

Our Catholic Journey

March/April 2018 Volume 123 Issue 2



The 140th Year of Your Association

CATHOLIC UNITED FINANCIAL | ANNUAL REPORT EDITION



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On the Cover: A vision of things to come –
 ice cream breaks on warm summer day. This
 one enjoyed by the Kratzke sisters in 2013.
Photo Bob Pearl



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“...It is our non-profit status, coupled with our giving to parishes, schools and communities, which makes us different from other insurers. Supporting education, vocations and works of charity is not an afterthought for Catholic United, it is an essential part of our mission – it is what we do!”

Harald Borrmann

Annual Report



The Gadacz Family takes an autumn stroll-n-blade around their neighborhood.

BRAINERD | MINNESOTA

Annual Report

PRESIDENT'S MESSAGE

Welcome to Catholic United Financial's 2017 Annual Report. As you will see from what follows herein, 2017 was an extraordinary year in many respects. We finished the year with our strongest ever levels of assets and surplus. We started issuing our new Medicare Supplement policies in our core 5-state area during the fourth quarter. We made further progress on our multi-year technology initiative. We set a new record by raising over \$1,116,500 with our Catholic Schools Raffle. And we also set records with the number of personal care kits assembled during our Gather4Good® events.

At the same time, and to be completely candid, the year was not without its challenges. The era of low interest rates continued, with only temporary and sporadic interest rate improvements followed by a return to the low rates we have seen for the past nine years. We were the victim of an attack on our technology infrastructure. Our new business life premium, while up from 2016, was still not quite at the record level of 2015.

Of some concern, however, is that our membership is down slightly in 2017, to just under 80,000 members. As a member-owned and member-directed fraternal benefit society, our membership is our lifeblood and represents the future of our Association. While we added nearly 1,600 new members last year, we lost more than that number in people who passed away, whose policies matured or lapsed or who otherwise left us. The good news is that we can do something about this issue. While we cannot affect interest rates in today's world, we can do something about bringing new members into the fold. Every one of us should be mindful of telling the Catholic United story to our Catholic friends, neighbors, relatives and parishioners. You see, it is our non-profit status, coupled with our giving to our parishes, schools and communities, which makes us different from other insurers. Supporting education, vocations and works of charity is not an afterthought for Catholic United, it is an essential part of our mission – it is what we do!

This year, we celebrate 140 years of making a difference – I believe that makes us the oldest life insurer domiciled in Minnesota. We have come this far and grown this much by embracing our values and helping one another throughout life's ups and downs. And while we may be stronger financially today than ever in our history, working together to keep growing will ensure that the Catholic United legacy will remain intact and continue to enrich lives for another 140 years.

So as you review this Annual Report and look at the many ways our Association, Credit Union and Foundation have made a difference in people's lives in 2017, please consider how you can help us grow our membership. Feel free to drop me a note or give me a call. I'd welcome your ideas.

Peace.



**Harold
Borrman**

If there's something that I can do for you, contact me at (651) 765-4123, or write to hborrman@catholicunited.org

PRESIDENT, CEO AND
CHAIR OF THE BOARD



Annual Report

FELLOWSHIP



A PVT Breakout

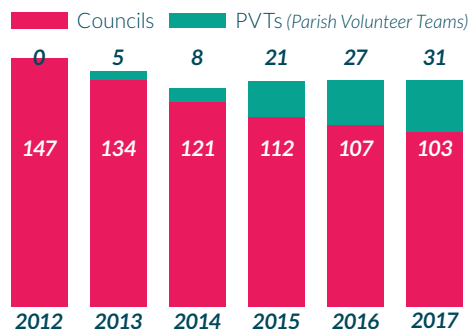
Participants line up to assemble care kits at the September Gather4Good® event held in Brainerd, Minn., in 2017. Encouraging volunteerism is a prime directive of the Catholic United Member Engagement Department, and one way we've increased our volunteer outreach is through Parish Volunteer Teams, which truly began to take off in 2017.

Member Engagement Advisors, Colin Perucco and Kaitlin Groeneweg, have been racking up lots of windshield time as they visit Catholic parishes and councils all around our sales footprint. Why? Because the word is out: The Parish Volunteer Team (PVT) concept is proving its worth.

It started with an experiment in 2012 with five brave councils volunteering to be our guinea pigs. Around that time, we were hearing from officers who had served for many years and wanted to pass the torch to the next generation. The problem was that the next generation didn't want those council roles and responsibilities - but we were not discouraged! We took this opportunity to rework volunteer leadership positions to be more focused on skill set and gave them snap-

pier titles. During the past 5 years, we've launched this new model in 25 parishes and in the first few months of 2018, have been contacted by more than 20 parishes to establish PVTs in their areas!

