OFFERING MEMORANDUM

Guardian Life Global Funding
$3,000,000,000
Global Debt Issuance Program

Guardian Life Global Funding, a special purpose statutory trust organized in series under the laws of the State of Delaware (the "Issuer"), may from time to time offer up to $3,000,000,000 (or the equivalent in one or more foreign currencies) (the "Authorized Amount") of its senior secured medium-term notes (the "Notes") pursuant to the global debt issuance program (the "Program") described in this Offering Memorandum (this "Offering Memorandum"). The Notes will be offered in separate series (each, a "Series" or "Series of Notes"), each of which may be comprised of one or more tranches (each, a "Tranche") issued within six months from the issue date of the first Tranche of the applicable Series of Notes. The specific terms of the Notes of any Series will be set forth in one or more applicable issue terms (each such document, the "Issue Terms"), which will complete this Offering Memorandum. The Issuer will use the net proceeds from the sale of each Series of Notes to purchase one or more funding agreements (each, a "Funding Agreement" and, together, the "Funding Agreements") from The Guardian Life Insurance Company of America, a mutual life insurance company domiciled in New York ("Guardian"). The exclusive purposes of the Issuer are, and the Issuer shall have the power and authority, to (i) issue and sell the Notes, (ii) use the net proceeds from the sale of the Notes to purchase one or more Funding Agreements, (iii) pledge, assign its rights, title and interest and grant a security interest in the applicable Series Collateral (as defined herein) for any Series of Notes to the Indenture Trustee, and (iv) engage in only those other activities necessary or incidental thereto. The Issuer is organized in series, as permitted by Sections 3804(a) and 3806(b)(2) of the Delaware Statutory Trust Act (the "Trust Act"). In connection with the issuance of each Series of Notes, the Issuer will create a separate series of beneficial interests in a segregated pool of assets of the Issuer (each, a "Series of the Issuer"). The applicable Series of Notes and the related liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to such Series of the Issuer will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. The individual Series of the Issuer are not separate legal entities. Any reference to a "Holder" or "Holders" herein refers to the person in whose name a Note is registered. This Offering Memorandum supersedes the Offering Memorandum dated April 12, 2018, as supplemented, in relation to the Program.

The Notes of each Series will:

- rank *pari passu* with respect to each other;
- be secured by one or more Funding Agreements;
- bear interest at a fixed or floating rate payable on such dates as set forth in the applicable Issue Terms, or bear no interest at all;
- mature 90 days or more from the date of issue;
- not be obligations of Guardian, any subsidiary or affiliate of Guardian or any other insurance company; and
- not benefit from any insurance guaranty fund coverage or any similar protection.

The Irish Stock Exchange Plc, now trading as Euronext Dublin ("Euronext Dublin"), has approved this Offering Memorandum as a Listing Particulars. Application will be made to Euronext Dublin for the Notes issued during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List (the "Official List") and trading on its Global Exchange Market (the "GEM"). The GEM is not a regulated market for the purposes of Directive 2014/65/EC (the "MiFID II"). The Notes may also be offered to the public in any Member State of the European Economic Area (the "EEA"); *provided* that the Notes of each Series will, except for Notes issued solely outside the EEA, be in minimum denominations of €100,000 (or the equivalent thereof in another currency at the time of issue) and integral multiples of €1,000 (or the equivalent thereof in another currency at the time of issue) in excess thereof.

For a discussion of certain factors that should be considered in connection with an investment in the Notes, see "Risk Factors" beginning on page 9.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any state or foreign securities laws and, unless so registered, may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or foreign securities laws. Accordingly, the Notes will be offered and sold (a) in the United States of America, only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and (b) in "offshore transactions" to persons other than "U.S. persons" (each as defined in Regulation S under the Securities Act). Prospective purchasers that are qualified institutional buyers are hereby notified that the Issuer may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Purchase and Transfer Restrictions."

This Offering Memorandum constitutes a "Listing Particulars" for the purpose of listing on the Official List and trading on the GEM.

Arranger for the Program

Deutsche Bank Securities

U.S. Purchasing Agents	European Purchasing Agents
Deutsche Bank Securities	Deutsche Bank
Barclays	Barclays
BofA Merrill Lynch	BofA Merrill Lynch
Citigroup	Citigroup
Credit Suisse	Credit Suisse
Goldman Sachs & Co. LLC	Goldman Sachs International
J.P. Morgan	Morgan Stanley
Morgan Stanley	Wells Fargo Securities
US Bancorp	
Wells Fargo Securities	

Offering Memorandum dated April 10, 2019

The price and amount of Notes to be issued under the Program, up to the Authorized Amount, will be determined by the Issuer and each relevant Purchasing Agent at the time of issue in accordance with prevailing market conditions**.**

NOTICE TO ARKANSAS RESIDENTS ONLY

The Notes may not be purchased by, offered, resold, pledged or otherwise transferred to an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas insurance department.

NOTICE TO INDIANA RESIDENTS ONLY

The Indiana Insurance Department has stated that Indiana domestic insurers should contact the Indiana Insurance Department before purchasing the Notes.

NOTICE TO UNITED KINGDOM INVESTORS ONLY

In the United Kingdom, this Offering Memorandum, any Issue Terms and any other documents or materials relating to the issue of the Notes are only being distributed to, and are only directed at (1) persons who have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (2) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order or (3) any other persons to whom it may otherwise lawfully be communicated pursuant to the Order (each such person being referred to as a "Relevant Person"). Any investment or investment activity to which this Offering Memorandum and any Issue Terms relate is available only to Relevant Persons and will be engaged in only with Relevant Persons. This Offering Memorandum and any Issue Terms must not be acted or relied on by persons who are not Relevant Persons.

NOTICE TO EEA INVESTORS ONLY

Neither this Offering Memorandum nor any related Issue Terms is a prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), as implemented in the Member States of the EEA.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Issue Terms in respect of any Series of Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes of any such Series and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Purchasing Agent subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Purchasing Agents nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs / IMPORTANT – EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

BENCHMARKS REGULATION

Amounts payable under the Notes may be calculated by reference to LIBOR or EURIBOR, which are administered by the ICE Benchmark Administration Limited and the European Money Markets Institute, respectively. As at the date of this Offering Memorandum, the ICE Benchmark Administration Limited is included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 of Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "BMR"). The European Money Markets Institute, is not included in ESMA's register of administrators and benchmarks. As far as the Issuer and Guardian are aware, the transitional provisions in Article 51 of the BMR apply, such that the European Money Markets Institute is not currently required to obtain authorization or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

CRA REGULATION

Tranches of Notes to be issued under the Program will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Issue Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as amended (the "CRA Regulation"), will be disclosed in the relevant Issue Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension.

None of A.M. Best Company ("A.M. Best"), Fitch Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") or S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") is established in the European Union nor registered in accordance with the CRA Regulation, and therefore is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation; however, the ratings assigned by each of A.M. Best, Fitch, Moody's and S&P are endorsed in the European Union by A.M. Best Europe Rating Services Limited, Fitch Ratings Limited, Moody's Investors Service Ltd. and Standard & Poor's Global Ratings Europe Limited, respectively, each of which is registered under the CRA Regulation.

The rating of the Program by Moody's and the rating of the Notes by Moody's and S&P is based primarily upon the insurance financial strength rating of Guardian. The rating of the Notes will be monitored and is subject to reconsideration at the sole discretion of Moody's and S&P. Moody's and S&P will each change their rating of the Notes in accordance with any change in the financial strength rating of Guardian or with any change in the priority status under the state jurisdiction governing funding agreements issued by Guardian.

The rating of certain Series of the Notes to be issued under the Program will be specified in the applicable Issue Terms. Whether or not each rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Issue Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation. Such general restriction will also apply in the case of credit ratings issued by credit rating agencies not established in the European Union, unless either (i) the relevant credit ratings are endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (ii) the relevant rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

STABILIZATION

In connection with any Tranche of Notes, the Purchasing Agent or Purchasing Agents (if any) named as the stabilizing manager(s) (the "Stabilizing Manager(s)") (or persons acting on behalf of any Stabilizing Manager) in the applicable Issue Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it shall, in any event, end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any such stabilizing or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in compliance with all relevant laws, guidelines and regulations. For a description of these activities, see "Plan of Distribution."

RESPONSIBILITY STATEMENT

Each of the Issuer and Guardian accepts responsibility for the information contained in this Offering Memorandum. Having taken all reasonable care to ensure that such is the case, and to the best of their knowledge, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

NOTICE TO INVESTORS

The Notes will be offered from time to time by the Issuer to or through the Purchasing Agents (as defined herein) acting as principals or agents. The Purchasing Agents, individually or in a syndicate, may purchase the Notes, as principals from the Issuer for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any such Purchasing Agent or, if so specified in the applicable Issue Terms, for resale at a fixed offering price. In the alternative, the Issuer may agree with a Purchasing Agent that such Purchasing Agent will utilize its reasonable efforts on an agency basis on the Issuer's behalf to solicit offers to purchase Notes at 100% of the principal amount thereof.

The Issuer is not a subsidiary or an affiliate of Guardian, or any of its subsidiaries or affiliates. The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Guardian or any of its subsidiaries or affiliates. The obligations of Guardian under the Funding Agreements will not be obligations of, and will not be guaranteed by, any other person. The Series Collateral for a Series of Notes is the sole source of distributions on the Notes of such Series.

