



ANSWERS IN UNCERTAIN TIMES  
.....  
FREQUENTLY ASKED QUESTIONS



GUARDIAN®

In 2008, we witnessed unprecedented events in the world economy, and unprecedented actions to address the situation. Given this environment, you may understandably have questions regarding how Guardian has reacted to this crisis, how we weathered its impact, and how it may affect us going forward. Following are answers to some of the most frequently asked questions we've received.

Guardian concentrates on maintaining a strong financial position and providing value over the long term.

## What is the primary focus of Guardian's financial management?

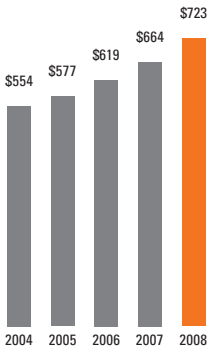
Guardian concentrates on maintaining a strong financial position and providing value over the long term. We do not manage quarter to quarter, but instead continually look years and decades ahead to ensure we'll be here to pay our policy claims in the future. Because we are focused on long-term results, we don't chase short-term profits through overly risky investments, like those that brought about so many of the problems in 2008. We also avoid issuing overly risky products, which damaged many financial institutions during the crisis. We have instead been able to build a diverse portfolio of solidly competitive products to offer clients, which not only enhances the range of customer needs we can meet, but also contributes to our business diversity, our stability, and ultimately, our dividend.

Enterprise risk management is a top priority for us. This means striking the right balance between risk and reward, with the goal of providing our policyholders with long-term value, stability, and competitive returns. We take a comprehensive view of managing risk that extends beyond capital and investments and also includes managing the risk of our products while maintaining their competitiveness; achieving productivity improvements and making our company easier to do business with; prudently managing our expenses; and selecting good risks in our underwriting to enhance our dividend.

## What is Guardian's investment philosophy?

Guardian's principal objective is to invest prudently for the long term and deliver competitive dividends and financial security for our policyholders. Our investment philosophy starts with sound asset allocation strategies that seek to optimize expected long-term returns within well-defined risk parameters while benefiting from diversification strategies that reduce risk.

Dividends Declared  
Results in \$ millions



Guardian's portfolio managers employ a disciplined investment decision-making process, which is fundamentally based on proprietary research and analysis, rather than being overly reliant on ratings agencies or quantitative risk models. Additionally, our asset liability investment management process carefully integrates asset maturities in a manner consistent with prudent funding of insurance liabilities. Our process is designed to optimize risk/reward profiles and deliver consistent financial results.

## How did Guardian perform during the market turbulence in 2008?

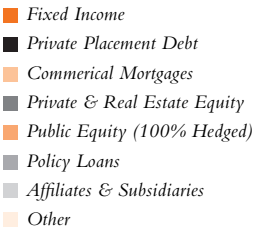
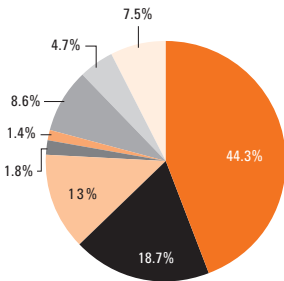
Guardian was defensively positioned going into 2008, with a high level of Treasury bonds and reduced exposure to weaker-rated credits. Thanks to our due diligence and independent research, we had virtually no exposure to the devastating effects of sub-prime mortgage investments.

Our investment risk management practices protected our company's financial strength well during 2008. Because we executed our risk management plan to protect capital in a declining equity market, we have essentially been out of stocks since mid-September 2008, helping us to avoid more than \$300 million in potential losses since year-end. While we did incur some losses in our investment portfolio prior to this, this was not unexpected considering the market environment.

## Did the economic environment affect Guardian's ability to pay dividends?

No. In fact, we were able to declare a record \$723 million in dividends to participating policyholders. Our dividend is evidence of our commitment to providing the greatest amount of insurance for the lowest long-term cost with the greatest amount of financial strength.

Guardian General  
Investment Portfolio Profile:  
Year-End 2008



## Where are Guardian's major investment holdings?

As of year-end 2008, the majority of Guardian's total investment portfolio was comprised of public fixed income (44.3%), private debt (18.7%), and commercial mortgages (13%). Only 1.4% of our total investment portfolio consisted of public equity, and this amount was 100% hedged. The majority of our public fixed income holdings were comprised of public corporates (53.3%) and tax-exempt municipals (12.9%). At year end, our portfolio was of excellent credit quality—91% of our total fixed income was investment grade and 24% of the public fixed income holdings are rated AAA.

## Has the financial crisis affected Guardian's long-term ability to pay claims?

No. Our claims-paying ability has not been impaired in any way whatsoever. As opposed to many other financial companies, our capital is strong, we've maintained strong liquidity to cover our liabilities, and our risk management practices are effectively protecting our company's financial strength and the long-term interests of our policyholders.

## Will Guardian participate in the U.S. Treasury Department's capital purchase program?

No. As a bank owner, Guardian was eligible for this program, but it was unnecessary for us because we already have a strong capital position thanks to the way we manage our company.

Mutuality allows us to manage the company for the long term, guided by our core values.

## Why is Guardian a better choice than other financial providers?

As a mutual company, our policyholders are also our owners, so everything we do is aimed at serving their best interests. Mutuality allows us to manage the company for the long term, guided by our core values, and ensures that we are doing the right thing for the people who put their trust in us. The prudent and efficient way we manage our company has historically allowed us to pay competitive dividends while consistently providing high-quality products and services at the best possible cost.

Guardian's focus on risk management helped us avoid the asset quality issues that affected so many other financial providers during the ongoing economic crisis and protected us against wholesale losses in our equity investment portfolio. This allowed us to end the year in a very strong position. In fact, Guardian was one of just seven life insurance companies to have been upgraded by A.M. Best in 2008 (11/08). Additionally, we were one of just five life insurers upgraded in 2008 by the credit rating agency Standard & Poor's (7/08). Given the economic environment and the distressed financial condition of many other insurers, we take tremendous pride in the fact that the independent ratings agencies have such a positive view of Guardian.

## IMPORTANT INFORMATION

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Financial information concerning The Guardian Life Insurance Company of America as of 12/31/08 on a statutory basis: Admitted Assets = \$29.0 Billion; Liabilities = \$25.3 Billion (including \$22.1 Billion of Reserves); and Surplus = \$3.7 Billion.

The ratings earned by The Guardian Life Insurance Company of America are as of the date of publication (3/09) and are subject to change.

Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.



**GUARDIAN<sup>®</sup>**

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