In the following pages, you can see the Catholic United Financial giving record, and I think the numbers speak for themselves. There are a lot of for-profit insurance companies out there





Member Engagement Advisors Colin Perucco and Kaitlin Groeneweg enjoy a great deal of travel to visit councils and PVTs, here posing with an ear at the world-famous Corn Palace of Mitchell, S.D.

\$17,050 R.E.new Fund Grants

\$22,659 MinisTREE

\$28,162 Grants4Good

Assistance Grants: **\$6,000** Matched

that tout their giving record – but I challenge you to find one that gives as much of a percentage of their profits back to the community as Catholic United Financial. While the numbers are good, we’re still not satisfied. We want to do more!

Starting and maintaining volunteer teams in parishes is the primary way we can expand our giving network to do more good in the community. When I look at the trend in the graph on p. 6, it’s easy to draw a conclusion that without the Parish Volunteer Team model, we would certainly be shrinking.

I often hear stories about how Catholic United Councils and PVTs are the only support a church religious education program receives. Without Catholic United, those programs don’t exist! YOU are a part of that story. YOU are the reason Catholic United is making a difference. Looking back at the graph of Councils vs PVTs, I’m happy to report that the decline has been staved off, but how great would it be to see this growing?! How can we make that happen? The answer is membership. This simply cannot be accomplished without Catholic United members and we can grow with your help. I want to challenge you: Who do you know that should be a part of this story? Put them in touch with the Member Engagement Department or with your local Sales Representative.

Thank you for your membership!

Nate Lamusga

DIRECTOR OF
MEMBER ENGAGEMENT



In 2017, Catholic United and its members provided for our Catholic communities:

\$2,367,045

\$65,225 Gifts & Donations

\$78,845 Convention

\$81,089 Assistance Grants

\$154,233

Activity Allowance

\$205,000

Scholarships

\$598,262

Matching Grants
\$493,034 raised

(\$105,228 matched)

\$1,116,520

Annual Catholic Schools Raffle

Annual Report

FINANCES

2017 Catholic United Financial ANNUAL REPORT

“Feelin’ Stronger Every Day” was a song released by the American rock band Chicago in 1973. This reference may date me a little, but I remember listening to this song as a kid and still love hearing it to this day. I think about the song lyrics differently now than when I was younger, maybe because I know better what it’s like to grow stronger, and the confidence and optimism it brings. You may be thinking – why is this important to Catholic United?

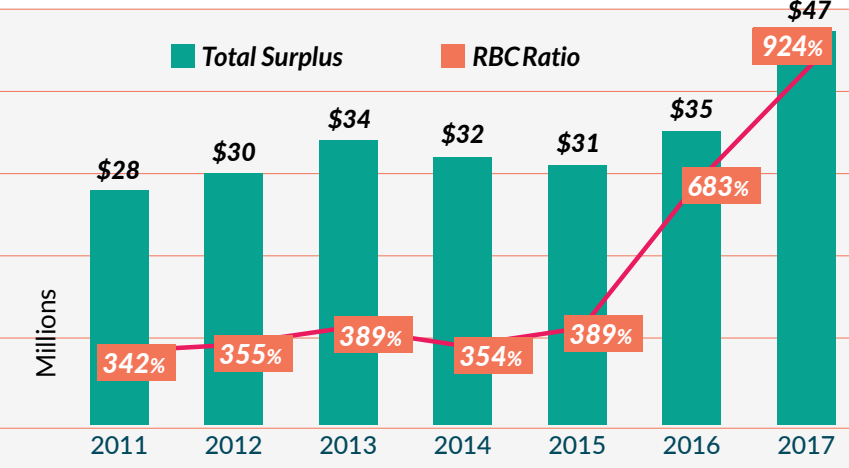
Because we spent much of 2017 feelin’ stronger every day!

In last year’s Annual Report, I highlighted many exceptional things about our Association. (There are so many.) In 2017, the most exceptional financial event by far was the completion of our annuity reinsurance transaction, the result of which increased our total surplus to an all-time high. Total surplus is a critical gauge of the financial strength of our Association. It serves to cushion market fluctuations for our investments, enables us to pay future benefits and claims to members and supports the investments we make in our systems to serve new and existing members.

