 48,895,402	\$ 43,239,495	\$ 35,868,111
Net Income	\$ 18,521,263	\$ 12,190,406	\$ 8,326,079	\$ 3,930,503	\$ 4,804,234

Since the prior examination, the Society has experienced the following changes in its total number of certificates in force, the overall amount of insurance in force, and the average amount of insurance in force per policy:

Life Insurance	Certificates In Force	Insurance In Force	Average Policy In Force
December 31, 2008	32,259	\$ 217,656,095	\$ 6,747
December 31, 2013	29,198	225,473,991	7,722
Net increase/(decrease)	<u>(3,061)</u>	<u>\$ 7,817,896</u>	<u>\$ 975</u>

Annuities	Number of Annuities	Annuities In Force	Average Annuity In Force
December 31, 2008	17,272	\$ 557,223,615	\$ 32,262
December 31, 2013	26,109	939,931,770	36,000
Net increase/(decrease)	<u>8,837</u>	<u>\$ 382,708,155</u>	<u>\$ 3,739</u>

ACCOUNTS AND RECORDS

All of the Society's accounting, investment, policy and claim records are generated, maintained and are available at the Society's home office. The Society's accounting system operates on the SunGard iWORKS, LLC ("SunGard") software Enterprise Accounting System ("EAS"). The investment portfolio operates on SunGard's Enterprise Portfolio System ("EPS"). SunGard's EAS System is a modular general ledger system, designed by and for the insurance industry. It has client/server architecture with a personal computer or mainframe data base. The Society's policy administration, claims, reserving and producer management system operates on the Liberty Insurance Services Corporation's Genelco Life Plus System which feeds the data to the SunGard general ledger. The Society's Annual and Quarterly Statements are prepared by the actuarial consulting firm of ("BBC") from reports generated by SunGard EAS.

PENDING LITIGATION

The Society is not involved in any pending litigation that would have a material effect on the Society's financial condition as of the date of this examination report.

FINANCIAL STATEMENTS

The financial condition of the Society, as of December 31, 2013, and the results of its operations for the five-year period under examination, are reflected in the following statements:

- Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
- Comparative Statement of Income;
- Comparative Statement of Capital and Surplus;
- Comparative Statement of Cash Flow

**Comparative Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31,**

	2013	2012	2011	2010	2009
Bonds	\$ 1,000,045,132	\$ 870,528,173	\$ 756,865,769	\$ 715,825,512	\$ 545,955,673
Preferred stocks	30,571,033	44,232,199	33,652,500	38,994,009	48,046,372
Common stocks	11,471,807	14,795,208	16,373,084	21,034,228	23,710,835
Mortgage loans on real estate	927,232	1,183,081	2,473,892	2,921,542	3,641,091
Real estate	515,227	569,771	625,777	681,783	737,789
Cash, cash equivalents and short-term investments	12,740,444	19,219,543	15,785,091	5,166,712	10,739,147
Contract loans	586,379	569,930	528,697	523,790	593,618
Other invested assets	3,883,404	3,570,267	3,576,339	3,389,400	3,082,890
Subtotal, cash and invested assets	1,080,740,658	954,688,172	829,881,149	788,536,976	636,707,415
Investment income due and accrued	15,720,230	13,905,244	11,759,927	10,858,020	8,023,571
Premiums and considerations:					
Uncollected premiums and agents balances	195,332	158,969	128,159	98,127	75,535
Deferred premiums and agents balances	26,003	32,095	0	0	0
Electronic data processing equipment and software	0	0	0	0	413
Receivable from parent, subsidiaries and affiliates	76,391	18,065	18,316	23,401	3,139,991
Aggregate write-ins for other than invested assets	3,355,852	8,418,366	10,885,734	11,293,153	11,727,959
Total	\$ 1,080,114,466	\$ 977,200,911	\$ 852,673,285	\$ 810,809,677	\$ 659,674,884
Aggregate reserve for life contracts	\$ 987,332,000	\$ 903,105,001	\$ 792,606,000	\$ 765,323,000	\$ 623,227,000
Liability for deposit-type contracts	9,898,511	9,376,685	7,139,627	5,781,568	5,837,792
Contract claims:					
Life	32,772	32,772	32,772	32,772	32,772
Provision for refunds payable in following calendar year-estimated amounts:					
Apportioned for payment	200,000	200,000	200,000	200,000	200,000
Premiums and annuity considerations received in advance	36,291	33,091	36,041	38,991	38,557
Contract liabilities not included elsewhere:					
Interest maintenance reserve	14,129,373	9,822,748	8,661,337	8,703,316	4,764,718
Amounts withheld or retained by company as agent or trustee	172,370	194,081	71,127	39,525	154,835
Miscellaneous liabilities:					
Asset valuation reserve	9,942,522	9,498,454	8,373,131	7,679,663	5,928,984
Aggregate write-ins for liabilities	7,878,367	7,769,900	7,124,950	1,557,488	1,322,634
Total liabilities	1,029,622,236	940,032,732	824,244,985	789,356,323	641,507,392
Unassigned funds	50,492,230	37,168,179	28,428,300	21,453,354	18,167,492
Total Surplus	50,492,230	37,168,179	28,428,300	21,453,354	18,167,492
Totals	\$ 1,080,114,466	\$ 977,200,911	\$ 852,673,285	\$ 810,809,677	\$ 659,674,884

