Guardian's 2018 Dividend Announcement:
Frequently Asked Questions

2018 Dividend Interest Rate

What is the 2018 Dividend Interest Rate?
The Dividend Interest Rate (DIR) for 2018 is the same as the 2017 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.

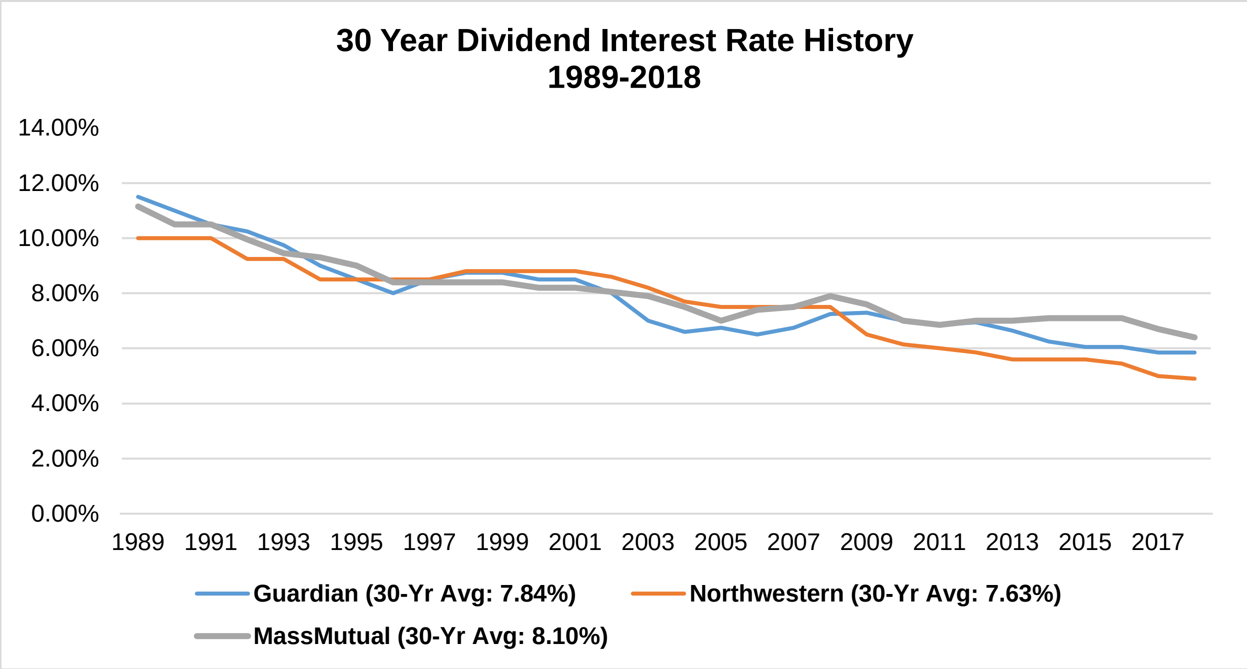
Does the dividend paid impact Guardian's financial strength?
Guardian's two primary objectives are to maintain high financial strength[2] and claims-paying abilities and to pay high dividends to our participating policyholders.

Guardian's 2018 dividend payout to policyholders of $911 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 is 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 below, our peers have also reduced their DIRs over time.[3] While year-to-year DIR decisions might differ, Guardian's DIR changes have been relatively consistent with our peer competitors over the long term.

Guardian's 2018 Dividend Announcement: Frequently Asked Questions



In addition, Guardian's practices of pegging and substitution[4] add an extra degree of stability to the dividend. Substitution replaces the 2018 base policy dividend formula with the base dividend illustrated at issue, if the dividend at issue was larger. This would apply to policies issued in 2015 and 2016. Pegging, which begins with the fourth anniversary dividend, softens the decline in the dividend that would otherwise occur if only the dividend formula were used.

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

We continue to offer a number of key differentiators. Some examples include:

- A comprehensive suite of life products and riders to help you address all of 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.

Guardian's 2018 Dividend Announcement:
Frequently Asked Questions

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% 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. Over the last seven years, we have increased the dividend three times from mortality improvements.

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.

[1]Dividends 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.

[2]Financial information concerning The Guardian Life Insurance Company of America as of December 31, 2016 on a statutory basis: Admitted Assets = $51.9 Billion; Liabilities = $45.7 Billion (including $39.4 Billion of Reserves); and Surplus = $6.2 Billion.

[3]Source: Company publications.

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

GUARDIAN®