

Examination Warrant Number 20-00000-56685-R1

**Report of Examination of
GBU Financial Life
Pittsburgh, Pennsylvania**

As of December 31, 2020

For Informational Purposes Only

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Harrisburg, Pennsylvania
January 26, 2022

Honorable Melissa L. Greiner
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Number 20-00000-56685-R1, dated August 10, 2020 , an examination was made of

GBU Financial Life, NAIC Code:56685

a Pennsylvania domiciled, multi-state, fraternal benefit society, hereinafter referred to as the "Society". The examination was conducted at the Society's home office, located at 5254 Saw Mill Run Boulevard, Pittsburgh, Pennsylvania 15227.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department ("Department") has performed an examination of the Society, which was last examined as of December 31, 2015. This examination covered the five-year period from January 1, 2016 through December 31, 2020.

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

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Society, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Society were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles.

The examination does not attest to the fair presentation of the financial statements included herein. Statements were prepared by management and are therefore the responsibility of management. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Society's financial statements.

This examination report includes significant findings of fact, in accordance with

40 P.S. § 323.5(a), and general information about the Society and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Society.

For the years 2016 to 2018, the certified public accounting firm (“CPA”) was Hosack, Specht, Muetzel & Wood, LLP, of Pittsburgh, Pennsylvania and for the years 2019 to 2020, the CPA was BKD CPAs & Advisors, of Cincinnati, Ohio. The Society made the proper change of CPA filings with the Department. For each year during the period under examination, the CPA firm has provided an unmodified audit opinion on the Society’s year-end financial statements based on statutory accounting principles. Relevant work performed by the CPA during the annual audit of the Society, was reviewed during the examination and incorporated into the examination workpapers.

HISTORY

The Society is a fraternal benefit society, founded by German Americans, incorporated April 13, 1892, under the laws of the Commonwealth of Pennsylvania and carried on for the sole benefit of its members and their beneficiaries. The Society is organized as a not-for-profit organization and having a district system with a representative form of government.

The purpose of the Society is to provide financial security to its members and their dependents through insurance, annuities, fraternal benefits, and to promote and encourage charitable community involvement and an appreciation of member culture and heritage.

The GBU Foundation (“Foundation”), an independent tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, was established in 1963 to provide scholarship awards to members. The Society, its districts, and members are the primary contributors. The Society provides administrative support to assist the Foundation in its operations. As of December 31, 2020, the Foundation had \$3,120,900 in total assets, \$17,790 in total liabilities and \$3,103,110 in total equity.

The Society is authorized to transact business to provide the following classes of insurance described in 40 P.S. § 991.2431(a): (1) Death benefits, (2) Endowment benefits, (3) Annuity benefits, (4) Temporary or permanent disability benefits, (5) Hospital, medical or nursing benefits and (6) Other benefits, which are authorized for insurers licensed to write life, accident and health insurance and which are not inconsistent with this subarticle.

MANAGEMENT AND CONTROL

NATIONAL CONVENTION

Prior to September 1, 2020, the National Convention (“Convention”) was the highest governing authority of the Society. A meeting of the Convention is held quadrennially and is composed of the National Board of Directors (“National Board”) of the Society and elected National Delegates who represent their respective districts. The management of the Society

between the Conventions is vested in the National Board. The Society amended its by-laws by mail-in ballots of Convention attendees in July 2020, the result of which designated the National Board as the supreme governing body of the Society. The National Board is elected by direct election of the members of the Society and has full power, authority, and duty to promote and manage all business of the Society and its districts in accordance with the laws of the Commonwealth of Pennsylvania and the by-laws of the Society.

