

# 2010 Annual Report to Policyholders

## Solid Financial Strength

During 2010, GPM Life's strong financial performance resulted in strengthened policyholder surplus that provides stability during changing risk environments. Policyholder surplus increased from \$87.8 million in 2009 to \$92.0 million in 2010, an increase of 4.9%.

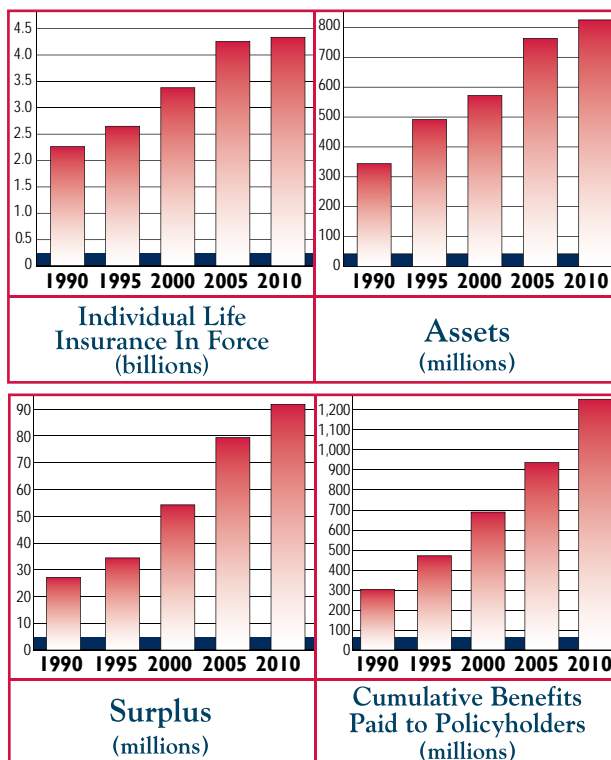
Total premium income increased from \$55.0 million in 2009 to \$56.5 million in 2010 due to new business growth and good persistency of premium paying business. Net gain from operations after distribution of dividends and payment of Federal Income Taxes was \$5.8 million. The dividend scale for traditional products remains the same for 2011. Cumulative benefits paid to policyholders now exceed \$1.2 billion.

Assets grew from \$802.0 million in 2009 to \$821.2 million in 2010. Total Income and the net investment income yield rate are higher, while the number of policies in force is slightly lower. Individual life insurance in-force increased to \$4.3 billion. Group life insurance net of reinsurance is \$2.6 billion.

## Conservative and Diversified Investment Strategy

During 2010, the bond market continued to recover from the market collapse that began during the fourth quarter of 2008. The stock market rose over 12% in 2010. An improving labor market and growth in household spending led many market experts to declare that the economy came out of the recession during 2010.

Net Investment Income increased from \$43.2 million in 2009 to \$44.8 million in 2010, an increase of 3.6%. The Federal Open Market Committee (FOMC) has held interest rates low through 2010. Our conservative and diversified investment strategy will continue to focus on preservation of capital while providing adequate cash flow, liquidity, security, and yield to meet the long-term requirements of our life insurance and annuity liabilities.



## Improved Marketing Growth

In 2010, we continued the trend of strong life insurance sales growth for a third straight year. Other indicators of solid growth are a 13.8% increase in submitted applications and an overall increase in the number of agents who produced business during the year. GPM Life continues to be a significant factor and leader in marketing to federal civil service employees, military service members and seniors purchasing final expense protection.

By year end we had introduced a new product for our expanding child market. The Estate Builder for our Ordinary Life division and the SECURE-Estate Builder for our final expense division allow parents to provide their children and grandchildren, from 14 days old to 14 years old, with the financial security provided by cash value life insurance at a young age. This product features an automatic increase to double the initial face amount of life insurance at age 18 with no increase in premium. Additionally, it provides six future option dates to purchase additional coverage, without further underwriting.

For more information about our product portfolio, contact your sales representative, call the GPM Life Home Office or visit our website at [www.gpmlife.com](http://www.gpmlife.com).



GPM Life has a Best's Financial Strength Rating of A- (Excellent). This Rating is an independent opinion of GPM Life's financial strength and ability to meet its ongoing policy and contract obligations based on a comprehensive quantitative and qualitative evaluation of its balance sheet strength, operating performance and business profile. This rating is assigned to companies that have an excellent ability to meet ongoing insurance obligations to policyholders. For details on the latest rating and the exact type, numerical order, scope, and extent of the rating, see the website: [www.ambest.com](http://www.ambest.com).

## Military Benefit Association (MBA)

GPM Life is the insurance underwriter for MBA-sponsored Group Term Life Insurance and TRICARE Supplement products. MBA, established in 1956, is one of the nation's largest nonprofit organizations of military personnel, civilian employees of the federal government, and their dependents. We have experienced a mutually beneficial relationship since 2001. GPM Life offers group life insurance coverage to MBA members with no war clause or aviation restrictions. See MBA's website for more information: [www.militarybenefit.org](http://www.militarybenefit.org).

## Notice of Meeting

The Annual Meeting of the GPM Life Policyholders will be held on Wednesday, April 13, 2011 at 9:00 a.m. in the Home Office, GPM Life Building, 2211 N.E. Loop 410, San Antonio, Texas, 78217.

As highlights, there will be a full report on financial operations for 2010, and the election of Directors.

All policyholders are cordially invited to attend the meeting or return their proxy if unable to attend.