Under the Purchase Agreement (as defined herein), each Purchasing Agent has made, or will make, certain representations, warranties and covenants to the Issuer and Guardian. See "Plan of Distribution." No representation or warranty is made or implied by any Purchasing Agent or any of their respective affiliates to purchasers of Notes, and none of the Purchasing Agents nor any of their respective affiliates makes any representation or warranty, or accepts any responsibility to purchasers of Notes, as to the accuracy or completeness of the information contained in this Offering Memorandum, except as described below. The Purchasing Agents do not take any responsibility for any acts or omissions of the Issuer or any other person (other than the relevant Purchasing Agent) in connection with any issue and offering of Notes under the Program.

Neither the delivery of this Offering Memorandum nor any applicable Issue Terms nor the offering, sale or delivery of any Note shall create, in any circumstances, any implication that (i) the information contained in this Offering Memorandum is true subsequent to the date hereof or subsequent to the date upon which this Offering Memorandum has been most recently amended or supplemented, (ii) there have been no adverse changes in the financial situation of the Issuer or Guardian subsequent to the date hereof or subsequent to the date upon which this Offering Memorandum has been most recently amended or supplemented or (iii) any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied, or, if different, the date indicated in the document containing such information.

This Offering Memorandum should be read and construed in accordance with any amendment or supplement hereto and, in relation to any Series of Notes, should be read and construed in accordance with each applicable Issue Terms. Any statement contained in this Offering Memorandum or in any amendment or supplement hereto shall be deemed to be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained in any applicable Issue Terms is inconsistent with, modifies or supersedes such statement.

Each of the Issuer and Guardian has confirmed to the Purchasing Agents that this Offering Memorandum (read and construed in accordance with any amendment or supplement hereto and, in relation to any Series of Notes, read and construed in accordance with each applicable Issue Terms) does not and, at the time of sale and the issue date for a particular Tranche of Notes will not, contain any untrue statement of a material fact or fail to state any material fact necessary in order to make statements herein, in the light of the circumstances under which they were made, not misleading. The confirmation by each of the Issuer and Guardian is limited to the extent any untrue statements or omissions of material fact or alleged untrue statements or omissions were made in reliance upon and in conformity with any written information furnished by any of the Purchasing Agents to the Issuer or Guardian expressly for use in this Offering Memorandum (read and construed in accordance with any amendment or supplement hereto and, in relation to any Series of Notes, read and construed in accordance with each applicable Issue Terms).

The offering of the Notes is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. Each purchaser of Notes in making its purchase will be deemed to have made certain acknowledgments, representations, warranties, and agreements as set forth under "Purchase and Transfer Restrictions." The Notes have not been and will not be registered under the Securities Act or any state or foreign securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or foreign securities laws.

The Notes may not be transferred to, or acquired or held by, or acquired with the "plan assets" of, any Plan or other Plan Asset Entity or any Non-ERISA Plan (each as defined herein) or any entity the assets of which are treated as including the assets of a Non-ERISA Plan, unless the purchase, holding and disposition of the Notes by or on behalf of such plan or entity (i) in the case of a Plan or Plan Asset Entity, is exempt from the prohibited transaction provisions of Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), under Department of Labor Prohibited Transaction Class Exemption ("PTCE") 96-23, PTCE 95-60, PTCE 91-38, PTCE 90-1, PTCE 84-14, the Service Provider Exemption (as defined herein) or another applicable exemption, or (ii) in the case of a Non-ERISA Plan or entity the assets of which are treated as including the assets of a Non-ERISA Plan, will not violate any Similar Laws (as defined herein). See "ERISA and Other Benefit Plan Considerations" and "Purchase and Transfer Restrictions."

Because the primary assets of the Issuer will be one or more Funding Agreements issued by Guardian, there is a risk that the transfer of the Notes could subject the parties to such transfer to regulation under the insurance laws of jurisdictions implicated by the transfer. Among other things, it is likely that if the Notes were to be deemed to be contracts of insurance, the ability of a holder to sell the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sales could be effected, the proceeds realized from any such sales would be materially and adversely affected. See "Risk Factors—Risk Factors Relating to the Notes—If the Notes were deemed to be contracts of insurance or participations in the Funding Agreements, the Holders of the Notes could be subject to certain regulatory requirements and the marketability and market value of the Notes could be reduced."

None of the Purchasing Agents will be under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any of the Purchasing Agents, it may be discontinued at any time. The Notes are subject to substantial restrictions on transfer as set forth under "Purchase and Transfer Restrictions." Given the restrictions on and risks related to transfer, there is no assurance that a secondary market will develop or, if it does develop, that it will provide holders of the Notes with adequate liquidity or that such liquidity will be sustained. Prospective investors should proceed on the assumption that they may have to bear the economic risk of an investment in the Notes until the Stated Maturity Date (as defined herein) of such Notes.

Prospective purchasers should rely only on the information contained in this Offering Memorandum (read and construed in accordance with any amendment or supplement hereto, in relation to any Series of Notes, read and construed in accordance with each applicable Issue Terms). No person is authorized by the Issuer or Guardian in connection with any offering made hereby to give any written information or to make any representation other than as contained in this Offering Memorandum (read and construed in accordance with any amendment or supplement hereto and, in relation to any Series of Notes, read and construed in accordance with each applicable Issue Terms) and, if given or made, such written information or representation must not be relied upon as having been authorized by any of the Issuer, Guardian, the Arranger for the Program (as set forth on the cover of this Offering Memorandum) or any of the Purchasing Agents.

Neither this Offering Memorandum nor any amendment or supplement hereto nor any applicable Issue Terms constitutes an offer or an invitation to subscribe for or purchase any Notes in any jurisdiction in which it is unlawful to make such an offer or such an invitation to subscribe and should not be considered as a recommendation by any of the Issuer, Guardian or any of the Purchasing Agents that any recipient of this Offering Memorandum or any applicable Issue Terms should subscribe for or purchase any Notes. Each recipient of this Offering Memorandum, read as a whole with any amendment or supplement and each applicable Issue Terms, shall be taken to have made its own investigation and appraisal of the condition (financial and otherwise) of the Issuer and Guardian.

Notwithstanding anything expressed or implied to the contrary, each prospective purchaser, and each of their employees, representatives and agents, are hereby expressly authorized to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Offering

Memorandum and all materials of any kind (including opinions or other tax analyses) that are provided to any such persons relating to such tax treatment and tax structure; provided, that any such disclosure of the tax treatment and tax structure and materials related thereto may not be made (i) in a manner that would constitute an offer to sell or the solicitation of an offer to buy the securities offered herein under applicable securities laws or (ii) when nondisclosure is reasonably necessary to comply with applicable securities laws. This authorization of tax disclosure is retroactively effective to the commencement of the first discussions between the offeror and the prospective purchaser regarding the transactions contemplated herein.

The Notes have not been approved or recommended by the U.S. Securities and Exchange Commission (the "SEC") or any other federal, state or foreign securities commission or securities regulatory authority or any insurance or other regulatory body. Furthermore, the foregoing authorities have not reviewed this document nor confirmed or determined the adequacy or accuracy of this document. Any representation to the contrary may be criminal.

PRESENTATION OF FINANCIAL INFORMATION

The financial information contained in this Offering Memorandum is based on the audited unconsolidated statutory financial statements of Guardian as of and for the years ended December 31, 2018, 2017 and 2016 (including the notes thereto, the "Statutory Financial Statements"). The Statutory Financial Statements were prepared in conformity with the statutory accounting practices ("SAP") prescribed by the New York State Department of Financial Services ("NYSDFS"). The Statutory Financial Statements were audited by PricewaterhouseCoopers LLP, Guardian's independent accountants. SAP differs in certain respects, which in some cases may be material, from accounting principles generally accepted in the United States ("GAAP"). Under SAP, Guardian presents its financial statements on a parent company basis only, such that the financial statements do not consolidate the assets and liabilities or results of its subsidiaries. Under this presentation, Guardian's investments in subsidiaries appear on its balance sheet generally on a net equity value basis, and dividends declared to the parent company by its subsidiaries appear on its income statement as net investment income. For a more detailed discussion of the accounting principles applicable to Guardian's financial statements and other financial information contained in this Offering Memorandum, see "Financial and Accounting Matters—Summary of Principal Differences Between SAP and GAAP."

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements that are intended to enhance the reader's ability to assess Guardian's future financial and business performance. Forward-looking statements include, but are not limited to, statements that represent Guardian's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should" or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond Guardian's control or are subject to change, actual results could be materially different and Guardian's results of operations, its financial condition and its liquidity could be adversely affected. The following uncertainties, among others, may have such an effect:

- Difficult conditions in the global capital markets and the economy.
- Risks relating to Guardian's investment portfolio.
- Significant market valuation fluctuations of Guardian's investments that are relatively illiquid.
- Differing interpretations in the methodologies, estimations and assumptions for the valuation of fixed maturity, equity and trading securities.
- Subjectivity in determining the amount of allowances and impairments taken on certain of Guardian's investments.
- Exposure to structured finance securities.
- Defaults of commercial mortgage loans and volatility in performance.
- Exposure to partnerships and unaffiliated limited liability company ("LLC") investments.
- Changes in interest rates and exposure to credit spreads.
- Risk of credit defaults.
- Impact of economic conditions on customers.
- Downgrades or potential downgrades in Guardian's ratings.