NATIONAL BOARD OF DIRECTORS

Management of the Society is vested in its National Board, which was comprised of the following members as of December 31, 2020:

Name and Address	Principal Occupation
David Ernest Bevins East Grand Rapids, Michigan	Attorney Rhoades McKee, P.C.
Joseph Stanley Bielecki Pittsburgh, Pennsylvania	Attorney Self Employed
Donna Lynn Brophy Pittsburgh, Pennsylvania	Travel Manager SMS USA, Inc.
Lea Ann Hazi Palm Beach Gardens, Florida	Business Owner Omni Telecommunications, Inc.
William Walter Hunt Canonsburg, Pennsylvania	Chief Executive Officer GBU Financial Life
Christina Erika MacKellar Ann Arbor, Michigan	Insurance Sales & Underwriting Citizens Insurance/The Hanover Ins. Group
David Lee Pringle West Middlesex, Pennsylvania	Comptroller Kirila Contractors, Inc.
John Brickley Schmotzer Venetia, Pennsylvania	Business Owner Metropolitan Window Co., Inc.

The National Board consists of seven (7) members along with the Chief Executive Officer, who is appointed by the seven elected members of the National Board to serve as the eighth (8th) member of the National Board.

The members of the National Board serve a term of four (4) years or until their successors are elected and qualified. All members of the Society seeking candidacy to the National Board must submit their application request in the manner prescribed by the National Board and published in the Society's official publication. A nomination committee shall be appointed by the National Board for the purpose of gathering and reviewing candidate background information and shall determine, in its sole judgement, whether each candidate meets the qualifications to serve as a National Board member. All valid nominations shall constitute the slate of candidates and the office of the Chief Executive Officer shall prepare a ballot and give notice of the election, specifying the time and procedure for elections.

All National Board members and Officers are required to certify and sign the conflict of interest certification on an annual basis.

COMMITTEES

As of December 31, 2020, the following committees were appointed by the National Board and serving in accordance with the Society's by-laws:

Executive Committee

Lea Ann Hazi (Chair)
William Walter Hunt
David Lee Pringle
John Brickley Schmotzer

Auditing Committee

David Lee Pringle (Chair)
David Ernest Bevins
Joseph Stanley Bielecki
William Walter Hunt*
Douglas Allen Ulrich*

Compensation Committee

Lea Ann Hazi (Chair)
David Ernest Bevins
John Brickley Schmotzer
William Walter Hunt*

Investment Committee

David Ernest Bevins (Chair)
Lea Ann Hazi
David Lee Pringle
William Walter Hunt*
Timothy Brian King*
Douglas Allen Ulrich*

Fraternal Committee

Donna Lynn Brophy (Chair)
Joseph Stanley Bielecki
Christina Erika MacKellar
Matthew Milan Blistan*
William Walter Hunt *

Marketing Committee

Christina Erika MacKellar (Chair)
Donna Lynn Brophy
John Brickley Schmotzer
William Walter Hunt*
Lesley Beth Mann*

(*) management representative without vote

OFFICERS

As of December 31, 2020, the following officers were appointed and serving in accordance with the Society's by-laws:

Name

William Walter Hunt
Douglas Allen Ulrich
Timothy Brian King
Deborah Louise Morgan
Matthew Milan Blistan, Jr.
Lesley Beth Mann

Title

Chief Executive Officer
Vice President/Controller/Chief Risk Officer
Vice President/Chief Investment Officer
Vice President of Operations
National Vice President
Senior Vice President/Chief Marketing Officer

CORPORATE RECORDS

MINUTES

A compliance review of the Society's corporate minutes determined the following:

- The National Board and the various committee meetings of the Society were held in compliance with its by-laws.
- The directors and officers were elected and/or appointed in compliance with its by-laws.
- The National Board ratified the actions of the directors and officers.
- Quorums were present at all National Board and committee meetings.
- The Society's investment transactions are approved quarterly by the National Board.
- The Society's reinsurance, products and business were approved and ratified by the National Board.
- All directors attend National Board meetings regularly.

ARTICLES OF INCORPORATION

There were no changes or amendments made to the Society's articles of incorporation during the examination period.

