

# How to Choose a Life Insurance Company

**A Guide through Financial Data  
and Industry Information**

2009 Edition



**GUARDIAN<sup>®</sup>**

**The Guardian Life Insurance Company of America**

New York, NY 10004-4025

# Table of Contents

	Page
1. Mutuality.....	4
2. Ratings.....	5
3. Capitalization Ratio.....	7
4. Growth of Surplus.....	8
5. Premium Persistency.....	9
6. The Guardian Life Insurance Company of America .....	10
Company Financials	
Investment Philosophy	
Life Insurance Products	

It is time for you to make a decision—one upon which the well-being of your family and your business will rely. You have taken the initiative to assess your values, goals and dreams. You have consulted with your advisor and educated yourself on the opportunities available to you. And now that you've determined that life insurance will be a vital part of your financial plan, you want to find the right insurance solution with the right company to fit your unique objectives.

## The Importance of Strength and Stability

When it comes to reaching your financial goals, making the decision to purchase life insurance is a major step in the right direction. It can mean the difference between retiring at 60 instead of 70 or making your estate whole again after a market downturn rather than taking a permanent loss on your investments.

Regardless of what you want life insurance to do for you, *it is important for you to look at the actual financial strength and stability of any insurance company you are considering.*

## Why? Because a Policy Is a Promise

A promise is only as good as the company that can honor it. The values contained in a life insurance policy often represent a major source of accumulated savings and security for your family and your business. Quite distinct from most other types of financial instruments, such as savings accounts and short-term investments, a life insurance policy is expected to perform or fulfill your goals many years in the future. Therefore, the long-term financial viability of the life insurance company you are considering should be a major concern.

When you purchase life insurance, you are not just buying the coverage itself. You are also buying the experience, financial strength and services of the insurance company. In these financially volatile times, a serious review of the underlying soundness of any company is crucial. That is why it is important to determine whether the company's track record is consistent with the statements made at the time of sale.

## What Should You Consider About a Life Insurance Company When Purchasing a Policy?

### *The financial strength and stability of the company.*

You may wish to consider the following during your life insurance selection process:

- **Mutuality**—A mutual company is owned by the policyholders, whereas a stock insurance company's primary owner is its stockholders.
- **Ratings**—Ratings are an indicator of financial strength and independent rating services provide essential measures of the qualifications of insurance companies.
- **Capitalization Ratio**—This is a measure of financial strength and an indicator of a company's ability to ride out uncertain economic times.
- **Growth of Surplus**—Is the amount of surplus growing and does the company have enough surplus and capital to grow the business, increase its strength and be competitive?
- **Premium Persistency**—This measures the percentage of renewal premiums that are paid by policyholders. A high rate suggests satisfaction with the company and its products.

Using the preceding indicators and measurements may help you to select a company focused on strength, integrity and performance.

The charts on the following pages show the top ten carriers as measured by those rankings. All information in this document was obtained from the annual and quarterly statement filings with the NAIC as of 12/31/08.

## Mutuality: What is a mutual life insurance company and why is it important to your buying decision?

Unlike publicly held companies, mutual companies have no stockholders and therefore no conflicts between the short-term, quarter-to-quarter financial demands of Wall Street and the long-term interests of policyholders. We believe mutual companies are positioned to serve customers' interests by delivering high-quality, low-net-cost life insurance with the greatest degree of financial strength possible.

One of the most important ways that mutual companies can enrich the lives of their policyholders is through annual dividends that provide a low, long-term net cost for their insurance policies. While dividends are not guaranteed, there are mutual companies that have paid dividends every year, even in the toughest economic times.

“Mutually owned rivals [of stock companies] haven't asked for a dime [of the \$700 billion Wall Street bailout money]. Their statutory surpluses (the regulatory counterpart to book value) have held steady or even increased. “

– “*Mutual Respect*” *Forbes*, December 22, 2008

## Ratings: What are they and why are they important?

*Outside, third-party rating services provide essential measures of the qualifications of insurance companies that might be under consideration.*

When evaluating insurance companies, keep in mind that company ratings provide an excellent starting point. The rating services are impartial in their evaluations and provide a common ground for valid comparisons.

There are four major rating agencies that evaluate and publish ratings for life insurance companies:

- Moody's
- Standard & Poor's
- Fitch
- A.M. Best Company

For each insurance company being rated, each agency evaluates the firm's financial statements, interviews their management, and subsequently develops ratings based upon statistical models and certain qualitative measures. The cumulative result is a relative ranking of all the insurance companies that they have evaluated.