INCREASED FINANCIAL STRENGTH

As seen in the accompanying chart, total surplus grew to \$47 million during 2017. This growth trend began in 2016 as we recorded a \$3.8 million commission from the transfer of a portion of our annuity contract reserves to our reinsurance partner. The last aspect

SURPLUS & RBC RATIO 2017



of this transaction, the sale and transfer of the assets supporting these annuities, was completed in early 2017. The realized gains on these investment sales propelled more than \$12 million in net income for the year, all of which

increased total surplus.

Financial strength is also monitored through a calculation called a Risk-Based Capital

Annual Report

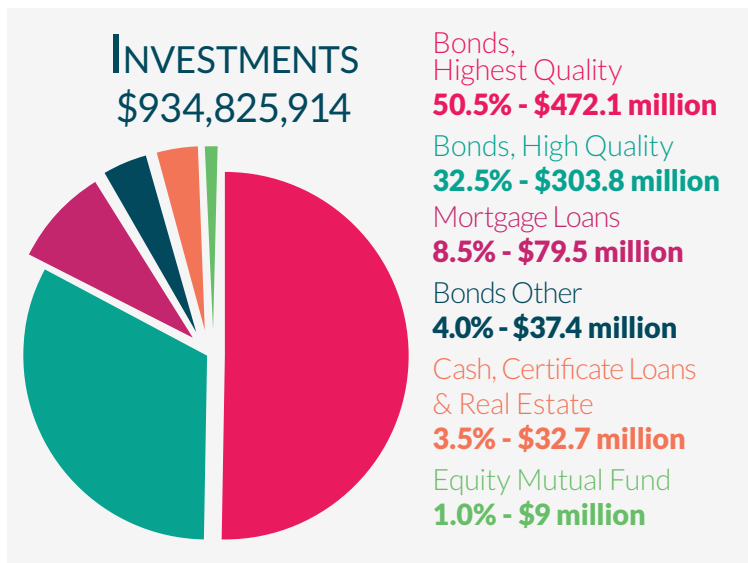
FINANCES

(RBC) ratio. Our Association's RBC trend is also depicted in the previous chart. The RBC ratio measures the minimum amount of surplus that an insurance company needs to support its business operations and is expressed as a percentage. Our RBC ratio was 389% at the end of 2015, meaning that we had 3.89 times the minimum amount of capital we needed to run our Association. This was good, but it wasn't strong. At the end of 2016, our RBC ratio grew to 683% and grew again in 2017 to 924%, as a result of the financial strength created by our annuity reinsurance transaction. We now have more than nine times the surplus we need to run Catholic United – surplus that we can invest in new products, programs and technology that will bring new members and greater strength to our Association. Feelin' stronger every day!

CONTINUED INVESTMENT STRENGTH

Fueled by more than \$32 million in new annuity premium and almost \$16 million in life insurance premium, our Association's assets continued their strong growth trend, increasing by \$16 million in 2017. We continue to draw strength from our members' trust and confidence in our Association, and we remain diligent in our commitment to manage our assets prudently to retain our muscle for the long term.

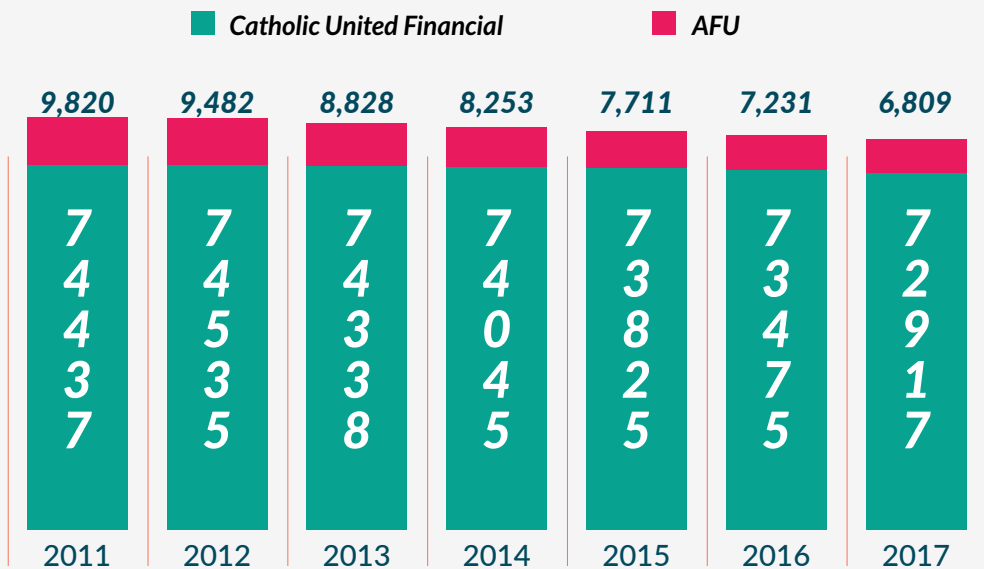
As shown in the accompanying pie chart, the vast majority of our asset strength comes from our high-quality bond portfolio. Our diversified holdings are managed by professional asset managers in accordance with the Investment Policy established and monitored by our Board of Directors. The largest component of our investments are bonds of the highest quality (50.5%) and high quality (32.5%), per the ratings from the National Association of Insurance Commissioners. To add additional diversification and to improve our opportunities to find investment yield to bolster the rates we credit to our members, mortgage loan holdings were increased \$10 million during 2017 and now comprise 8.5% of the investment portfolio. All in all, the Association's investment portfolio return decreased by four basis points during 2017