BY-LAWS

During the period under examination, the Society amended its by-laws at the Convention on September 21-22, 2018 and at the Convention via mail in ballot held in July 2020. The amended by-laws were approved by the Department on November 2, 2018 and November 10, 2020, respectively.

The following is a brief summary of the significant by-law changes:

1. Defined the National Officers as being the Chief Executive Officer and other officers as determined by the National Board.
2. Changed the purposes of the Conventions to education, networking, and other support to districts, charitable and fraternal missions.
3. Replaced Convention with the National Board as the supreme governing body of the Society which has full power, authority, and duty to promote and manage all business of the Society and its districts in accordance with the laws of the Commonwealth of Pennsylvania and the by-laws of the Society.
4. Added the following language; In case the Society has an authorized control level event that the Department determines will not be promptly remedied, under the Department's order, the Society may negotiate an agreement to transfer all members, certificates and other assets and liabilities to another fraternal benefit society or other insurer through merger,

consolidation, assumption or other means, subject to approval by the Department and the National Board.

5. The Society's by-laws may be amended by a two-thirds majority vote of the National Board and upon approval by the Department.

SERVICE AND OPERATING AGREEMENTS

The Society is party to various service and operating agreements. The following significant agreements were in place during the examination period:

Actuarial Services Agreement

Effective November 10, 2014, the Society entered into a service agreement with Miller & Newberg, Inc., an actuarial consulting firm located in Overland Park, Kansas. Under this agreement, Miller & Newberg, Inc. provides actuarial and other consulting services for a fee. The agreement clearly spells out duties and obligations of each party. This agreement remains in force until either party terminates the agreement.

Investment Consulting Agreement

Effective December 11, 2018, the Society entered into an investment consulting agreement with Parkway Advisors, L.P. ("Parkway"). Under this agreement, Parkway provides investment consulting and enterprise risk management services for a fee. The agreement clearly spells out duties and obligations of each party. This agreement remains in force until either party terminates the agreement with thirty (30) days' notice.

Investment Accounting Agreement

Effective March 9, 2020, the Society entered into an SaaS Order for Business Process Outsourcing ("Order") with FIS iWorks LLC. Under the Order, FIS will provide security investment accounting and reporting services, maintain the hardware and necessary third-party software required to provide the services under this Order, record keeping and reporting. The Order has an initial term of three (3) years from the effective date and shall renew for successive three (3) year renewal terms. This Order remains in force until either party terminates the Order with sixty (60) days advance written notice.

Effective February 1, 2019, the Society entered into a data services agreement with ICE DATA, LP ("ICE DATA"). Under this agreement, ICE DATA provides Fixed Income and Equities Evaluated Pricing data reporting services for a fee. This agreement remains in force until either party terminates the agreement with sixty (60) days' notice.

Investment Management Agreement

Effective October 22, 2019, the Society entered into an investment management agreement with Asset Allocation & Management Company, LLC. ("AAM"). Under this agreement, AAM provides fixed income investment management services for a fee. This

agreement remains in force until either party terminates the agreement with thirty (30) days' notice.

REINSURANCE

CEDED

Optimum Re Insurance Company

Effective January 1, 2006, the Society entered into a Quota Share Reinsurance Contract with Optimum Re Insurance Company and amended same on October 1, 2006 and December 15, 2011. The term of the contract is for one-year with automatic continuous renewals and shall remain in force until terminated by either party. The Society did not cede any significant business in 2020.

The Society's retention and the reinsurance limits are as follows:

Society's Retention	Reinsurance Limits	Type of business Covered
\$100,000	\$200,000 (Automatic) \$4,000,000 (Facultative)	Term and permanent plans

The Society's reinsurance agreements were reviewed and found to meet the risk-transfer requirements of SSAP No. 61R. The Society does not utilize a reinsurance intermediary. The reinsurance contract contained the appropriate insolvency and arbitration clauses.