For Informational Purposes Only

**Comparative Statement of Income
For the Year Ended December 31,**

	2013	2012	2011	2010	2009
Premiums and annuity considerations for life and A&H contracts	\$ 152,244,430	\$ 160,741,886	\$ 113,302,870	\$ 195,526,055	\$ 83,399,614
Net investment income	59,794,471	54,268,968	48,895,402	43,239,495	35,868,111
Amortization of interest maintenance reserve (IMR)	2,093,718	1,523,141	1,213,500	686,471	545,866
Aggregate write-ins for miscellaneous income	1,040,051	1,051,992	864,946	444,477	778,507
Totals	215,172,670	217,585,987	164,276,718	239,896,498	120,592,098
Death benefits	2,622,025	2,062,451	1,872,717	1,921,838	2,081,912
Annuity benefits	99,201,431	80,918,091	110,462,855	79,438,499	81,984,527
Surrender benefits and withdrawals for life contracts	857,319	823,957	918,255	611,144	769,432
Interest and adjustments on contract or deposit-type funds	61,517	63,694	59,762	41,648	56,646
Increase in aggregate reserves for life and A&H policies and contracts	84,227,000	110,499,000	27,283,000	142,096,000	23,566,000
Totals	186,969,292	194,367,193	140,596,589	224,109,129	108,458,517
Commissions on premiums, annuity considerations & deposit-type funds (direct)	3,840,887	4,359,453	3,871,711	3,610,956	1,770,848
General insurance expenses	5,473,483	5,237,745	4,515,457	4,292,967	3,935,444
Insurance taxes, licenses and fees	250,450	213,717	213,444	218,795	273,453
Aggregate write-ins for deductions	127,642	1,065,994	5,599,972	(3,204,733)	1,067,382
Totals	196,661,764	205,244,102	154,797,173	229,027,114	115,505,644
Net gain from operations before refunds to members	18,510,916	12,341,885	9,479,545	10,869,384	6,084,454
Refunds to Members	220,268	211,807	208,644	205,743	204,178
Net gain from operations after refunds to members and before realized capital gains (losses)	18,290,648	12,130,078	9,270,901	10,663,641	4,880,276
Net realized capital gains or (losses) less capital gains tax	230,595	60,328	(944,822)	(6,733,138)	(76,042)
Net income	\$ 18,521,243	\$ 12,190,406	\$ 8,326,079	\$ 3,930,503	\$ 4,804,234