Annual Report

FINANCES

MEMBERSHIP 2011 – 2017



to end the year at 4.52%. While this yield isn't as robust as we would like, we expect the favorable outlook of many key economic trends to support us feeling stronger in 2018.

RENEWED MEMBER STRENGTH?

At Catholic United, we have two primary goals – Grow Membership and Grow Stronger Financially. I've noted at length how we've grown stronger financially over the past year, yet we continue to be challenged by our primary goal to grow membership. As depicted in the chart above, our Association's membership has steadily declined since we acquired American Fraternal Union (AFU) in 2011 to end the year at 79,726.

Quite simply, our long-time, dedicated members are passing away faster than we can replace them with young families. Our newly launched Medicare Supplement policy and the enhancements to our life insurance product lineup planned for 2018 will certainly support achievement of our membership goals but we cannot stop there. We are invigorated by this challenge and we share it with you. We will become stronger as we work to recruit new members to our wonderful Association together, as we have for more than 140 years.

Feelin' stronger every day!

May God continue to bless our Association and our Members.



Michael M. Ahles

SENIOR VICE PRESIDENT AND
SECRETARY/TREASURER



A true blast from the past, the Seidls, one of the first Catholic United families to model for us all the way back in 2008. Look for these kids in upcoming Scholarship editions!

NEW ULM | MINNESOTA

Annual Report

FINANCES

Statement of Operations

	12/31/2017	12/31/2016
Total Income	\$70,253,953	(\$173,555,150)
Total Claims & Expenses	\$57,517,421	(\$174,045,108)
Net Gain from Operations	\$12,736,532	\$489,958
Refunds to Members	\$116,480	\$112,231
Net Gain (Loss) After Refunds to Members	\$12,620,052	\$377,727
Net Realized Capital Gains	\$158,386	\$223,787
Net Income	\$12,778,438	\$601,514

Balance Sheet

	12/31/2017	12/31/2016
Assets	\$934,825,914	\$919,281,819
Liabilities	\$887,523,090	\$884,422,562
Asset Valuation Reserve	\$6,681,062	\$5,734,369
Surplus	\$40,621,762	\$29,124,888
Total Liabilities and Surplus	\$934,825,914	\$919,281,819

Change In Surplus

	12/31/2017	12/31/2016
Surplus, Beginning of Year	\$29,124,888	\$24,923,904
Net Income from Operations	\$12,778,438	\$601,514
Change in Net Unrealized Capital Gains (Loss)	\$510,938	\$283,086
Change in Non-admitted Assets	\$405,744	(\$683,230)
Change in Asset Valuation Reserve	(\$946,693)	\$88,677
Change as a Result of Reinsurance	(\$1,259,927)	\$3,752,778
Change in Pension Liability	\$8,374	\$158,159
Surplus, End of Year	\$40,621,762	\$29,124,888

Notice: Call for Candidates FOR BOARD OF DIRECTORS

Two seats on the Board will be up for election at the 2018 Annual Convention. The Convention will take place August 4, 2018 at The University of St. Thomas in St. Paul, Minn. Incumbents Renee Brod and Patricia Kasella will seek re-election. To run for a seat on the Board of Directors, you must declare your candidacy by writing to:

Catholic United Financial
President Harald Borrmann
3499 Lexington Ave. N.
Arden Hills, MN 55126.

MUST BE POSTMARKED BY JUNE 1, 2018.

Catholic United Financial shares the commitment to practice, precision and accuracy in its business and reporting that has made member Kendra Hunhoff a champion archer.

YANKTON | SOUTH DAKOTA



Notice: Call for Recommendations GOOD OF THE ASSOCIATION

Catholic United Financial is member owned and member governed; therefore, as a member, if you have some thoughts or ideas on how we can improve, strengthen or grow our Association, please send an email to goodofassn@catholicunited.org. Or write to: Good of the Association, Catholic United Financial, 3499 Lexington Avenue North, Arden Hills, MN 55126.