ASSUMED

Western Fraternal Life Association

Effective September 30, 2020, the Society entered into an assumption agreement with Western Fraternal Life Association ("WFL"), an Iowa non-profit corporation. Under the terms of the contract, the Society will assume one hundred percent (100%) of WFL's direct interests, rights, and liabilities under all of its California life insurance and annuity certificates and instruments ("Contracts"). Each Contract holder subject to this contract will be granted membership in GBU. The assumption agreement is pending approval by the Department.

TERRITORY AND PLAN OF OPERATIONS

As of December 31, 2020, the Society is licensed to conduct business in the following jurisdictions:

California	Maryland	Ohio
Colorado	Michigan	Pennsylvania
Connecticut	Minnesota	West Virginia
Florida	Missouri	Wisconsin

Illinois
Indiana

New Jersey
New York

The major lines of business written by the Society are individual life insurance and individual annuity contracts.

The following table shows a distribution of premiums by line of business for the year ending December 31, 2020:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
Ordinary life	9,107,796	679,154	8,428,642	1.8 %
Individual annuities	458,650,312	0	458,650,312	98.2 %
Totals	<u>\$ 467,758,108</u>	<u>\$ 679,154</u>	<u>\$ 467,078,954</u>	<u>100.0 %</u>

As of December 31, 2020, the Society comprises a system of 30 districts through which business is generated and fraternal activities are conducted. The Society uses licensed agents to promote and market the Society's insurance products. The Society has no managing general agencies or third party administrators.

SIGNIFICANT OPERATING TRENDS

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

	2020	2019	2018	2017	2016
Admitted Assets	\$ 3,433,633,567	\$ 3,089,848,154	\$ 2,754,646,706	\$ 2,456,867,854	\$ 2,192,369,095
Liabilities	\$ 3,185,487,882	\$ 2,860,170,120	\$ 2,551,649,589	\$ 2,273,233,606	\$ 2,038,293,966
Capital and Surplus Funds	\$ 248,145,685	\$ 229,678,034	\$ 202,997,117	\$ 183,634,248	\$ 154,075,129
Net Premiums Written	\$ 467,078,953	\$ 471,337,638	\$ 432,401,959	\$ 303,572,845	\$ 356,491,586
Benefits to Members *	\$ 256,635,533	\$ 265,755,789	\$ 242,642,920	\$ 150,879,919	\$ 131,890,678
Net Investment Income	\$ 154,731,235	\$ 147,474,620	\$ 133,263,444	\$ 122,381,879	\$ 109,546,368
Net Income	\$ 19,159,386	\$ 30,580,918	\$ 29,379,108	\$ 32,559,119	\$ 27,288,286

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:

	Certificates in Force	Insurance in Force	Average policy in Force
December 31, 2015	48,234	\$ 523,333,000	\$ 10,850
December 31, 2020	43,885	671,297,000	15,297
Net increase/(decrease)	<u>(4,349)</u>	<u>\$ 147,964,000</u>	<u>XX,XXX</u>

	Number of Annuities	Annuities in Force	Average Annuity in Force
December 31, 2015	29,526	\$ 1,603,708,814	\$ 54,315
December 31, 2020	39,780	2,981,052,598	74,938
Net increase/(decrease)	<u>10,254</u>	<u>\$ 1,377,343,784</u>	<u>XX,XXX</u>

PENDING LITIGATION

As of the date of this examination report, the Society is not a party to any material litigation or arbitration and was not aware of any threatened litigation, other than as routinely encountered in claims activity, which will, in the opinion of Society management, have a material adverse effect on its financial condition.