- Adverse regulatory developments.
- Litigation and regulatory investigations.
- Changes in tax laws and the interpretation thereof.
- Changes in accounting rules.
- The sensitivity of the amount of statutory capital Guardian must hold to factors outside of its control.
- Risks related to riders to variable annuity contracts that provide guaranteed benefits.
- Limited access to capital as a mutual insurance company.
- Inadequacy of reserves for policy benefits and claims.
- Unavailability of reinsurance or defaults by reinsurers.
- Losses due to defaults by others, including issuers of investment securities or reinsurance and derivative instrument counterparties.
- Significant competition in all of Guardian’s business areas.
- Inability to attract or retain agents or key personnel.
- Deviations in mortality rates or persistency rates or other assumptions from pricing expectations.
- Risks related to surrender charge periods for fixed single premium deferred annuities.
- Impact of international tension between the United States and other nations, terrorist attacks, and ongoing military and other actions.
- A pandemic or other catastrophic event.
- A computer system failure or security breach.
- The insolvency of Guardian.
- Risks of locating administrative operations internationally.
- No direct contractual rights against Guardian and claims limited to the amount of the applicable Series Collateral.
- Payment of certain expenses will precede payments on the relevant Series of Notes in an Event of Default.
- Limited liquidity.
- Risks related to the Notes being deemed to be contracts of insurance or participations in the Funding Agreements.
- Inability to reinvest redemption proceeds in a security offering with a comparable return.

- Notes denominated in a foreign currency are subject to exchange rate and exchange control risks.

- Limited resources of the Issuer to make timely payments resulting in reliance on Guardian under the related Funding Agreement.

- Ratings do not reflect all risks of an investment.

Consequently, such forward-looking statements should be regarded solely as Guardian's current plans, estimates and beliefs. Guardian does not intend, and does not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

You should review carefully the section captioned "Risk Factors" in this Offering Memorandum for a more complete discussion of the risks of an investment in the Notes.

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OVERVIEW OF THE PROGRAM

The following is a brief description of the Program only and should be read in conjunction with the rest of this Offering Memorandum, any amendments or supplements hereto, and, in relation to the Notes, in conjunction with each applicable Issue Terms and, to the extent applicable, the Description of the Notes set out herein. "Guardian" refers to The Guardian Life Insurance Company of America, a mutual life insurance company domiciled in New York. Unless the context otherwise requires, references to the "Company" are to The Guardian Life Insurance Company of America, together with its subsidiaries. For a discussion of accounting principles applicable to the financial information in this Offering Memorandum, see "Financial and Accounting Matters" and the notes to the Statutory Financial Statements. In addition, see "Glossary" for an explanation of certain insurance and other terms used in this Offering Memorandum.

Issuer	Guardian Life Global Funding, a special purpose statutory trust organized in series under the laws of the State of Delaware which may, from time to time, offer up to $3,000,000,000 of the Notes.
Series of the Issuer	The Issuer is organized in series, as permitted by Sections 3804(a) and 3806(b)(2) of the Trust Act. In connection with the issuance of each Series of Notes, the Issuer will create a separate Series of the Issuer. The applicable Series of Notes and the related liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to such Series of the Issuer will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. The individual Series of the Issuer are not separate legal entities. See "Description of the Issuer—The Issuer is Organized in Series."
Assets	The primary assets of the Issuer will be the Funding Agreements issued by Guardian. In addition, Guardian has agreed to pay certain expenses and other liabilities of the Issuer. See "Description of the Issuer—Expenses of the Issuer." Since Guardian will be the sole obligor under the Funding Agreements, the ability of the Issuer to meet its obligations, and the ability of the investors to receive payments from the Issuer, with respect to a particular Series of Notes, will be principally dependent upon Guardian's ability to perform its obligations under each Funding Agreement securing the Notes of the relevant Series. Despite this, investors will have no direct contractual rights against Guardian under any such Funding Agreement. In connection with the offering and sale of a Series of Notes, the Issuer will pledge, collaterally assign and grant a security interest in the applicable Series Collateral to the Indenture Trustee. Accordingly, recourse to Guardian under each such Funding Agreement and other components of the applicable Series Collateral will be enforceable only by the Indenture Trustee as a secured party on behalf of Holders of such Series of Notes and each other person on whose behalf the Indenture Trustee is or will be holding the applicable Series Collateral. The Funding Agreements will be held in a custodial account for the Indenture Trustee in the State of Delaware by Wilmington Trust, National Association (the "Collateral Custodian").
Arranger	Deutsche Bank Securities Inc.

Purchasing Agents	Barclays Bank, PLC, Barclays Capital Inc., Citigroup Global Markets Inc., Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Credit Suisse Securities (USA) LLC, Deutsche Bank AG, London Branch, Deutsche Bank Securities Inc., Goldman Sachs & Co. LLC, Goldman Sachs International, J.P. Morgan Securities LLC, Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. International plc, Morgan Stanley & Co. LLC, U.S. Bancorp Investments, Inc., Wells Fargo Securities, LLC, Wells Fargo Securities International Limited, and, in addition to, or in lieu of, the foregoing, any other entity that may become a Purchasing Agent pursuant to the terms of the Purchase Agreement (each, a "Purchasing Agent").
Administrative Trustee	Pursuant to the Trust Agreement (as defined herein), Wilmington Trust, National Association will be the sole administrative trustee of the Issuer generally and with respect to each Series of the Issuer (the "Administrative Trustee"). The Administrative Trustee will not be obligated in any way to make payments under or in respect of the Notes. The Administrative Trustee has not participated in the preparation of this Offering Memorandum and is not affiliated with Guardian, the Trust Beneficial Owner, the Series Beneficial Owner, the Indenture Trustee or any of their respective affiliates.
Deposit	An amount of U.S. $1,000 contributed by the Trust Beneficial Owner (as defined below) to the Issuer (the "Deposit").
Trust Beneficial Owner and Series Beneficial Owner	GSS Holdings II, Inc. (the "Trust Beneficial Owner") is the sole owner of a beneficial interest in the Deposit (as defined in the Trust Agreement) which is a general asset of the Issuer and will be the sole beneficial owner of each Series of the Issuer (the "Series Beneficial Owner"). Neither the Trust Beneficial Owner nor the Series Beneficial Owner is affiliated with Guardian, the Administrative Trustee, the Indenture Trustee or any of their respective affiliates.
No Guarantee	The Issuer is not a subsidiary or affiliate of Guardian, or any of its subsidiaries or affiliates. The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Guardian or any of its subsidiaries or affiliates.
Notes	Up to an aggregate principal amount of $3,000,000,000 (or the equivalent in foreign or composite currencies) of Notes may be issued in multiple series. Each Series of Notes may be comprised of one or more Tranches issued on different issue dates within six months from the issue date of the first Tranche of the applicable Series of Notes. The Issuer may only issue a Tranche of Notes if Guardian has issued or will simultaneously issue one or more Funding Agreements to the Issuer, which will constitute an asset of the applicable Series of the Issuer and will become a part of the applicable Series Collateral. The Notes of a Series will all be subject to identical terms, except that the issue date, the issue price, the amount and date of the first payment of interest and the denomination size may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects.
Indenture and Series Indentures	The Issuer will issue Notes in Series pursuant to the Indenture, dated as of April 18, 2016 (as amended or modified from time to time, the

	"Indenture"), among the Issuer, Citibank, N.A. in its capacity as Indenture Trustee, Paying Agent (the "Paying Agent"), Registrar (the "Registrar") and Transfer Agent (the "Transfer Agent") and a separate Series Indenture (as defined herein) by and between the Issuer and the Indenture Trustee. Each Series Indenture will incorporate the Indenture, which shall provide the terms that govern each separate Series Indenture thereunder, unless any such Series Indenture specifies otherwise. Any Tranche of Notes issued under a Series Indenture will constitute a single Series with any other Tranche(s) of Notes designated by the Issuer as being part of such Series.
Indenture Trustee	Citibank, N.A. (the "Indenture Trustee").
Paying Agent, Registrar and Transfer Agent	Citibank, N.A.
Irish Listing Agent	Arthur Cox Listing Services Limited.
Calculation Agent	Citibank, N.A. or as specified from time to time in the applicable Issue Terms. The Issuer reserves the right to terminate the appointment of a Calculation Agent at any time by giving no less than thirty (30) days' prior written notice and appoint a successor.
Additional Transfer Agents, Paying Agents and Listing Agents	As specified from time to time in the applicable Issue Terms.
Ratings	Financial strength ratings of Guardian as of March 1, 2019: (i) A.M. Best: A++ (ii) Fitch: AA+ (iii) Moody's: Aa2 (iv) S&P: AA+ The foregoing ratings reflect each rating agency's opinion of Guardian's financial strength, operating performance and ability to meet its obligations to policyholders and are not evaluations directed toward the protection of investors. Therefore, such ratings should not be relied upon when making any investment decision and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.
Currency	Each Series of Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated. All Tranches of Notes within the same Series will be denominated in and payments in respect thereof will be made in and/or linked to the same currency or currencies.
Maturities	Any maturity of 90 days or longer, as indicated in the applicable Issue Terms, or such other minimum or maximum maturity that may be allowed or required from time to time by the relevant central bank or equivalent body (however designated) or any laws or regulations applicable to the Issuer or the currency in which the relevant Notes are denominated. See "Description of the Notes—General—Maturities."