Please respond on or before June 1, 2018. All recommendations will be reviewed and may be brought before the next Annual Delegate Convention for consideration.

Thank you for your investment in the future of Catholic United.

THANK YOU FOR YOUR MEMBERSHIP!

Annual Report

FOUNDATION



Ral and Judy DuBois
BRAINERD | MINNESOTA

To Be a Christian Steward

2017 FOUNDATION ANNUAL REPORT

THE COUNCIL OF CATHOLIC BISHOPS IN A PASTORAL LETTER ON STEWARDSHIP REMIND US THAT all which we have in life are gifts from God. We are also reminded that these gifts are not ours to keep forever but are meant to be stewarded responsibly. We receive God's gifts gratefully but are expected to cultivate them responsibly, share them lovingly and return them with increase to God. We are surely stewards of all God's gifts to us. As Catholics, we are Stewards of His Creation, of Vocation and of the Church.

As a Steward of Creation, we are responsible for caring for and cultivating the world and all living things around us. As a Steward of Vocation we receive a personal vocation from God. We need to understand our role in His plan and aid others in their personal calling whether it is as a lay person, religious, or as clergy. As a Steward of the Church, we nurture and educate our children. We also work to strengthen and build our Catholic community in our parish, our country and the world. All Catholics who give selflessly and generously of their time, talents and treasure are truly God's Stewards.

This divine stewardship is most evident in how we give of ourselves to others. Our primary mission through Catholic United Financial Foundation is to be a partner with you in your work as a Christian Steward. Your stewardship to God and our Church is evident in the information shared below. During 2017, the Foundation provided through your contributions, along with distributions from Donor Advised Funds and proceeds from charitable annuities and life insurance policies, significant assistance to strengthen our Catholic community and our Faith.

As a Christian Steward, you do far more in support of our Church every day in your

FOUNDATION Annual Report

As a STEWARD OF VOCATIONS You supported 180 Seminarians in their training to lead our Church and serve God, with \$59,250 in grants



- 95 Major Seminarians received grants totaling \$38,000
- 85 Minor Seminarians received grants totaling \$21,250

As a STEWARD OF YOUTH IN THE CHURCH You supported 263 schools and parishes in strengthening educational opportunities and teaching the sanctity of our bodies to thousands of our Catholic School students making faith a keystone of their education.



- 176 Catholic schools received \$62,500 in technology assistance
- 87 parishes and schools received \$50,049 in support of chastity education

As a STEWARD OF CREATION You and other volunteers gratefully gave their time and talents in strengthening our Church and aiding those affected by natural disasters.



- Catholic United Financial Councils and Parish Volunteer Teams raised funds to support the Gather4Good® program providing thousands of personal care kits for the homeless and needy in our local communities
- 1,000 personal care kits were sent to the Houston, Texas area in support of the Hurricane Harvey response
- Invested cemetery, parish and building funds in the Foundation help to maintain these institutions and build on them for our families for many more generations to come

home parish, through all the acts of generosity both large and small that identify you as Catholic. Your stewardship encourages those around you to also be generous. These gifts from God you truly share with others, especially your children, when you share with them the joy of giving.

Please consider making a tax-deductible donation to support the work of the Catholic United Financial Foundation. You can designate your contribution to support the Msgr. Schuler Seminarian Award, technology grants, and chastity and abstinence education grants to strengthen Catholic parishes & schools, or to assist in the Catholic United Disaster Response.

Let us show you how to use life insurance, annuities and donor advised funds to increase the effect of your generosity to your parish, school or the charity of your choice. The Foundation is here to help you be a responsible Steward of His Creation, of Vocation and of the Church. Joining the Foundation to connect your faith, charity and financial planning together is truly a perfect way to answer God's call to share His gifts with others.

A blue ink handwritten signature of Robert Heuermann.

**Robert
Heuermann**

Executive
Director



The Foundation can be reached through your local Sales Rep, directly by calling 1-877-275-7145, or by emailing Bob at rheuermann@catholicunited.org.

Incredible auto rates

as low as

2.15%

new or used!



Yes.

You can finance a miracle.
Adoption Loans.



Catholic United Financial
CREDIT UNION

Word is spreading of the banking alternative offered by the Catholic United Financial Credit Union. We are here to provide all the banking services our members will ever need, in support of our shared Catholic faith. With more than \$11 million in loans, we're not a profit center, but a benefit for Catholic United members. As such, our loan rates remain well below industry average, and our Adoption Loans are virtually nonexistent anywhere else.