The benefit of having several companies produce their own ratings is that overall, there is less chance of something being "missed" or overlooked. To illustrate this point is a table called the Comdex Rankings. Comdex is not a rating, but a composite of all ratings that a company has received. Comdex percentile ranks the companies, on a scale of 1 to 100 (with "1" being the weakest and "100," the strongest), in relation to other companies that have been evaluated by the four independent rating services.

## The Ratings Rankings as of 5/27/09

Top Ten Carriers as Ranked by Comdex

Company	A.M. Best Company	S&P	Moody's	Fitch	Comdex
New York Life*	A++ (1)	AAA (1)	Aaa (1)	AAA (1)	100
Northwestern Mutual Life Insurance*	A++ (1)	AAA (1)	Aaa (1)	AAA (1)	100
Massachusetts Mutual Life Insurance*	A++ (1)	AAA (1)	Aa1 (2)	AAA (1)	99
The Guardian Life Insurance Company of America*	A++ (1)	AA+ (2)	Aa2 (3)	AA+ (2)	98
John Hancock Life Insurance Company (USA)	A++ (1)	AA+ (2)	Aa3 (4)	AA (3)	96
Metropolitan Life Insurance Company	A+ (2)	AA- (4)	Aa2 (3)	AA (3)	95
AXA Equitable Life Insurance Company	A+ (2)	AA (3)	Aa3 (4)	AA- (4)	94
Sun Life Assurance Company of Canada US	A+ (2)	AA (3)	Aa3 (4)	AA- (4)	94
Pacific Life Insurance Company*	A+ (2)	AA- (4)	Aa3 (4)	AA- (4)	93
Principal Life Insurance Company	A+ (2)	AA- (4)	Aa3 (4)	AA- w- (4)	93

Note: Numbers listed next to each rating indicate where in each rating agency's scale those ratings fall, with "1" being the best rating available from that agency.

\*Mutually held companies

## Capitalization Ratio: What is it and why is it important to you?

*The capitalization ratio shows the company's capital as a percentage of total assets.*

Most of the liabilities of any insurance company are composed of the reserves set aside to pay future claims. Capital represents the amount of assets in excess of those liabilities, and a high capitalization ratio indicates a greater proportion of these excess assets. It is calculated using the following formula:

$$\frac{\text{Capital} = \text{Surplus} + \text{AVR}^* + 50\% \text{ of Dividend Liability}}{\text{Net Admitted Assets (Excluding Separate Account Assets)}}$$

\*Asset valuation reserve

Consider the following table that lists the capitalization ratios\*\* over the last five years of many of the major companies within the industry.

### Capitalization = Claims Paying Ability

*Top Ten Carriers Ranked by Five-Year Average*

Company	2004	2005	2006	2007	2008	Average
The Guardian Life Insurance Company of America	15.5%	15.6%	16.1%	16.3%	14.7%	15.6%
AXA Equitable Life Insurance Company	12.6%	14.5%	17.6%	17.9%	8.7%	14.3%
New York Life	13.1%	13.3%	13.6%	13.3%	12.1%	13.1%
Massachusetts Mutual Life Insurance	12.0%	12.9%	13.2%	13.5%	11.5%	12.6%
Northwestern Mutual Life Insurance	12.3%	12.8%	13.5%	13.4%	11.1%	12.6%
Hartford Life Insurance Company	12.9%	11.3%	11.1%	12.8%	10.2%	11.7%
Pacific Life Insurance Company	8.6%	9.1%	9.5%	10.4%	8.3%	9.2%
Sun Life Assurance Company of Canada US	9.8%	9.7%	8.7%	8.9%	8.5%	9.1%
Lincoln National Life Insurance Company	8.5%	9.2%	9.3%	9.1%	7.6%	8.7%
John Hancock Life Insurance Company (USA)	8.5%	6.8%	8.5%	7.8%	7.7%	7.9%

\*\* All information provided was obtained from each company's statutory statements.

## Growth of Surplus: What is it and why is it important to you?

*Surplus is one measure related to shareholders' equity. It is used to fund new business growth and support new ventures – and to provide a defense against investment and operating losses.*

Surplus\* is a key indicator of a company's ability to pay future claims. A company's ability to grow surplus is indicative of its ability to grow earnings – one of the signs of a well-run company. It also indicates the company's ability to appropriately manage an investment portfolio that maximizes financial strength and competitiveness with the proper levels of liquidity.

Retrospectively, a large surplus indicates that an insurance company has been very well managed. Prospectively, a large surplus opens the door to a greater range of business and investment opportunities for the insurance company. The table shown is ranked by percentage of growth over a five-year period.