Issue Price	Notes may be issued at an issue price which is equal to, less than or more than their principal amount.
Form of Notes and Clearance	The Notes may be offered and sold in the United States only, outside the United States only or in and outside the United States simultaneously as part of a global offering. Depending on where the relevant Notes are offered and in what currency the Notes are issued, the Notes will clear through one or more of The Depository Trust Company ("DTC"), Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, S.A. ("Clearstream, Luxembourg") or such other clearing system as may be specified in the applicable Issue Terms. Notes sold pursuant to an offering made in the United States only will be issued in accordance with Rule 144A and will clear through DTC. Such Notes will initially be represented by one or more DTC Global Notes (as defined herein) deposited with a custodian for, and registered in the name of a nominee of, DTC. Notes represented by DTC Global Notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such Notes will therefore settle in same-day funds. Except as described below, Notes sold outside of the United States in accordance with Regulation S will initially be represented by one or more Temporary Global Notes (as defined herein). Beneficial interests in a Temporary Global Note will be exchanged for one or more Permanent Global Notes (as defined herein) following the expiration of a period that commences upon the completion of the distribution of the Notes of the applicable Tranche and the date of the closing of the offering, whichever is later, as determined and certified by the applicable Purchasing Agent, and continues for 40 consecutive days (the "Distribution Compliance Period"). Except as described below, Notes sold pursuant to an offering made outside the United States only will initially be represented by one or more Temporary Global Notes, as described above, and upon exchange therefor will be represented by one or more Permanent Global Notes deposited (i) in the case of U.S. dollar denominated Notes with a common depositary for, and registered in the name of a nominee of, DTC and (ii) in the case of non-U.S. dollar denominated Notes with a common depositary for, and registered in the name of a nominee of, Euroclear and/or Clearstream, Luxembourg, as the case may be. Subject to the Notes sold outside of the United States in accordance with Regulation S initially being represented by one or more Temporary Global Notes and the subsequent exchange of beneficial interests in each such Temporary Global Note for beneficial interests in one or more Permanent Global Notes, as described above, such Notes may be represented (i) solely by one or more DTC Global Notes deposited with a custodian for, and registered in the name of a nominee of, DTC or, (ii) alternatively, (a) by one or more DTC Global Notes so deposited and registered in respect of Notes sold in the United States and (b) by one or more separate Global Notes (as defined in the Indenture) deposited with a common depositary for, and registered in the name of a nominee of, Euroclear and/or Clearstream, Luxembourg, as the case may be, in respect of Notes sold outside the United States. Beneficial interests in a Global Note will be exchangeable for Definitive Notes (as defined herein) only if such exchange is permitted by applicable

	law (including, without limitation, Regulation S) and (i) any clearing corporation with which any Global Note is deposited and which is or whose nominee is the Holder of such Global Note shall have notified the Issuer that it or its nominee is unwilling or unable to continue as the depositary and Holder (as defined in the Indenture) of such Global Note and a successor clearing corporation or nominee, as applicable, is not appointed within 90 days; (ii) an Event of Default (as defined herein) shall have occurred and the maturity of the Notes of such Series shall have been accelerated in accordance with the terms of the Indenture, the applicable Series Indenture and the Notes of such Series; or (iii) the Issuer shall have decided in its sole discretion that the Notes of such Series should no longer be evidenced solely by one or more Global Notes. The Definitive Notes issued in exchange for beneficial interests in any Global Note shall be of like tenor and of an equal aggregate principal amount, in authorized denominations. Such Definitive Notes shall be registered in the name or names of such person or persons as the relevant clearing system shall instruct the Registrar. It is expected that such instructions may be based upon directions received by DTC from DTC participants with respect to ownership of beneficial interests in the DTC Global Notes. Except as provided above, owners of beneficial interests in a Global Note will not be entitled to receive physical delivery of Definitive Notes and will not be considered the registered Holders of such Notes for any purpose.
Pricing Options......................................	The Issuer may issue Notes that bear interest as fixed-rate Notes ("Fixed Rate Notes") or floating-rate Notes ("Floating Rate Notes"). Such Notes will bear interest payable as set forth in the applicable Issue Terms. The Issuer may also issue Discount Notes and Amortizing Notes (each as defined herein).
Payments..	The Issuer will be obligated to make payments of principal of, any premium and interest on any Notes in the currency in which such Notes are denominated. Unless the context otherwise permits or requires, in this Offering Memorandum: (i) "principal", with respect to Discount Notes, means such amounts as shall be due and payable as specified in the terms of the applicable Discount Notes; and (ii) "interest" with respect to a Discount Note which by its terms bears interest only after maturity, means interest payable after maturity. Subject to the provisions of the applicable Issue Terms, payments of principal of, any premium and interest on any other Global Notes will be made in the currency in which such Notes are denominated.
Redemption..	If (a) Guardian is obligated to withhold or deduct any Taxes (as defined below) with respect to any payment made under a Funding Agreement or any related contract between Guardian and the Issuer, or (b) in the opinion of independent counsel selected by Guardian, as a result of any change in or amendment to United States tax laws (or any regulations or rulings thereunder) or any change in position of the U.S. Internal Revenue Service ("IRS") regarding the application or interpretation thereof (including, but not limited to, Guardian's receipt of a written adjustment from the IRS in connection with an audit) there is a material probability that (i) Guardian will become obligated to withhold or deduct any Taxes with respect to any payment made under a Funding Agreement or any related contract between Guardian and the Issuer or (ii) the Issuer is, or will be within 90 days of the date hereof, subject to more than a *de minimis* amount of Taxes, then Guardian may terminate, with respect to (a) and (b)(i), the applicable Funding Agreement and, with respect to (b)(ii), any Funding Agreement,

	and the Issuer will redeem the Notes of the related Series. See "Description of the Notes—Redemption and Repurchase of Notes—Tax Redemption."
Denominations of Notes	Subject to the provisions of the applicable Issue Terms or as otherwise provided below, the Notes of a Series will be issued, with respect to U.S. dollar-denominated Notes, in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. Any Notes admitted to the Official List and trading on the GEM or on a market in the EEA will be issued in minimum denominations of €100,000 (or the equivalent thereof in another currency at the time of issue); and integral multiples of €1,000 (or the equivalent thereof in another currency at the time of issue) in excess thereof. Any Notes in respect of which the issue proceeds are received by the Issuer in the United Kingdom or the activity of issuing such Notes is carried on from an establishment maintained by the Issuer in the United Kingdom and which have a maturity of less than one year must (a) (i) have a minimum denomination of £l00,000 (or its equivalent in other currencies), and (ii) be issued only to persons (x) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or (y) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (b) be issued in other circumstances that do not constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer.
Redenomination.....................................	If so specified in the applicable Issue Terms, the Issuer may redenominate Notes issued in the currency of a country that subsequently participates in the third stage of the European economic and monetary union, or otherwise participates in the European economic and monetary union in a manner with similar effect to such third stage, into Euro. The provisions relating to any such redenomination will be contained in the applicable Issue Terms.
Status of the Notes.................................	The Notes of each Series will be direct, unconditional, secured and unsubordinated non-recourse obligations incurred by the Issuer with respect to the relevant Series of the Issuer and will rank equally among themselves without any preference. The Notes of each Series will be secured by, among other things, one or more Funding Agreements issued by Guardian to the Issuer. Debevoise & Plimpton LLP, special counsel for Guardian, has opined that in any rehabilitation, liquidation, conservation, dissolution or reorganization relating to Guardian, under New York law as in effect on the date of this Offering Memorandum, the claims under each Funding Agreement with respect to payments of principal and interest would be accorded a priority equal to that of policyholders of Guardian (*i.e.* would rank *pari passu* with the claims of policyholders of Guardian) and superior to the claims of general creditors of Guardian.
Listing..	This document has been approved by Euronext Dublin as an Offering Memorandum. Application will be made to Euronext Dublin for the Notes issued during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List and trading on the GEM. However, Notes may be listed on another securities exchange or not listed on a regulated market or securities exchange. Each applicable Issue Terms will indicate whether or not the Notes of that Series will be listed, and, if the Notes will be listed, on which securities exchange. This Offering Memorandum constitutes a "Listing Particulars" for the purpose of listing on the Official List and trading on the GEM.

	If any European and/or national legislation is adopted and is implemented or takes effect in Ireland in a form that would require either Guardian or the Issuer to publish or produce its financial statements according to accounting principles that are materially different from NAIC SAP or that would otherwise impose requirements on either of Guardian or the Issuer that such entity in good faith determines are impracticable or unduly burdensome, Guardian or the Issuer may elect to de-list the Notes. Each of Guardian and the Issuer will use its reasonable efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system outside the EU, as the Issuer, Guardian and the relevant Purchasing Agent(s) may decide. If such an alternative admission is not available to Guardian or the Issuer, or is, in either such entity's opinion, unduly burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in "General Information – Notices" herein.
Taxation..	Prospective purchasers of the Notes should carefully consider the tax consequences of the ownership and disposition of the Notes set forth under "U.S. Federal Income Tax Considerations" herein.
Use of Proceeds	The Issuer will use the proceeds from the sale of each Series of Notes issued under the Program, net of underwriting discounts and commissions or similar applicable compensation, to purchase one or more Funding Agreements from Guardian.
Purchase and Transfer Restrictions........	The Notes have not been, and will not be, registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except as described under "Purchase and Transfer Restrictions" herein. The Notes will be offered and sold (a) in the United States only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and (b) in "offshore transactions" to persons other than "U.S. persons" (each as defined in Regulation S under the Securities Act). In addition, because the primary assets of the Issuer are Funding Agreements issued by Guardian, there is a risk that the transfer of the Notes could subject the parties to the transfer to regulation under the insurance laws of the jurisdictions implicated by the transfer. Among other things, it is likely that if the Notes were to be deemed to be contracts of insurance, the ability of a holder to sell the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sales could be effected, the proceeds realized from any such sales would be materially and adversely affected. See "Risk Factors—Risk Factors Relating to the Notes—If the Notes were deemed to be contracts of insurance or participations in the Funding Agreements, the Holders of the Notes could be subject to certain regulatory requirements and the marketability and market value of the notes could be reduced." Certain additional restrictions will apply to sales made in the United Kingdom and other Member States of the European Economic Area and Japan, Canada, Hong Kong, Singapore and other restrictions may apply in connection with a particular issuance of Notes. See "Plan of Distribution."
ERISA and Other Benefit Plan Considerations	Prospective purchasers of the Notes should carefully consider the restrictions on purchases set forth under "Purchase and Transfer Restrictions" and "ERISA and Other Benefit Plan Considerations."