FINANCIAL STATEMENTS

The financial condition of the Society, as of December 31, 2020, 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

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

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

	2020	2019	2018	2017	2016
Bonds	\$ 3,249,125,380	\$ 2,958,752,222	\$ 2,660,037,676	\$ 2,380,895,571	\$ 2,118,960,427
Preferred stocks	3,950,000	6,143,560	7,618,560	7,856,060	8,081,060
Common stocks	34,300	10,000	0	0	0
Mortgage loans on real estate	117,146	171,237	224,970	283,550	409,231
Real estate	1,824,235	890,203	231,578	250,834	270,089
Cash, cash equivalents and short-term investments	77,014,317	26,870,914	3,694,969	208,927	2,165,742
Contract loans	1,244,102	1,264,745	1,189,813	1,219,714	1,104,068
Other invested assets (Schedule BA)	55,777,736	52,178,122	41,433,500	29,844,088	28,871,387
Subtotal, cash and invested assets	3,389,087,216	3,046,281,003	2,714,431,066	2,420,558,744	2,159,862,004
Investment income due and accrued	44,350,692	43,558,915	40,206,794	36,292,487	32,489,723
Premiums and considerations:					
Uncollected premiums and agents balances	7,580	8,236	8,846	16,623	17,368
Amounts recoverable from reinsurers	188,080				
Total	\$ 3,433,633,568	\$ 3,089,848,154	\$ 2,754,646,706	\$ 2,456,867,854	\$ 2,192,369,095
Aggregate reserve for life contracts	\$ 3,070,599,029	\$ 2,760,484,830	\$ 2,462,643,014	\$ 2,191,314,475	\$ 1,969,615,165
Liability for deposit-type contracts	65,723,672	53,235,979	48,861,648	42,299,553	37,294,510
Contract claims:					
Life	2,500,000	2,075,000	1,700,000	1,375,000	1,280,000
Provision for refunds payable in following calendar year-estimated amounts:					
Policyholders' dividends and refund apportioned for payment	1,100,000	1,100,000	1,000,000	800,000	700,000
Premiums and annuity considerations received in advance	80,968	70,146	72,728	75,945	85,445
Contract liabilities not included elsewhere:					
Interest maintenance reserve	6,469,363	5,931,381	5,793,057	6,617,535	4,700,149
General expenses due or accrued	1,698,008	1,414,100	855,000	865,000	800,000
Taxes, licenses and fees due or accrued	3,000	3,000	3,000	3,000	3,000
Amounts withheld or retained by company as agent or trustee	13,313,842	12,355,684	11,121,142	12,983,098	9,915,697
Miscellaneous liabilities:					
Asset valuation reserve	24,000,000	23,500,000	19,600,000	16,900,000	13,900,000
Total liabilities excluding Separate Accounts business	3,185,487,882	2,860,170,120	2,551,649,589	2,273,233,606	2,038,293,966
Total liabilities	3,185,487,882	2,860,170,120	2,551,649,589	2,273,233,606	2,038,293,966
Unassigned funds	248,145,685	229,678,034	202,997,117	183,634,248	154,075,129
Total Surplus	248,145,685	229,678,034	202,997,117	183,634,248	154,075,129
Totals	\$ 3,433,633,567	\$ 3,089,848,154	\$ 2,754,646,706	\$ 2,456,867,854	\$ 2,192,369,095