### Surplus = Strength

*Top Ten Carriers Ranked by Five-Year Growth of Surplus*

Company	2008 Surplus	2003–2008 Five-Year Growth of Surplus Rate
John Hancock Life Insurance Company (USA) <sup>1</sup>	\$1,975,767,613	15.8%
Aviva Life & Annuity Company <sup>2</sup>	\$1,256,450,096	10.8%
Northwestern Mutual Life Insurance	\$12,401,283,286	10.4%
Metropolitan Life Insurance Company <sup>3</sup>	\$11,587,318,638	7.8%
The Guardian Life Insurance Company of America	\$3,658,860,212	7.1%
Massachusetts Mutual Life Insurance	\$8,462,931,020	6.1%
Pacific Life Insurance Company	\$3,105,787,268	5.9%
Hartford Life Insurance Company	\$4,065,694,202	5.5%
New York Life	\$11,793,474,458	5.2%
Principal Life Insurance Company	\$4,807,732,463	4.5%

\*All information provided was obtained from each company's statutory statements.

<sup>1</sup>John Hancock's growth was positively impacted by a \$540 million surplus notes issuance in 2008.

<sup>2</sup>Aviva's growth has been adjusted to back out the effect of the merger of Indianapolis Life, but does include the positive impact of a \$140 million surplus notes issuance in 2008.

<sup>3</sup>MetLife's growth was due in part to a reinsurance transaction that increased surplus by \$1.3 billion and a surplus notes issuance that increased surplus by \$593 million.

## Premium Persistency: What is it and why is it important to you?

*Premium persistency measures the percentage of renewal premiums that are paid by policyholders. A high rate of persistency suggests satisfaction with the company, its products and services.*

The persistency\*\* levels shown here are only for the individual life line in the parent company. Total corporate persistency (for all products that a company offers) may be different than that shown below.

### Persistency, a Measure of “Stickiness”

*Top Ten Carriers Ranked by Direct Premium Persistency*

Company	Direct Premium Persistency Percentage*
Prudential Insurance Company of America	99.82%
New York Life	94.91%
The Guardian Life Insurance Company of America	93.19%
Northwestern Mutual Life Insurance	92.68%
Metropolitan Life Insurance Company	88.77%
Massachusetts Mutual Life Insurance	85.21%
Principal Life Insurance Company	82.28%
AXA Equitable Life Insurance Company	72.47%
Sun Life Assurance Company of Canada US	67.99%
Lincoln National Life Insurance Company	65.00%

\*\* All information provided was obtained from each company’s statutory statements.

\* Flexible premium products will create volatility in these ratios. Percentage calculation based on the following formula:

$$\frac{\text{Current Year Renewal Premium}}{\text{Previous year First Year Premium} + \text{Previous Year Renewal Premium}}$$

## Why consider The Guardian Life Insurance Company of America during your buying decision process?

*Because as a mutual company, our decisions are measured based on serving the best interests of our policyholders.*

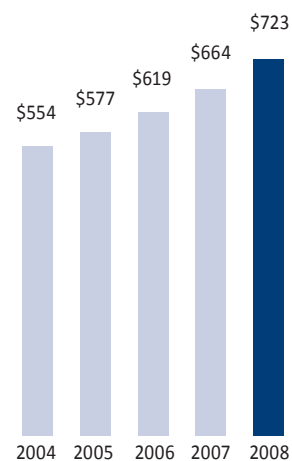
Since our founding in 1860, The Guardian Life Insurance Company of America, as a mutual company, has been able to manage for the long term, allowing us to avoid risky business practices in the pursuit of short-term profits. Striking the right balance between managing risk and generating healthy long-term returns is one of our highest priorities—and a practice that paid off very well in 2008.

### Financial Highlights

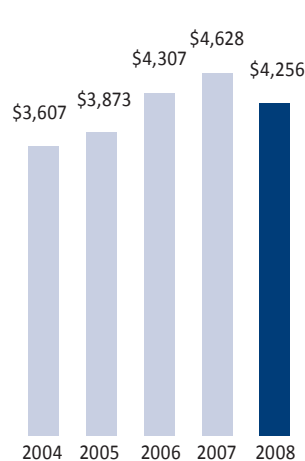
(in millions)

As of December 31	2008
Net Investment Income	\$1,467
Total Revenues	\$7,472
Dividends to Policyholders	\$714
Gain from Operations Before Taxes	\$270
Net Income	\$437
Total Invested Assets	\$26,820
Total Admitted Assets	\$28,973
Total Surplus	\$3,659