Absence of Market for the Notes...........	The Notes have no established trading market and there is no assurance that a secondary market will develop for the Notes. Although application has been made for the Notes to be admitted to the Official List and trading on the GEM, Notes may be listed on another securities exchange or not listed on a regulated market or securities exchange. None of the Purchasing Agents will be under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any of the Purchasing Agents, it may be discontinued at any time. The Notes are subject to substantial restrictions on transfer as set forth under "Purchase and Transfer Restrictions" herein. Given the restrictions on and risks related to transfer, there is no assurance that a secondary market will develop or, if it does develop, that it will provide holders of the Notes with adequate liquidity or that such liquidity will be sustained. Prospective investors should proceed on the assumption that they may have to bear the economic risk of an investment in the Notes until the Stated Maturity Date of such Notes.
Governing Law......................................	The Notes, the Indenture and the relevant Series Indentures will be governed by, and construed in accordance with, the laws of the State of New York, except as required by mandatory provisions of law and except to the extent that the validity or perfection of the ownership of, and security interest in, the relevant Funding Agreement(s) of the relevant Series of the Issuer or remedies under the Indenture and the relevant Series Indenture in respect thereof may be governed by the laws of a jurisdiction other than the State of New York. The Trust Agreement and each Series Trust Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware. Each Funding Agreement will be governed by, and construed in accordance with, the laws of the State of New York.
Other Information	Guardian may from time to time make certain information available on its website at www.guardianlife.com/about-guardian/financial-highlights. **The information contained on or connected to Guardian's website is not a part of this Offering Memorandum, and you should not rely on any such information in making your decision whether to purchase Notes**.
Risk Factors...	Before investing, prospective investors should consider carefully all of the information set forth in this Offering Memorandum and, in particular, prospective investors should evaluate the risks described under "Risk Factors."

RISK FACTORS

Prospective investors should consider carefully, in addition to the other information contained in this Offering Memorandum, any amendment or supplement hereto and any applicable Issue Terms, the following factors before purchasing the Notes.

Risk Factors Related to the Notes

Holders will not have any direct contractual rights against Guardian under any Funding Agreements and the claims of Holders are limited to the amount of the applicable Series Collateral.

The obligations of the Issuer under the Notes of a Series, the Indenture and the applicable Series Indenture are payable only from the Series Collateral for such Series of Notes. See "Description of the Notes—General—Security; Limited Recourse." If any Event of Default shall occur with respect to any Series of Notes, the right of the Holders of the Notes of such Series and the Indenture Trustee on behalf of such Holders and other persons for whose benefit the Indenture Trustee is or will be holding such Series Collateral, will be limited to a proceeding against such Series Collateral. None of the Holders of the Notes of such Series nor the Indenture Trustee on behalf of such Holders and other persons for whose benefit the Indenture Trustee is or will be holding such Series Collateral, will have the right to proceed against the Series Collateral for any other Series of Notes or against Guardian or the other Non-Recourse Parties (as defined in "Description of the Notes—Non-Recourse Enforcement") to enforce the Notes or in the case of any deficiency judgment remaining after foreclosure of any property including the Series Collateral. All claims of Holders of Notes of a Series in excess of amounts received by the relevant Series of the Issuer under each related Funding Agreement and other Series Collateral will be extinguished. In addition, Holders of a Series of Notes waive any defenses, claims or assertions of conflict of interest principles, duty of loyalty principles or other breach of fiduciary duties to the extent that any such conflict or breach arises from the performance by Wilmington Trust, National Association of express duties set forth in the Trust Agreement, any Series Trust Agreement or the Custodial Agreement (as defined herein) in its capacities of Administrative Trustee and Custodian.

Following an Event of Default under the relevant Series of Notes, payments of certain expenses will precede payments under the relevant Series of Notes.

Any funds collected by the Indenture Trustee following an Event of Default, and any funds that may then be held or thereafter received by the Indenture Trustee and each Agent as security with respect to the Notes of any Series, will be applied first to the payment of certain costs and expenses of the Administrative Trustee, the Custodian and the Indenture Trustee, each Agent and any of their predecessors and their respective agents and attorneys (the "Priority Payments") for all Series of Notes outstanding. The funds will next be applied to the payment of the amounts then due and unpaid on the Notes of such Series, ratably, without preference or priority of any kind, according to the aggregate principal amounts due and payable on such Notes. The amounts remaining after the payment of the Priority Payments may be insufficient to satisfy in full the payment obligations the Issuer has to the Holders of Notes of a particular Series following the occurrence of an Event of Default.

There is no previous market for the Notes to be issued, and future liquidity of the Notes may be limited.

This document has been approved by Euronext Dublin as an Offering Memorandum. Application will be made to Euronext Dublin for any Series of Notes issued during the twelve months from the date of this Offering Memorandum to be admitted to the Official List and trading on the GEM. Moreover, no previous market exists for the Notes of any particular Series and no assurances can be given that any market will develop with respect to the Notes of any particular Series. The Purchasing Agents and Arranger are under no obligation to make a market in the Notes and to the extent that such market making is commenced, it may be discontinued at any time. There is no assurance that a secondary market will develop or, if it does develop, that it will provide holders of the Notes with liquidity of investment or that it will continue for any period of time. The Notes have not been and will not be registered under the Securities Act or any state or foreign securities law and transfers of Notes are subject to substantial transfer restrictions. A holder of Notes of any Series may not be able to liquidate its investment readily, and the Notes may not be readily accepted as collateral for loans. It is likely that if the Notes were to be deemed to be contracts of insurance, the ability of a holder to offer, sell or transfer the Notes in a secondary market transaction or otherwise would be substantially impaired and, to the extent any such sale or transfer could be effected, the proceeds realized from such sale or transfer could be materially and adversely affected. Investors should proceed on the assumption that they may have to hold the Notes until their Stated Maturity Date. See "Purchase and Transfer Restrictions."

If the Notes were deemed to be contracts of insurance or participations in the Funding Agreements, the Holders of the Notes could be subject to certain regulatory requirements and the marketability and market value of the Notes could be reduced.

The laws and regulations of the 50 states of the United States of America (the "United States") and the District of Columbia (the "Covered Jurisdictions") contain broad definitions of the activities that may constitute the business of insurance or the distribution of insurance products. Because the primary asset of the relevant Series of the Issuer will be one or more funding agreements issued by Guardian, it is possible that insurance regulators in one or more jurisdictions could take the position that (i) the issuance of the Notes by the relevant Series of the Issuer constitutes the indirect issuance of a funding agreement or other insurance product and (ii) the distribution, transfer, sale, resale or assignment of the Notes constitutes the production or sale of a funding agreement or other insurance product. If such a position were to be taken in any Covered Jurisdiction, the underlying activity and the persons conducting such activity (including the relevant Series of the Issuer, Guardian, a Purchasing Agent, an investor or such other person) could become subject to regulation under the insurance laws of one or more of the Covered Jurisdictions, which could, among other effects, require such persons to be subject to regulatory licensure or other qualification and levels of compliance that cannot practically be achieved. Failure to comply with such requirements could subject such persons to regulatory penalties. In addition, any such failure to comply with, or the threat of, any such regulation could reduce liquidity with respect to the Notes, prevent an investor from transferring the Notes and reduce the marketability and market value of the Notes. Therefore, any such regulation or threat of such regulation by any one or more Covered Jurisdictions could result in an investor either being unable to liquidate its investment in the Notes or, upon any such liquidation, receiving a value significantly less than the initial investment in the Notes.

Guardian believes that (1) the Notes should not be subject to regulation as participations in the Funding Agreement themselves or otherwise constitute insurance contracts under the insurance laws of the Covered Jurisdictions and (2) the Notes should not subject the Issuer, any investor or any person who acquires the Notes directly or indirectly from such investor and/or persons engaged in the sale, solicitation or negotiation or purchasing the Notes in the Covered Jurisdictions to regulation as doing an insurance business or engaging in the sale, solicitation or negotiation of insurance, as contemplated by the insurance laws in the Covered Jurisdictions by virtue of their activities in connection with the purchase, resale and/or assignment of the Notes. There are, however, variations in the insurance laws of the Covered Jurisdictions, subtle nuances in their application, and a general absence of any consistent pattern of interpretation or enforcement. Insurance regulatory authorities have broad discretionary powers in administering the insurance laws, including the authority to modify or withdraw a regulatory interpretation, impose new rules and take a position contrary to Guardian's. In addition, state courts are not bound by any regulatory interpretations and could take a position contrary to Guardian's. Consequently, there can be no assurance that the purchase, resale or assignment of the Notes will not subject the parties to such transaction to regulation or enforcement proceedings under the insurance laws of one or more Covered Jurisdictions.

If Notes are redeemed, an investor may not be able to reinvest the redemption proceeds in a security offering of comparable return.