For Informational Purposes Only

**Comparative Statement of Capital and Surplus
For the Year Ended December 31,**

	2013	2012	2011	2010	2009
Capital and surplus, December 31, previous year	\$ 37,168,178	\$ 28,428,300	\$ 21,453,354	\$ 18,167,491	\$ 6,410,034
Net income	18,521,243	12,190,406	8,326,079	3,930,503	4,804,234
Change in net unrealized capital gains or (losses)	1,548,699	1,250,339	901,494	9,817,718	5,908,498
Change in nonadmitted assets and related items	(1,019,773)	(120,044)	31,652	(3,479,208)	(2,602)
Change in reserve on account of changes in valuation basis (increase) or decrease					(3,151,000)
Change in asset valuation reserve	(444,067)	(1,125,323)	(693,469)	(1,750,678)	(5,801,904)
Aggregate write-ins for gains and losses in surplus	(5,282,050)	(3,455,500)	(1,590,810)	(5,232,472)	10,000,231
Net change in capital and surplus for the year	13,324,052	8,739,878	6,974,946	3,285,863	11,757,457
Capital and surplus, December 31, current year	\$ 50,492,230	\$ 37,168,178	\$ 28,428,300	\$ 21,453,354	\$ 18,167,491

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**Comparative Statement of Cash Flow
For the Year Ended December 31,**

	2013	2012	2011	2010	2009
Cash from Operations					
Premiums collected net of reinsurance	\$ 152,185,264	\$ 160,708,126	\$ 113,269,888	\$ 195,503,897	\$ 83,365,438
Net investment income	58,851,150	53,008,980	48,457,895	40,919,856	33,745,966
Miscellaneous Income	1,040,051	541,097	864,946	444,477	254,482
Total	<u>212,076,465</u>	<u>214,258,203</u>	<u>162,592,719</u>	<u>236,868,230</u>	<u>117,365,886</u>
Benefit and Loss related Payments	102,742,292	83,868,493	113,313,589	82,013,129	85,444,432
Commissions, expenses paid and aggregate write-ins for deductions	9,692,442	11,044,632	9,622,311	8,488,057	6,701,633
Dividends paid to policyholders	220,268	211,807	208,644	205,743	204,178
Total deductions	<u>112,655,002</u>	<u>95,124,932</u>	<u>123,144,544</u>	<u>90,706,929</u>	<u>92,350,243</u>
Net Cash from Operations	<u>99,421,463</u>	<u>119,133,271</u>	<u>39,448,175</u>	<u>146,161,301</u>	<u>25,015,643</u>
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	83,291,642	71,498,377	65,376,656	97,720,657	175,903,861
Stocks	18,664,690	7,624,931	9,842,526	17,875,678	20,922,594
Mortgage loans	601,849	1,378,811	447,649	919,547	531,069
Real estate					643,349
Other invested assets					2,682,336
Miscellaneous applications					267,333
Total investment proceeds	<u>102,558,181</u>	<u>80,502,119</u>	<u>75,666,831</u>	<u>116,515,882</u>	<u>200,950,542</u>
Cost of investments acquired (long-term only):					
Bonds	207,074,029	180,417,841	105,607,881	263,822,018	232,357,192
Stocks	83,187	18,089,577	560,352	3,182,332	7,954,343
Mortgage loans	346,000	88,000			
Other invested assets	631,450				
Total investments acquired	<u>208,134,666</u>	<u>198,595,418</u>	<u>106,168,233</u>	<u>267,004,350</u>	<u>240,311,535</u>
Net increase (decrease) in policy loans and premium notes	16,449	41,233	4,907	(69,828)	31,867
Net cash from investments	<u>(105,592,933)</u>	<u>(118,134,533)</u>	<u>(30,506,309)</u>	<u>(150,418,640)</u>	<u>(39,392,880)</u>
Cash from Financing and Miscellaneous Sources					
Net deposits on deposit-type contracts and other insurance liabilities	(62,667)	2,237,058	1,320,218	(77,150)	(292,107)
Other cash provided or (applied)	<u>(244,962)</u>	<u>198,656</u>	<u>356,294</u>	<u>(1,237,946)</u>	
Net cash from financing and miscellaneous sources	<u>(307,629)</u>	<u>2,435,714</u>	<u>1,676,512</u>	<u>(1,315,096)</u>	<u>(292,107)</u>
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	(6,479,099)	3,434,452	10,618,379	(5,572,435)	(14,669,344)
Cash and short-term investments:					
Beginning of the year	19,219,543	15,785,091	5,166,712	10,739,147	25,408,491
End of the year	<u>12,740,444</u>	<u>19,219,543</u>	<u>15,785,091</u>	<u>5,166,712</u>	<u>10,739,147</u>

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SUMMARY OF EXAMINATION CHANGES

There were no changes made to the Society's year-end financial statements as a result of this examination.