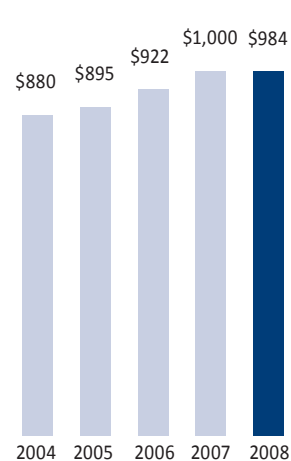
**Dividends Declared**  
Results in \$ millions



**Capital**  
Results in \$ millions



**Statutory Pre-Tax Operating Income Before Dividends**  
Results in \$ millions



## Key 2008 Accomplishments

- Declared a 2009 dividend payout\* of \$723 million to our policyholders—the largest declared dividend in Guardian’s history.
- In 2008, paid \$6.3 billion in total benefits and dividends to policyholders, demonstrating our ability to continuously operate for the benefit of policyholders.
- Received upgrades from two major ratings agencies in 2008—the only major life insurance company to achieve this distinction. A.M. Best Company upgraded Guardian to its highest rating for financial strength in November 2008 and Standard & Poor’s increased our credit rating in July 2008.
- Obtained a capitalization ratio of 14.7%, which is among the best in the industry.
- Continued to maintain a highly diversified, high-quality investment portfolio of more than \$26.8 billion.
- Essentially exited the stock market by mid-September 2008, helping us to avoid over \$300 million in potential losses.
- Increased life insurance inforce to \$211 billion, reflecting our overall business growth.

“We will continue to manage our company through the ongoing uncertainty in the financial markets by embracing the same long-term perspective, disciplined financial rigor, and strong risk management culture that have been key to successfully protecting our financial strength.”

– Dennis J. Manning, President & Chief Executive Officer

\* Dividends are not guaranteed. They are declared annually by Guardian’s Board of Directors.

## 2008 Financial Statement

<b>Statutory Basis Balance Sheets</b>		
<i>As of December 31 (in millions)</i>	<b>2008</b>	<b>2007</b>
<b>Admitted assets</b>		
Bonds	\$ 17,492	\$17,284
Unaffiliated common and preferred stocks	722	2,120
Investment in affiliates	852	845
Mortgage loans	3,475	3,111
Real estate	168	138
Policy loans	2,301	2,070
Other investment assets	810	579
Cash and short term investments	1,000	328
<b>Total invested assets</b>	<b>26,820</b>	<b>26,475</b>
Due and accrued investment income	268	254
Current federal and foreign income tax recoverable and interest thereon	209	–
Premiums deferred and uncollected	873	879
Net deferred tax asset	520	520
Other assets	283	200
<b>Total admitted assets</b>	<b>\$ 28,973</b>	<b>\$ 28,328</b>
<b>Liabilities and surplus</b>		
Reserves for policy benefits	\$ 22, 147	\$ 20,817
Policyholder dividends payable and other contract liabilities	1,882	1,810
Interest maintenance reserve	75	255
Asset valuation	231	543
Other liabilities	979	1,152
<b>Total liabilities</b>	<b>25,314</b>	<b>24,577</b>
Surplus	3,659	3,751
<b>Total liabilities and surplus</b>	<b>\$28, 973</b>	<b>\$ 28,328</b>

### *Results are Guardian Life Only (Not Consolidated)*

*The condensed financial statements of The Guardian Life Insurance Company of America have been derived from audited statutory financial statements, which are available upon request.*

<b>Statutory Basis Statements of Operations</b>		
<i>For the Year Ended December 31 (in millions)</i>	<b>2008</b>	<b>2007</b>
<b>Revenues</b>		
Premiums, annuity considerations and fund deposits	\$ 5,926	\$ 5,929
Net investment income	1,467	1,438
Other income	79	281
<b>Total revenue</b>	<b>7,472</b>	<b>7,648</b>
<b>Benefits and expenses</b>		
Benefit payments to policyholders and beneficiaries	3,758	3,683
Net additions to policy benefit reserves	1,329	1,336
Commissions and operating expenses	1,401	1,629
<b>Total benefits and expenses</b>	<b>6,488</b>	<b>6,648</b>
Gain from operations before taxes and dividends	984	1,000
Policyholder dividends	(714)	(651)
Gain from operations before taxes	270	349
Income tax benefit (expense)	42	(130)
Net gain from operations	312	219
Net realized capital gains, after tax	125	73
<b>Net income</b>	<b>\$ 437</b>	<b>\$ 292</b>

## Investment Environment: How does the recent market performance impact your buying decision?

*Since life insurance has longer-term benefits, you should think carefully about what you want your policy to do for you over time and what your comfort level is with exposing your coverage to market fluctuations.*

If you are not comfortable with market fluctuations like the ones recently experienced, then understanding a company's investment philosophy and historical experience is extremely important. You may want to consider doing business with a company that:

- Is defensively positioned to withstand market swings;
- Is relatively conservative in taking the insurance premium dollars and investing in a high level of Treasury bonds;
- Has reduced exposure to weaker-rated credits;
- Is known for a rigid due diligence and independent research process;
- Doesn't dabble in risky investments, such as sub-prime mortgages; and
- Executes a risk management plan to protect capital in declining equity markets

This philosophy lends itself to building and maintaining the kind of strong capital and liquidity needed to pay out death claims.