The Issuer is required to redeem the Notes of a Series as described herein if Guardian exercises its right to terminate the Funding Agreement(s) related to such Series upon the occurrence of certain tax events. See "Description of the Notes—Tax Redemption." In case of any redemption of Notes, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes being redeemed. Guardian's termination right under the relevant Funding Agreement(s) also might adversely impact an investor's ability to sell the Notes.

Any Notes denominated in a foreign currency are subject to exchange rate and exchange control risks.

The information set forth below is directed to prospective purchasers who are U.S. residents. The Issuer disclaims any responsibility to advise prospective purchasers who are residents of countries other than the United

States of any matters arising under foreign law that may affect the purchase of, or holding of, or receipt of payments on, the Notes. Such persons should consult their own legal and financial advisors concerning these matters.

An investment in a Note that is denominated or payable in, or the payment of which is linked to the value of, currencies other than U.S. dollars entails significant risks. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the relevant foreign currencies and the possibility of the imposition or modification of exchange controls by either the United States or foreign governments. These risks generally depend on economic and political events over which the Issuer and Guardian have no control.

In recent years, rates of exchange between U.S. dollars and some foreign currencies have been highly volatile, and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Note. Depreciation against the U.S. dollar of the currency in which a Note is payable would result in a decrease in the effective yield of the Note below its coupon rate and could result in an overall loss. In addition, depending on the specific terms of a currency-linked Note, changes in exchange rates relating to any of the relevant currencies could result in a decrease in its effective yield and in a loss of all or a substantial portion of the value of such Note.

Foreign exchange rates can either float or be fixed by sovereign governments. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar and to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank or the imposition of regulatory controls or taxes to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders. The Issuer will not make any adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any applicable foreign currency. The holder of such Notes will bear those risks.

If the principal of, any premium or interest on, any Note are payable in a Specified Currency (as defined herein) other than U.S. dollars, which are not available due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, the Issuer will be entitled to satisfy its obligations to Holders of the Notes by making such payment in U.S. dollars on the basis of the most recently available bid quotation determined on the applicable determination date related to such payment from a leading foreign exchange bank in London or New York City selected by the applicable Paying Agent, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all Holders of Notes denominated other than in U.S. dollars scheduled to receive U.S. dollar payments. Any payment made under such circumstances in U.S. dollars where the required payment is other than in U.S. dollars will not constitute an "Event of Default" under the Notes.

Furthermore, the Issuer may (if so specified in the applicable Issue Terms) without the consent of the Holder of any Note, redenominate all, but not less than all, of the Notes of any Series on or after the date on which the Member State of the European Union in whose national currency such Notes are denominated has become a participant member in the third stage of the European economic and monetary union, as more fully set out in the applicable Issue Terms.

Each prospective purchaser of Notes should consult its own financial, legal and tax advisors as to any specific risks entailed by an investment by such purchaser in Notes that are denominated in, or the payment of which is related to the value of, foreign currency, as such Notes are not an appropriate investment for purchasers who are unsophisticated with respect to foreign currency transactions.

An Event of Default under a Series of Notes may not constitute an "Event of Default" under the applicable Funding Agreement(s).

In certain circumstances, an Event of Default under a Series of Notes may not constitute an event of default under the applicable Funding Agreement(s). In such a case, it is possible that the obligations of the Issuer under any Series of Notes may be accelerated while the obligations of Guardian under the applicable Funding Agreement(s) may not be similarly accelerated. If this occurs, the Indenture Trustee may have no or limited ability to proceed against the applicable Series Collateral and Holders of Notes may not be paid in full or in a timely manner upon such acceleration. See "Description of the Notes—Events of Default" and "Description of Certain Terms and Conditions of the Funding Agreements—Events of Default" in this Offering Memorandum.

The Issuer has limited resources and therefore its ability to make timely payments with respect to a Series of Notes depends entirely on Guardian making payments under the related Funding Agreements.

The Issuer is a special purpose statutory trust created on April 11, 2016 under the laws of the State of Delaware and organized in series as permitted by Sections 3804(a) and 3806(b)(2) of the Trust Act. The exclusive purposes of the Issuer are to (i) issue and sell the Notes, (ii) use the net proceeds from the sale of the Notes to acquire one or more Funding Agreements, (iii) pledge, collaterally assign and grant a security interest in the Series Collateral to the Indenture Trustee, and (iv) engage in only those other activities necessary or incidental thereto. The net worth of the Issuer on the date hereof is approximately $1,000 and is not expected to increase materially. The Issuer's principal assets are Funding Agreements issued by Guardian.

In connection with the issuance of each Series of Notes, the Issuer will create a separate Series of the Issuer. The applicable Series of Notes and the related liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to such Series of the Issuer will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. The Notes of each Series will be secured by, among other things, one or more Funding Agreements. No Notes of a Series will have any right to receive payments under a Funding Agreement related to any other Series. Accordingly, the Issuer will only be able to make timely payments with respect to a Series of Notes if Guardian has made all required payments under the Funding Agreement securing such Series of Notes.

In the event that any amount due with respect to a Funding Agreement is subject to withholding or deduction for or on account of any present or future Taxes (as defined below), Guardian is not required to make any payment to the Issuer with respect to such Taxes and the Issuer will be deemed for all purposes to have received cash in an amount equal to such withholding or deduction. Under this circumstance, each Holder of a Note of the related Series will be deemed for all purposes to have received cash in an amount equal to the portion of such withholding or deduction that is attributable to such Holder's interest in such Note as equitably determined by the Issuer and the Issuer will not actually pay, or cause to be paid, to such Holder all of the amounts which would have been receivable by such Holder in the absence of such Taxes. Any such withholding or deduction will not give rise to an Event of Default or any independent right or obligation to redeem the Notes of such Series.

The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Guardian or any of its subsidiaries or affiliates. None of these entities nor any agent, trustee or beneficial owner of the Issuer or of any Series of the Issuer is under any obligation to provide funds or capital to the Issuer generally or with respect to any Series of the Issuer, except with respect to certain indemnity obligations of Guardian. For more information on Guardian's indemnity obligations, see "Description of the Issuer—Expenses of the Issuer."

Holders of Notes below certain minimum denominations may not be able to receive Definitive Notes and in such situations may not be entitled to the rights in respect of such Notes.

Any Notes admitted to trading on the GEM, or which are to be offered to the public in any Member State of the EEA, will be issued in minimum denominations of €100,000 (or the equivalent thereof in another currency at the time of issue) and integral multiples of €1,000 (or the equivalent thereof in another currency at the time of issue) in excess thereof (the "Specified Denominations"). However, for so long as any Series of Notes is in global form and Euroclear and Clearstream, Luxembourg so permit, the Issue Terms may provide that such Series of Notes in global form shall be tradeable in minimum denominations of €100,000 and integral multiples of €1,000 thereafter (or the equivalent thereof in another currency at the time of issue), although if a Global Note is exchanged for Definitive Notes, at the option of the relevant Holder, the Notes shall be tradeable only in principal amounts of at least €100,000. In these circumstances, a Holder holding Notes having a nominal amount which cannot be represented by a Definitive Note in the Specified Denomination will not be able to receive a Definitive Note in respect of such Notes and will not be able to receive interest or principal or be entitled to vote in respect of such Notes. As a result, a Holder who holds Notes in Euroclear or Clearstream, Luxembourg in an amount less than the Specified Denominations may need to purchase or sell, on or before the relevant date on which the Regulation S Temporary Global Note or Regulation S Permanent Global Note are to be exchanged for Definitive Notes, a principal amount of Notes such that the Holders of the Notes hold the Notes in an aggregate principal amount of at least the Specified Denominations.

Ratings of the Program and any rated Series of Notes may not reflect all risks of an investment in such Series of Notes and may change in accordance with the financial strength rating of Guardian.

In the event that the Program generally or a specific Series of Notes is rated by a credit rating agency, the ratings of the Program or such Series of Notes will primarily reflect the financial strength rating of Guardian and any change in the priority status of funding agreements under New York law. Any rating is not a recommendation to purchase, sell or hold any particular security, including the Notes. Such ratings do not comment as to the market price or suitability of the Notes for a particular investor. In addition, there can be no assurance that a rating will be maintained for any given period of time or that a rating will not be lowered or withdrawn in its entirety. The ratings of the Program or any rated Series of Notes issued under the Program may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, such Series of Notes.

Any Series of Floating Rate Notes could be adversely affected by regulation or reform, or potentially, elimination, of the Interest Rate Basis, or "benchmark," linked to such Notes.

Interest on any Series of Floating Rate Notes may be determined by reference to an Interest Rate Basis, or "benchmark," such as LIBOR or EURIBOR. For more information on the determination of interest on a Series of Floating Rate Notes, see "Description of the Notes—Pricing Options—Floating Rate Notes." LIBOR, EURIBOR and certain other "benchmark" rates and indices are the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Series of Floating Rate Notes linked to such a "benchmark."

In the EU, the Benchmarks Regulation went into effect in 2018. The Benchmarks Regulation regulates indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds. The Benchmarks Regulation could have a material impact on any Series of Floating Rate Notes linked to LIBOR, EURIBOR or another benchmark rate or index. If the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmarks Regulation, such changes could have the effect of reducing or increasing the rate or level of the benchmark or affect its volatility. In addition, each administrator of a benchmark subject to the Benchmarks Regulation must be licensed by the competent authority of the EU Member State where such administrator is located. There is a risk that administrators of certain benchmarks will fail to obtain a necessary license, preventing them from continuing to provide such benchmarks. Other administrators may cease to administer certain benchmarks because of the additional costs of compliance with the Benchmarks Regulation and other applicable regulations, and the associated risks. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete.