Comparative Statement of Income For the Year Ended December 31,

	2020	2019	2018	2017	2016
Premiums and annuity considerations for life and A&H contracts	\$ 467,078,953	\$ 471,337,638	\$ 432,401,959	\$ 303,572,845	\$ 356,491,586
Net investment income	154,731,235	147,474,620	133,263,444	122,381,879	109,546,368
Amortization of interest maintenance reserve (IMR)	1,242,660	1,239,253	1,489,321	1,634,747	1,297,032
Aggregate write-ins for miscellaneous income	36,714	0	0	382,133	0
Totals	623,089,562	620,051,511	567,154,724	427,971,604	467,334,986
Death benefits	4,139,259	2,768,562	3,291,257	3,714,256	3,602,095
Matured endowments	137,473	203,514	205,596	242,905	217,776
Annuity benefits	249,855,094	260,048,888	235,863,986	144,076,376	124,678,539
Disability benefits and benefits under accident and health contracts	10,838	6,634	6,994	7,987	9,802
Surrender benefits and withdrawals for life contracts	2,492,869	2,728,193	3,275,087	2,838,395	3,382,467
Interest and adjustments on contract or deposit-type funds	3,671,108	1,686,457	2,730,257	1,828,708	1,635,286
Increase in aggregate reserves for life and A&H policies and contracts	310,114,198	297,841,816	271,328,539	221,699,310	287,359,987
Totals	570,420,839	565,284,064	516,701,716	374,407,937	420,885,952
Commissions on premiums, annuity considerations & deposit-type funds (direct)	11,293,469	11,795,035	10,994,291	8,509,117	10,409,276
General insurance expenses and fraternal expenses	13,993,828	10,302,656	7,919,579	9,135,729	7,141,223
Insurance taxes, licenses and fees	589,551	406,666	274,104	314,018	347,565
Increase in loading on deferred and uncollected premiums	(135)	(322)	(2,449)	(270)	2,315
Totals	596,297,552	587,788,099	535,687,241	392,366,531	438,786,331
Net gain from operations before refunds to members	26,792,010	32,263,412	31,267,483	35,605,073	28,548,655
Dividends to policyholders and refunds to members	1,031,383	1,087,051	1,090,806	801,179	694,345
Net gain from operations after refunds to members and before realized capital gains (losses)	25,760,627	31,176,361	30,176,677	34,803,894	27,854,310
Net realized capital gains or (losses) less capital gains tax (excluding \$0.0 transferred to the IMR)	(6,601,241)	(595,443)	(797,569)	(2,244,775)	(566,024)
Net income	\$ 19,159,386	\$ 30,580,918	\$ 29,379,108	\$ 32,559,119	\$ 27,288,286

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

	2020	2019	2018	2017	2016
Capital and surplus, December 31, previous year	\$ 229,678,035	\$ 202,997,117	\$ 183,634,248	\$ 154,075,129	\$ 129,686,843
Net income	19,159,386	30,580,918	29,379,108	32,559,119	27,288,286
Change in net unrealized capital gains or (losses)	(58,500)	0	0	0	0
Change in nonadmitted assets and related items	(133,235)	0	0	0	0
Change in asset valuation reserve	(500,000)	(3,900,000)	(2,700,000)	(3,000,000)	(2,900,000)
Aggregate write-ins for gains and losses in surplus	0	0	(7,316,239)	0	0
Net change in capital and surplus for the year	18,467,651	26,680,918	19,362,869	29,559,119	24,388,286
Capital and surplus, December 31, current year	\$ 248,145,686	\$ 229,678,035	\$ 202,997,117	\$ 183,634,248	\$ 154,075,129