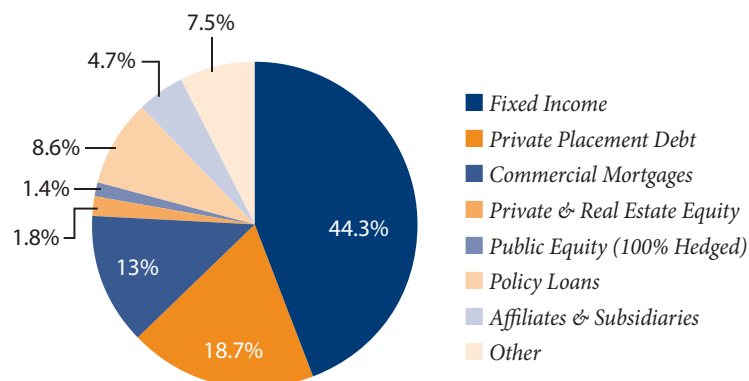
## Guardian's Investment Philosophy: What is it and why should you consider it?

*Guardian's investment philosophy focuses on maintaining a well-diversified portfolio, with a long-term orientation that provides the most attractive and consistent dividends to 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 are designed to reduce risk.

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 and deliver consistent financial results. It is this approach that led to Guardian's decision to exit stocks in mid-September 2008 and helped us avoid more than \$300 million in potential losses since the end of 2008.

Since then, the majority of Guardian's total investment portfolio has been 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 2008, our portfolio was of excellent credit quality—91% of our total fixed income was investment grade and 24% of the public fixed income holdings were rated AAA.



## Guardian's Life Insurance Product Offerings: What life insurance products does Guardian offer and how will they help you?

*The hallmark of Guardian's individual life portfolio has long been our traditional life insurance products, which are designed with integrity and backed by the financial strength of Guardian.*

Individual insurance plays an integral role in helping families and business owners fulfill their lives, not only by removing some of the “unknown,” but also by providing tax-smart wealth transfer opportunities. Guardian's wide range of life insurance options helps meet these objectives: whole life, universal life, variable universal life and term life insurance. The distinguishing difference between these types of insurance is the amount of market exposure (variable universal life having the most) and the price (term being the least expensive in the short term). We also offer products specifically for small business owners to help attract and retain top talent through sophisticated corporate-owned policies.

Policyowners of participating whole life insurance benefit the most from Guardian's financial strength. First, whole life insurance offers a death benefit— guaranteed—and guaranteed cash value that can be borrowed against to pay for expenses such as retirement or health care. Second, as a mutual company, Guardian is focused on the long-term results of the participating whole life policyholders, which are measured in the form of dividends. Our record payout of \$723 million in dividends to the owners of these whole life policies in 2009 is evidence of Guardian's commitment to providing the greatest amount of insurance for the lowest long-term cost with the greatest amount of financial strength.

## Not-so-trivial Trivia about Guardian

- Guardian declared a record dividend payout of \$723 million based on 2008 company performance.
- The Company has paid a dividend to its policyholders since 1868—through good times and bad, including World Wars I and II, the Great Depression and years of market volatility.
- We were one of a handful of life insurance companies to have been upgraded by A.M. Best and Standard & Poor's in 2008 (11/08 and 7/08, respectively).
- Our claims-paying ability has not been impaired by the market downturn.
- Due to our strong capital position, Guardian did not need to participate in the U.S. Treasury Department's capital purchase ("TARP") program.

## Why Guardian?

Our financial results prove our strength and our ability to provide you with confidence and security. As a mutual life insurance company, our goal is to enrich the lives of the people we touch. Through financial discipline, a prudent approach to risk management, and our skilled team of investment professionals, Guardian consistently generates investment returns that underscore our long-term financial strength and deliver on the commitments made to our policyholders.



**GUARDIAN<sup>®</sup>**

**The Guardian Life Insurance  
Company of America**

7 Hanover Square  
New York, NY 10004-4025  
[www.GuardianLife.com](http://www.GuardianLife.com)