As an example of benchmark reform, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer compel banks to submit rates for the calculation of LIBOR after 2021. The announcement indicates that LIBOR may not continue to be available on the current basis (or at all) after 2021.

The potential elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions described in "Description of the Notes—Pricing Options," or result in other consequences, in respect of any Series of Floating Rate Notes linked to such benchmark. Furthermore, even prior to the implementation of any changes from benchmark reforms, uncertainty as to the nature of alternative reference rates and as to potential changes to a benchmark may adversely affect the trading market for securities based on that benchmark.

In the event that a published benchmark, such as EURIBOR or LIBOR, that is the Interest Rate Basis for a Series of Floating Rate Notes becomes unavailable, the rate of interest on that Series would be determined pursuant to the fallback arrangements described in "Description of the Notes—Pricing Options." These fallback arrangements include the possibility that the rate of interest could be determined by the Calculation Agent or the Issuer or set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. In certain circumstances the ultimate fallback of interest for a particular Interest Period or Interest Reset Date (as applicable) may result in the rate of interest for the last preceding Interest Period or Interest Reset Date (as applicable) being used. This may result in the effective application of a fixed rate for a Series of Floating Rate Notes based on the rate which was last observed on the Reuters Page EURIBOR01 or the LIBOR Page (each as defined in "Description of the Notes—Pricing Options"), as applicable. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of the Calculation Agent or the Issuer, the relevant fallback provisions may not operate as intended at the relevant time.

The above matters or any other significant change to the setting or existence of any relevant reference rate could have a material adverse effect on the value or liquidity of, and the amount payable under, any Series of Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Series of Floating Rate Notes.

An investment in a Series of Floating Rate Notes for which Compounded Daily SONIA or SOFR is the Interest Rate Basis entails significant risks not associated with an investment in a conventional fixed rate or floating rate debt security.

On 29 November 2017, the Bank of England and the Financial Conduct Authority announced that the Bank of England's Working Group on Sterling Risk-Free Rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("SONIA") over the following four years across sterling bond, loan and derivatives markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in this Offering Memorandum and used in relation to a Series of Floating Rate Notes that reference a SONIA rate issued under this Offering Memorandum.

The Secured Overnight Financing Rate ("SOFR") may be the Interest Rate Basis for the calculation of interest on a Series of Floating Rate Notes. SOFR is published by the Federal Reserve Bank of New York (the "FRBNY") and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. The FRBNY notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the FRBNY may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice.

Neither the Issuer nor Guardian has any control over the determination, calculation or publication of SONIA or SOFR. There can be no guarantee that SONIA or SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in a Series of Floating Rate Notes linked to SONIA ("SONIA-linked Floating Rate Notes") or SOFR ("SOFR-linked Floating Rate Notes"). If the manner in which SONIA or SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on SONIA-linked Floating Rate Notes or SOFR-linked Floating Rate Notes, respectively, and the trading prices of SONIA-linked Floating Rate Notes or SOFR-linked Floating Rate Notes, respectively. If SONIA or SOFR declines to zero or becomes negative, it is possible that no interest will be payable on a Series of SONIA-linked Floating Rate Notes or Series of SOFR-linked Floating Rate Notes, respectively.

Furthermore, interest on Notes which reference Compounded Daily SONIA is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference Compounded Daily SONIA to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes.

The FRBNY began to publish SOFR in April 2018, and has also begun publishing historical indicative SOFR going back to 2014. Investors in any SOFR-linked Floating Rate Notes should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR. Also, since SOFR is a relatively new market index, SOFR-linked Floating Rate Notes that are issued pursuant to this Offering Memorandum, as completed by the applicable Issue Terms, will likely have no established trading market when issued, and an established trading market may never develop or may not be liquid. Market terms for debt securities linked to SOFR, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of any SOFR-linked Floating Rate Notes, if issued, may be lower than those of later-issued indexed debt securities as a result.

Further, if SONIA or SOFR does not prove to be widely used, the trading price of any SONIA-linked Floating Rate Notes or SOFR-linked Floating Rate Notes that are issued may be lower than those of debt securities linked to indices that are more widely used. Investors in SONIA-linked Floating Rate Notes or SOFR-linked Floating Rate Notes may not be able to sell their Notes at all or may not be able to sell their Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Transactions in the Notes may be subject to the Proposed Financial Transactions Tax.

The European Commission has published a proposal for a Directive for a common Proposed Financial Transactions Tax ("FTT") in those EU Member States who choose to participate (the "Participating Member States"). The proposed FTT has a very broad scope and could, if introduced in its current form, apply to transactions in the Notes, including transactions by persons outside the Participating Member States.

The proposal remains subject to negotiation between the Participating Member States. Accordingly, it is not clear when the FTT will be implemented, if at all, and what form it will take if it is implemented. Potential holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Risk Factors Related to Guardian

The Funding Agreements are unsecured obligations of Guardian. If the Funding Agreements were not treated as insurance contracts, they would be accorded the same priority in a liquidation or dissolution of Guardian as its other general unsecured obligations.

The Funding Agreements, which are the sole source of payments for the Notes of any Series, are unsecured obligations of Guardian and, in the event of Guardian's insolvency, will be subject to the provisions of Article 74 of the New York Insurance Law (the "Liquidation Act"), which establishes the priority of claims from the estate of an insolvent New York insurance company. Debevoise & Plimpton LLP, special counsel for Guardian, has opined that in any rehabilitation, liquidation, conservation, dissolution or reorganization relating to Guardian, under New York law as it is in effect on the date of this Offering Memorandum, the claims under each Funding Agreement with respect to payments of principal and interest would be accorded a priority in liquidation equal to that of policyholders of Guardian (*i.e.*, would rank *pari passu* with the claims of policyholders of Guardian) and superior to the claims of general creditors of Guardian. Such opinion of counsel is based upon certain facts, assumptions and qualifications (as set forth therein), is only an opinion and does not constitute a guarantee, and is not binding upon any court, including without limitation a court presiding over any rehabilitation, liquidation, conservation, dissolution or reorganization of Guardian under New York insurance law. If the Funding Agreements were not treated as insurance contracts under New York law, they would be accorded the same priority in a liquidation or dissolution of Guardian as its other general unsecured obligations.

A downgrade or a potential downgrade in Guardian's financial strength ratings could harm its business.

Ratings are an important factor in the competitive position of life insurance companies. Rating agencies regularly review the financial performance and condition of insurers, including Guardian. As of March 1, 2019, the financial strength ratings for Guardian as assigned by S&P, Moody's, A.M. Best and Fitch were AA+, Aa2, A++ and AA+, respectively. These ratings indicate a rating agency's view of Guardian's ability to meet its obligations to its insureds. These ratings are of interest to policyholders, but are not ratings of the Notes offered hereby and do not reflect an evaluation of the safety and security of the Notes. Any rating is not a recommendation to purchase, sell, or hold any particular security, including the Notes. Such ratings do not comment as to market price or suitability for a particular investor.

The rating agencies assign ratings based upon consideration of several qualitative and quantitative factors, including the rated company's operating performance and investment results, risk profile and capital resources. The rating agencies may also consider factors that may be outside of the rated company's control, including changes to general economic conditions. A downgrade in Guardian's ratings could adversely affect, among other things, its ability to sell certain of its products, the rate of contract surrenders and withdrawals, the return on the insurance and annuity products it issues and, ultimately, the results of its operations and its ability to compete for attractive acquisition opportunities. Guardian cannot predict what actions rating agencies may take in the future that could adversely affect its business. As with other companies in the financial services industry, Guardian's ratings could be downgraded or withdrawn at any time and without any notice by any rating agency.

Guardian's investment portfolio and aspects of Guardian's business are subject to the full range of market risks, including credit, liquidity and equity markets and interest rate risks.

Guardian's investment portfolio consists primarily of investment grade bonds, mortgage loans and policy loans. The portfolio also contains or may contain other investments such as public common stock, private equity, real estate, bank loans, CMBS, derivatives and non-investment grade bonds. The main risks facing the portfolio are credit risk, liquidity risk, equity market risk and interest rate risk and real estate-related risks.

Credit risk is the risk that issuers of investments owned by Guardian may default or that other parties may not be able to pay amounts due to Guardian. Guardian seeks to manage credit risk by a risk management process that combines active fundamental credit analysis with quantitative risk management and by portfolio diversification across various asset types, industry sectors and issuers and, in some circumstances, by purchasing credit protection using credit derivatives or using credit replication.

Closely related to credit risk is counterparty risk, which is the risk that counterparties in over-the-counter ("OTC") derivatives transactions may not be able to make required payments. Guardian attempts to reduce its derivative counterparty risk by the exchange of collateral between Guardian and its counterparties. Guardian uses over-the-counter derivatives on a limited basis and has collateral agreements in place with all counterparties. As of December 31, 2018, the combined mark to market value of all of Guardian's OTC derivatives positions was $9.8 million, including $9.7 million of foreign currency swaps and $0.1 million of equity index options (meaning that Guardian would receive from its counterparties that amount if all transactions are terminated on that date). The total notional value of these OTC derivative positions was $1,035.1 million, including $1,009.8 million of foreign currency swaps and $25.3 million of equity index options. Guardian had collateral posted to counterparties associated with uncleared derivatives positions of $1.4 million and held collateral posted by counterparties of approximately $10.3 million.