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

	2020	2019	2018	2017	2016
Cash from Operations					
Premiums collected net of reinsurance	\$ 467,090,566	\$ 471,335,988	\$ 432,408,968	\$ 303,564,360	\$ 356,476,079
Net investment income	173,208,336	160,504,060	142,622,854	127,676,164	112,231,276
Miscellaneous Income	36,714	-	-	382,133	-
Total	640,335,616	631,840,048	575,031,822	431,622,657	468,707,355
Benefit and Loss related Payments	260,069,721	267,067,248	245,048,177	152,613,627	132,875,965
Commissions, expenses paid and aggregate write-ins for deductions	25,520,256	21,905,257	19,337,974	17,893,864	17,813,064
Dividends paid to policyholders	1,031,383	987,051	890,806	701,179	594,345
Total deductions	286,621,360	289,959,556	265,276,957	171,208,670	151,283,374
Net Cash from Operations	353,714,256	341,880,492	309,754,865	260,413,987	317,423,981
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	271,061,326	151,704,490	82,920,862	79,636,582	44,142,256
Stocks	2,200,000	1,475,000	237,500	850,000	1,625,000
Mortgage loans	54,091	53,732	58,581	125,681	447,426
Other invested assets		100,000			
Total investment proceeds	273,315,417	153,333,222	83,216,943	80,612,263	46,214,682
Cost of investments acquired (long-term only):					
Bonds	585,108,114	465,507,689	382,259,357	349,070,963	362,945,017
Stocks	24,300	10,000	-	625,000	3,000,000
Real estate	1,029,741	677,879	-		
Other invested assets	4,190,610	11,376,141	11,956,448	1,243,900	3,577,012
Total investments acquired	590,352,765	477,571,709	394,215,805	350,939,863	369,522,029
Net increase (decrease) in policy loans and premium notes	(20,643)	74,932	(29,901)	115,646	(38,854)
Net cash from investments	(317,016,705)	(324,313,420)	(310,968,961)	(270,443,246)	(323,268,493)
Cash from Financing and Miscellaneous Sources					
Cash provided (applied):					
Net deposits on deposit-type contracts and other insurance liabilities	12,487,693	4,374,296	6,562,095	5,005,044	4,715,427
Other cash provided or (applied)	958,159	1,234,577	(1,861,957)	3,067,399	793,570
Net cash from financing and miscellaneous sources	13,445,852	5,608,873	4,700,138	8,072,443	5,508,997
Reconciliation of cash and short-term investments:					
Net change in cash, cash equivalents and short-term investments	50,143,403	23,175,945	3,486,041	(1,956,815)	(335,515)
Cash and short-term investments:					
Beginning of the year	26,870,914	3,694,969	208,927	2,165,742	2,501,257
End of the year	\$ 77,014,317	\$ 26,870,914	\$ 3,694,968	\$ 208,927	\$ 2,165,742

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL ITEMS**ASSETS****INVESTMENTS**

As of December 31, 2020, the Society's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 3,249,125,380	95.87 %
Preferred stocks	3,950,000	0.12 %
Common stocks	34,300	0.00 %
Mortgage loans on real estate	117,146	0.00 %
Real estate occupied by the company	1,824,235	0.05 %
Cash	28,078,606	0.83 %
Cash equivalents	48,935,710	1.44 %
Contract Loans	1,244,102	0.04 %
Other invested assets	55,777,737	1.65 %
Totals	<u>\$ 3,389,087,216</u>	<u>100.0 %</u>

The Society's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 940,542,079	28.9 %
2 - high quality	2,141,520,432	65.9 %
3 - medium quality	145,004,759	4.5 %
4 - low quality	21,455,745	0.7 %
5 - lower quality	24,540	0.0 %
6 - in or near default	577,825	0.0 %
Totals	<u>\$ 3,249,125,380</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 147,254,590	4.5 %
2 to 5 years	336,180,740	10.3 %
6 to 10 years	696,831,330	21.4 %
11 to 20 years	1,685,364,443	51.9 %
over 20 years	383,494,277	11.8 %
Totals	<u>\$ 3,249,125,380</u>	<u>100.0 %</u>

The Society's investment portfolio is primarily comprised of bonds, cash equivalents and other invested assets which collectively represent 98.96% of the invested assets.

The quality of the Society's bond portfolio is 94.8% investment grade, with 28.9% having an NAIC designation of highest quality ("1") and 65.9% having an NAIC designation of high quality ("2").

The Society entered into a custodial agreement with PNC Bank, NA., effective November 4, 2019. The custodial agreement complies with the requirements of 31 Pa. Code § 148a.3. PNC Bank is a non-discretionary custodian providing asset safekeeping, security and trade processing and reporting.

The Society has a written investment policy as required by 40 P.S. § 504.1(c). The investment policy is reviewed and approved on at least an annual basis by the National Board. The Society was following its investment policy on December 31, 2020.

