



A Message from President & CEO Dennis J. Manning

I'm pleased to summarize some of our key 2008 accomplishments and describe how we intend to continue to protect Guardian's financial strength throughout continued economic challenges in 2009.

Two Rating Upgrades

Guardian earned upgrades from two major credit rating organizations in 2008, a distinction that no other major life insurer can claim. We were one of only five life insurers upgraded by Standard & Poor's, which raised our rating to AA+ (Very Strong). Additionally, noting Guardian's "superior capitalization," "successful execution of key strategic initiatives," and our "comprehensive risk management strategy," A.M. Best Company awarded us its highest rating, A++ (Superior). Only six other life insurers received ratings upgrades from A.M. Best last year.

Operating on Firm Financial Footing

Guardian generated good financial results last year, in spite of challenging economic conditions. Pre-tax statutory income – the primary way we build capital and surplus – was \$267 million. Capital, which serves to cushion potential adverse events and functions as a source of continuing future income, was \$4.3 billion at year end. And our capitalization ratio, a standard industry measure of capital strength, was 14.7%. We believe this ratio is among the highest in the life insurance industry.

Record Dividend Payout

Guardian's solid financial results, supported by a prudent investment strategy, allowed us to avoid many of the losses suffered by so many other companies and put us in a strong competitive position, which we leveraged to benefit policyholders. We declared the largest ever dividend payout in our 149-year history, paying a record \$723 million dividend to policyholders in 2009, \$60 million more than we did in 2008.

Managing Through Uncertainty

While we're pleased with our performance in 2008, I can assure you that this positive outcome will not lead to complacency at Guardian. We know that 2009 will present even more challenges and continued uncertainty. But amidst this ongoing market downturn we also understand that both risk and opportunity exist. Guardian will be strategic in capitalizing on marketplace opportunities while also being vigilant in ensuring that we manage the company with continued financial rigor.

Sincerely,

Dennis J. Manning
President & Chief Executive Officer