



FAQ: Guardian's 2019 Dividend Announcement

2019 Dividend Interest Rate

What is the 2019 Dividend Interest Rate?

The Dividend Interest Rate (DIR) for 2019 is the same as the 2018 DIR: 5.85%¹.

Is the DIR the same thing as the dividend?

No. The DIR represents one of the three components of the dividend. The DIR represents the investment component of the dividend. The other two components are mortality and expenses.

Does the dividend paid impact Guardian's financial strength?

Guardian's two primary objectives are to maintain high financial strength² and claims-paying abilities and to pay high dividends to our participating policyholders. Guardian's 2019 dividend payout to policyholders of \$978 million strikes a competitive balance between both of those objectives. We maintain among the highest financial strength ratings from all the major rating agencies.

Guardian's DIR is higher than some competitors' and lower than others. What does this mean? Is their investment performance better than Guardian's?

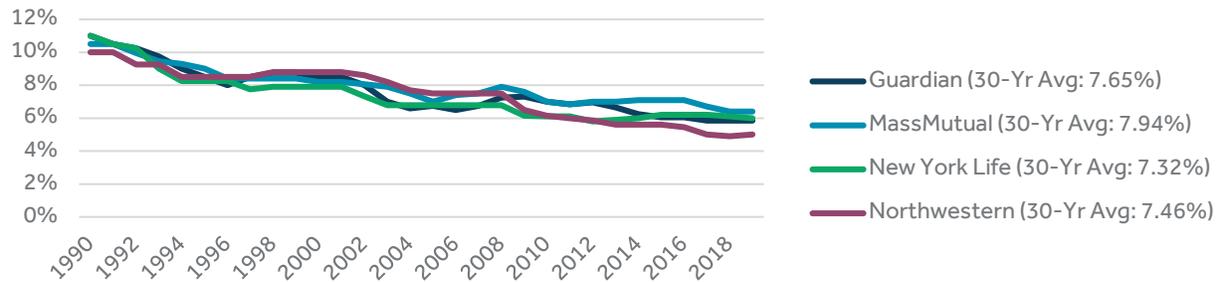
The Dividend Interest Rate cannot be used to compare Whole Life policies between carriers. There is no industry-wide practice for calculating dividends and companies can calculate their rates differently. All carriers invest in the same capital markets, meaning over the long term, no carrier can expect to significantly outperform another. However, some carriers may choose to have higher or lower exposure to certain asset classes such as equity investments. When equity markets are high in value, this strategy pays off; if equity markets fall, they would be more exposed to the decline.

What do I tell my clients who are thinking about purchasing a policy or who purchased a policy in the past? How do I explain the DIR changes over that time?

Our answer for prospective clients and existing clients is the same – which reflects our values and commitment to treat our policyholders equitably. Low interest rates have resulted in difficult decisions for virtually every insurance carrier. As you can see in the chart on the next page, our peers have also reduced their DIRs over time³. While year-to-year DIR decisions might differ, Guardian's DIR changes have been relatively consistent with our peer competitors over the long term.

In addition, Guardian's practices of Pegging and Substitution⁴ add an extra degree of stability to the dividend. Substitution improves policy performance in the early policy years. For example, for policies illustrated and effective in 2017, the base policy non-loaned dividend that will be paid in 2019 and 2020 will not be less than the base policy dividend amount illustrated on the policy date. Pegging, which begins with the fourth anniversary dividend, allows for a smoother transition from year to year in a declining dividend scale environment, and its use "softens" the decline in the dividend that would otherwise occur if only the dividend formula was used.

30 Year Dividend Interest Rate History 1990-2019



What do I tell prospective clients who are deciding between Guardian and other carriers?

We offer several key differentiators. Some examples include:

- A comprehensive suite of life products and riders to help you address all your clients' protection needs.
- A history of financial strength and commitment to mutuality and whole life.
- A tradition of treating our policyholders equitably and fairly. For example:
 - Our transition to Direct Recognition in the early 1980s, when we allowed policyholders to effectively upgrade their policies.
 - Our consistent dividend treatment of whole life policyholders across product series.

For specific questions, we encourage you to reach out to your partners in Guardian's wholesaling, life product support and conservation teams to help you win new sales and conserve in-force business.

Basic Dividend Questions

How does Guardian determine our dividend?

The dividend consists of three components: investment return, mortality return and expense.

- **Investment return** reflects the investment income earned in excess of the guaranteed interest rate. The difference between the DIR of 5.85% and guaranteed rate of 4%⁵ is multiplied by an amount approximately equal to the policy cash value to develop the investment return.
- **Mortality experience** reflects the difference between actual mortality experience and the guaranteed mortality rates in the policy. The better the Guardian mortality experience, the higher the mortality return.
- **The expense component** is reviewed annually to determine if coverage from participating life policies can support actual expenses incurred.

Is the dividend guaranteed?

Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors. Guardian has paid a dividend each and every year since 1868.

**The Guardian Life Insurance
Company of America**
guardianlife.com
New York, NY

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¹Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors. The total dividend calculation includes mortality experience and expense management as well as investment results.

²Financial information concerning The Guardian Life Insurance Company of America as of December 31, 2017 on a statutory basis: Admitted Assets = \$55.6 Billion; Liabilities = \$48.9 Billion (including \$41.8 Billion of Reserves); and Surplus = \$6.7 Billion.

³Source: Company publications.

⁴Pegging and Substitution is not guaranteed. They are declared annually by Guardian's Board of Directors.

⁵All whole life insurance policy guarantees are subject to the timely payment of all required premiums and the claims paying ability of the issuing insurance company.

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