LIABILITIES

POLICYHOLDER AND CLAIM RESERVES

R. Eric Newberg, ASA, MAAA, of Miller & Newberg, Inc. has served as the Society's appointed actuary ("AA") for each year during the examination. The Society's AA concluded that the December 31, 2020 reserves make an adequate provision for the anticipated cash flows required by the contractual obligations and related expenses of the Society. The Society's AA also opined that the December 31, 2020 reserves and related actuarial values, as shown below:

Aggregate reserve for life contracts	\$ 3,070,599,029	97.83 %
Liability for deposit-type contracts	65,723,672	2.09 %
Contract claims-Life	2,500,000	0.08 %
Total	<u>\$ 3,138,822,701</u>	<u>100.00 %</u>

- a.) Are computed in accordance with presently accepted actuarial standard of practice consistently applied and are fairly stated, in accordance with sound actuarial principles,
- b.) Are based on assumptions and methods that produce reserves at least as great as those called for in any contract provision 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 any state,
- d.) Are computed on the basis of assumptions and methods consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- e.) Include provision for all reserves and related actuarial items that ought to be established.

In conjunction with the examination, the Department utilized the actuarial services of National Actuarial Network, Inc., to assist in the review of the Society's actuarial reserving processes, assumptions, methodologies, calculations, and reserve adequacy as of the examination date. Based upon procedures performed and results obtained, no material deficiencies were identified in the reported actuarial reserves and related actuarial values.

The Department concurred with the AA's conclusion that the Society's December 31, 2020 reserves make an adequate provision for all actuarial reserves and related actuarial values which ought to be established.

SUBSEQUENT EVENTS

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Society. As such, the Department will continue to monitor and share information about the Society as appropriate related to COVID-19 developments.

The Society amended its by-laws during its National Board meeting held on March 13, 2021. A brief summary of the significant by-law changes are as follows:

1. Changed the term of "National Board of Directors" to "Board of Directors",
2. Added a Vice Chair to the Board of Directors in addition to the Chair,
3. Set the age requirement of the Board of Directors to between the age of 21 and 70 years old.
4. Set the Board of Directors' term limit to no more than three (3) consecutive terms, and the terms shall be staggered with the four (4) Directors receiving the highest number votes serving a four (4) year term, and the three (3) Directors receiving the next highest number of votes serving a two (2) year term. The amended by-laws were approved by the Department on April 16, 2021.

On September 20, 2021, the Society reorganized its finance department. The reorganization included the hiring of a Chief Financial Officer, Mark Cloutier.

On November 23, 2021, the Insurance Commissioner issued an Order to National Council of the Junior Order of United American Mechanics of the United States of America ("Jr. Order") approving the company's request to reinsure its entire schedule of remaining in-force policies with the Society through the execution of an Assumption Reinsurance Agreement ("Agreement"). The Agreement was effective December 31, 2021.

During 2021, the Society has obtained additional licenses to conduct business in the following jurisdictions: Arizona, Arkansas, Maine, Kentucky, New Hampshire, Virginia, Rhode Island, Delaware, Tennessee, Georgia, North Carolina, New Mexico, Nebraska, Louisiana, Vermont, Mississippi, Kansas and Iowa.

RECOMMENDATIONS

PRIOR EXAMINATION

There were no recommendations made as a result of the prior examination.

CURRENT EXAMINATION

There are no recommendations being made as a result of the current examination.

CONCLUSION

As a result of this examination, the financial condition of GBU Financial Life, as of December 31, 2020, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 3,433,633,567	100.0 %
Liabilities	\$ 3,185,487,882	92.8 %
Capital and Surplus	248,145,685	7.2 %
Total liabilities, capital and surplus	\$ 3,433,633,567	100.0 %

Since the previous examination, made as of December 31, 2015, the Society's assets increased by \$1,561,269,000, its liabilities increased by \$1,442,810,158, and its surplus increased by \$118,458,842.

This examination was conducted by Joseph Tan, FSA, MAAA, Ph.D of National Actuarial Network, Inc., by the Department examiners, Ellamarie Durant and David Jia, CFE, with the latter in charge.

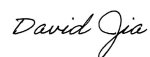
Respectfully,



Matthew C. Milford
Director
Bureau of Financial Examinations



William M. Fedak, CFE
Examination Manager



David W. Jia, CFE
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However, the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.