The Society reported a voluntary reserve in the amount of \$6,250,000 as a miscellaneous liability in its 2013 annual statement. This voluntary reserve was established by the Society's management and was not based on actuarial principle and therefore is not an actuarial reserve. It is recommended that the Society eliminate this voluntary reserve. Elimination of the voluntary reserve would have effect of increasing the Society's surplus, therefore no adjustment is being made to the Society's financial statements as reported by the Society as of December 31, 2013 as part of this exam.

During 2014 the Society reduced the voluntary reserve amount by \$1,250,000 to record additional actuarial reserves required. The remaining \$5,000,000 was eliminated and reclassified to surplus by the Society effective December 31, 2014.

ASSETS

INVESTMENTS

As of December 31, 2013, the Society's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 1,000,045,132	94.3 %
Preferred stocks	30,571,033	2.9 %
Common stocks	11,471,807	1.1 %
Mortgage loans on real estate	927,232	0.1 %
Real estate occupied by Company	515,227	0.0 %
Cash	12,740,444	1.2 %
Contract Loans	586,379	0.1 %
Other invested assets	3,883,404	0.4 %
Totals	<u>\$ 1,060,740,658</u>	<u>100.0 %</u>

The Society's bond portfolio had the following quality and maturity profiles:

Greek Catholic Union of the USA

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NAIC Designation	Amount	Percentage
1 - highest quality	\$ 384,439,984	38.4 %
2 - high quality	576,244,989	57.6 %
3 - medium quality	27,942,231	2.8 %
4 - low quality	10,864,547	1.1 %
5 - lower quality	553,381	0.1 %
Totals	<u>\$ 1,000,045,132</u>	<u>100.0%</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 6,555,665	0.7 %
2 to 5 years	140,745,024	14.1 %
6 to 10 years	111,332,263	11.1 %
11 to 20 years	257,514,410	25.8 %
over 20 years	483,897,770	48.4 %
Totals	<u>\$ 1,000,045,132</u>	<u>100.0%</u>

The Society maintains a fairly conservative investment portfolio consisting of bonds, preferred and common stocks. The bonds held are primarily high grade domestic corporate obligations, mortgage-backed securities and collateralized mortgage obligations which accounted for 91.7% of total invested assets. 38.4% of the bonds have an NAIC designation of "1" highest quality and 57.6% of the bonds have an NAIC designation of "2" high quality. Preferred stocks and unaffiliated common stock investments accounted for 2.9% and 0.6% of the Society's total invested assets, respectively. GCU Holding Company, Inc., a wholly owned subsidiary of the Society, had a statutory book value of \$5,129,833 at December 31, 2013.

The Society's investment securities are held by Huntington Bank, which acts as a non-discretionary custodian. Effective April 2, 2009, the Society entered into a custodial agreement with Huntington Bank. The custodial agreement was not in compliance with the custodial regulations as set forth in 31 Pa Code §148a.3. During the examination period, the Society executed an amended custodial agreement which is in compliance with 31 Pa Code §148a.3.

The Society has an Investment Management Agreement with CIM Investment Management Inc., effective March 13, 1998.

The Society has an Investment Management Agreement with Prosperity Capital Advisors, effective April 12, 2013.

The investment managers are charged with the responsibility of managing the Society's invested assets in accordance with the Society's investment policy. The investment policy was adhered to by the Society at December 31, 2013.

LIABILITIES

POLICYHOLDER AND CLAIM RESERVES

The Society’s aggregate reserves as of December 31, 2013, have been summarized as follows:

	Amount	Percentage
Life insurance	\$ 62,061,996	6.3%
Annuities	925,119,887	93.7%
Accidental death benefits	4,000	0.0%
Disability	8,000	0.0%
Miscellaneous	138,117	0.0%
Total	\$ 987,332,000	100.0%

Edward F. Cowman, F.S.A., MAAA, of Bruce and Bruce Company, Consulting Actuaries has been the Society’s appointed actuary since 2009, the Society’s appointed actuary concluded that the Society’s reserves make a reasonable provision for all actuarial reserves and related annual statement items which ought to be established as of December 31, 2013.

- a.) Are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- b.) Are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provisions as to reserve basis and method, and are in accordance with all other contract provisions,
- c.) Meet the requirements of the Insurance Laws and Regulations of the Commonwealth of Pennsylvania, and are at least as great as the minimum aggregate amounts required by the state in which this Statement of Actuarial Opinion is filed.
- d.) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the Society’s Annual Statement of the preceding year-end, and
- e.) Include provision for all actuarial reserves and related Annual Statement items which ought to be established.

In conjunction with the on-site examination, the Department retained National Actuarial Network, Inc. (“NAN”) to conduct a risk-focused review of the Association’s actuarial reserving process, assumption, methodology and calculation. Based upon procedures performed and results obtained, no significant deficiencies were identified in the reported actuarial reserve and liability amounts and concurred with the appointed actuary’s conclusion that the Society’s reserves make a reasonable provision for all actuarial reserves and related annual statement items which ought to be established as of December 31, 2013.

SUBSEQUENT EVENTS

As of June 30, 2009, the Board of Directors activated the policy maintenance of solvency provision on all in force life insurance and annuity policies. A non-interest bearing 2% lien was placed on the cash value of life and annuity policies. The original lien was approximately \$12,000,000 and increased surplus by that amount. Various amounts of the lien were repaid during the period of the examination and on June 30, 2014, with the approval of the Department, the Society retired the remaining outstanding balance of the lien in the amount of \$4,115,202.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report contained the following recommendations:

1. It is recommended that the Society comply with 40 P.S. § 1233.1, by maintaining detailed general ledger accounts that reconcile to line item balances reported in the Annual Statement. The Society has complied with this recommendation.
2. It is recommended that the Society add procedures to its investment policy that delineate the method or methods by which it evaluates OTTI of their investments. Evaluating OTTI for investments is required by NAIC Statements of Statutory Accounting Principles numbers 26, 30, 32, and 43. The Society has complied with this recommendation.
3. It is recommended that the Society update the investment policy to include their mortgage loan origination program and follow proper loan to value percentage as to be included in the investment policy. The Society has complied with this recommendation.
4. It is recommended that the loan to affiliate GCU Real Estate, Inc. be written off as the loan is uncollectable; there are no proper loan agreements according to SSAP No. 25, paragraph 11. All future monies transferred to GCU Real Estate, Inc. should be classified as a cash infusion. The Society has complied with this recommendation.
5. It is recommended that the GCU is not to include the income from the Chapel. Any income from the Chapel is to be included as income for GCU Holdings, Inc. All insurance for the GCU Chapel needs to reflect GCU Holdings, Inc. as the insured and owner. The Society has complied with this recommendation.

CURRENT EXAMINATION

As a result of the current examination, no recommendations are being made.

Greek Catholic Union of the U.S.A.

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CONCLUSION

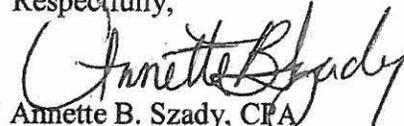
As a result of this examination, the financial condition of Greek Catholic Union of the USA, as of December 31, 2013, was determined to be as follows:

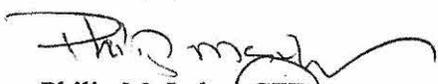
	Amount	Percentage
Admitted assets	\$ 1,080,114,466	100.0 %
Liabilities	\$ 1,029,622,236	95.3 %
Capital and Surplus	50,492,230	4.7 %
Total liabilities, capital and surplus	\$ 1,080,114,466	100.0 %

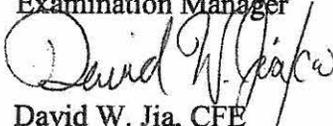
Since the previous examination made as of December 31, 2008, the Society's assets increased by \$461,931,850, its liabilities increased by \$417,849,654, and its surplus increased by \$44,082,196.

This examination was conducted by Mark Swearingen, CFE, Kevin Prescott, CFE, CISA, and David Jia, CFE, with the latter in charge.

Respectfully,


Annette B. Szady, CPA
Director, Bureau of Examinations


Philip M. Judge, CFE
Examination Manager


David W. Jia, CFE
Examiner-in-Charge

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