Although Guardian attempts to carefully and actively manage these risks, there can be no assurance that they will be managed successfully. Credit and counterparty risk could be heightened during periods of extreme volatility or disruption in the financial and credit markets. A widening of credit spreads can increase the unrealized losses in Guardian's investment portfolio. The factors affecting the financial and credit markets could lead to other-than-temporary impairments of assets in Guardian's investment portfolio.

Liquidity risk is the risk that policyholder mortality experience, demands for life insurance policy loans and surrenders and withdrawals and other funding requirements are greater than the amount of available cash and assets that can readily be converted into cash. Although certain types of investments such as Treasury bonds and short-term investments can be converted to cash easily, investments which are not publicly traded, such as commercial mortgage loans, privately-placed fixed income securities, policy loans, limited partnership interests and equity real estate and certain mortgage-backed and asset-backed securities, generally cannot be as readily liquidated while other investments may be liquidated with higher than usual transaction costs in some market environments. Guardian attempts to manage liquidity risk by holding assets with what it views as sufficient liquidity to pay policyholder life insurance policy loans, surrenders, withdrawals and other cash outflow needs. However, there can be no assurances that Guardian will maintain sufficient liquidity to pay these amounts. Securities that are less liquid are also more difficult to value.

Equity market risk is the risk that stocks decline in value. Equity typically has more mark-to-market volatility than fixed income asset classes and, as a result, regulators assign higher capital charges for public equity investments.

The Guardian Insurance and Annuity Company, Inc. ("GIAC") is a writer of variable annuity products. The account values of these products have been affected by past downturns in the capital markets, especially equity markets. Any future decrease in account values will decrease the fees generated by GIAC's variable annuity products and may increase the level of reserves GIAC must carry to support those variable annuities issued with any associated guarantees.

Currency foreign exchange ("FX") rate risk is the risk that changes in currency markets may increase FX volatility and result in mark-to-market losses for unhedged currency risk.

In order to attempt to reduce the effect of volatility from mark-to-market assets such as equity investments and FX exposure on its statutory surplus, Guardian currently employs a macro dynamic hedging program. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs" for a description of this macro hedging program. There can be no assurances or guarantees that this macro dynamic hedging program will reduce Guardian's equity and FX market risk.

While the dynamic hedging program seeks to protect Guardian's capital from statutory mark-to-market investment losses in accordance with pre-specified risk guidelines, there are various risks that may impact the effectiveness of the program, including operational risks associated with the execution of the program, liquidity risks in the futures markets, availability of suitable instruments to replicate the options, model risks and basis risks between the futures and the underlying portfolios, continuity of trading in the futures markets in periods of distress, and changes in the relevant regulatory environment at the federal and state levels and the cost of hedging. In addition, the macro dynamic hedging program does not protect Guardian's assets that do not have a mark-to-market impact on capital.

Interest rate risk is the risk of loss due to changes in interest rates. Guardian attempts to manage interest rate risk with what it believes to be a rigorous asset/liability management program, including the use of derivatives. For example, policyholder life insurance policy loans and surrenders and withdrawals may be higher than expected when interest rates are high, or interest rates may drop so low as to make it difficult to support minimum interest rate guarantees. This latter situation is exacerbated when policyholder deposits are higher than expected. While actions may be taken to mitigate the potential effects of such policyholder options, it is impossible to eliminate all risk. Similarly, some assets may have prepayment rights or call options which might be exercised when interest rates are low and borrowers can benefit from refinancing at lower interest rates. The asset/liability management program attempts to identify such risks and to utilize various instruments, including derivatives, to offset those risks in a cost-effective manner, but there can be no assurances it will be sufficient to significantly reduce or eliminate such risks. See "—Changes in interest rates may adversely affect Guardian's business, results of operations, financial condition and liquidity."

Significant financial and credit market volatility, changes in interest rates and credit spreads, credit defaults, market illiquidity, declines in equity prices, changes in currency exchange rates and declines in general economic conditions, either alone or in combination, could have a material adverse impact on Guardian's business, results of operations and financial condition, which could prevent Guardian from making payments under the applicable Funding Agreement(s) when scheduled. In addition, market volatility can make it difficult for Guardian to value certain of its assets, especially if trading becomes less frequent. Valuation may include assumptions or estimates that may have significant period-to-period changes that could have an adverse impact on Guardian's results of operations or financial condition, which could prevent Guardian from making payments under the applicable Funding Agreement(s) when scheduled.

Some of Guardian's investments are relatively illiquid and are in asset classes that could experience significant market valuation fluctuations.

Guardian holds certain investments that lack liquidity, such as privately placed fixed income securities, commercial mortgage whole loans, non-agency residential mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, collateralized loan obligations, investments in subsidiaries and affiliates, policy loans, equity real estate, including real estate joint ventures and other limited partnership interests. These asset classes represented 48.0% of the carrying value of Guardian's total cash and invested assets as of December 31, 2018. Investments in partnerships and LLCs, which represented approximately 4.2% of the carrying value of Guardian's total cash and invested assets as of December 31, 2018, may produce investment income which fluctuates from period to period and are less predictable and more variable than may be the case with more conventional asset classes. In addition, many of these assets have limitations on redemptions and trading, which may cause them to be less liquid than more conventional asset classes, such as publicly traded bonds and equities.

In addition, as of December 31, 2018, Guardian had future funding commitments relating to investments in real estate, private equities, mortgage loans and private placements of $1.4 billion. If Guardian were to require significant amounts of cash on short notice in excess of normal cash requirements or were required to return or post collateral in connection with its investment portfolio or derivatives transactions, Guardian could have difficulty selling these investments in a timely manner, be forced to sell them for less than it otherwise would have been able to realize, or both.

The reported value of Guardian's relatively illiquid types of investments, its investments in the asset classes described in the paragraph above and, at times, its higher quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If Guardian were forced to sell certain of its assets in a distressed market, there can be no assurance that it will be able to sell them for the prices at which it has recorded them and it could be forced to sell them at significantly lower prices. Moreover, Guardian's ability to sell such assets may be limited if other market participants are seeking to sell at the same time. See "—The determination of the amount of allowances and impairments taken on Guardian's investments is highly subjective and could materially impact its results of operations or financial position."

Guardian's valuation of fixed maturity, equity and trading securities may include methodologies that are subject to significant uncertainties and could result in changes to investment valuations that may materially adversely affect its results of operations or financial condition.

Guardian utilizes independent external pricing services such as FT Interactive Data Corp, Bloomberg and Markit for security pricing. During periods of market disruption, it may be difficult to value certain of Guardian's securities if trading becomes less frequent and/or market data becomes less observable. There may be certain assets or asset classes that were in active markets with significant observable data that become illiquid due to an adverse financial environment or volatile market conditions. As a result, valuations may include inputs and assumptions that are less observable or require greater estimation and judgment as well as valuation methods which are more complex. These values may not be ultimately realizable in a market transaction, and such values may change very rapidly as market conditions change and valuation assumptions are modified. Decreases in value may have a material adverse effect on Guardian's results of operations or financial condition, which could prevent Guardian from making payments under the applicable Funding Agreement(s) when scheduled.

The determination of the amount of allowances and impairments taken on Guardian's investments is highly subjective and could materially impact its results of operations or financial position.

The determination of the amount of allowances and impairments vary by investment type and is based on Guardian's periodic case-by-case evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. Such evaluations and assessments can change significantly from period to period, especially in times of high market volatility. Market volatility can make it more difficult to value Guardian's securities if trading in such securities becomes less frequent. In addition, a forced sale by holders of large amounts of a security, whether due to insolvency, liquidity or other issues with respect to such holders, could result in declines in the price of a security. There can be no assurance that management has accurately assessed the level of impairments taken and allowances reflected in the financial statements. Furthermore, additional impairments may need to be taken or allowances provided for in the future. Historical trends may not be indicative of future impairments or allowances.

The book value of Guardian's fixed income investments and the cost of equity securities is adjusted for impairments in value deemed to be other-than-temporary in the period in which the determination is made. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. The decision to record an other-than-temporary impairment or write-down is determined by management's assessment of the financial condition and prospects of a particular issuer, projections of future cash flows, and recoverability of the particular security, as well as evaluation of Guardian's ability and intent to hold the securities for a period of time to allow for a recovery of value. Management's conclusions on such assessments may ultimately prove to be incorrect as facts and circumstances change.

The review of Guardian's fixed income and equity securities for impairments includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%; (ii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for less than twelve months; and (iii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for twelve months or greater. At December 31, 2018, of Guardian's total gross unrealized losses of $1,079 million, approximately $1,040 million, or 96.4%, of the gross unrealized losses fall into category (i), approximately $20 million, or 1.8%, of the gross unrealized loss falls into category (ii) and approximately $19 million, or 1.8%, of the gross unrealized loss falls into category (iii).

In addition, Guardian's management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations in the impairment of a commercial mortgage include, but are not limited to, the following: (i) significant change in the occupancy level of the underlying property; (ii) significant change in the rental rates; (iii) bankruptcy filings of major tenants; (iv) catastrophic events; and (v) other subjective factors. There can be no assurance Guardian's management will correctly assess allowances and impairments on its investments, which could lead to investment losses that adversely affect its ability to make payments under the applicable Funding Agreement(s) when scheduled.

Defaults on commercial mortgage loans and volatility in performance may adversely affect Guardian's results of operations and financial condition.

Commercial mortgage loans face delinquency and default risk. In addition, future refinancing risks for commercial mortgage loans have resulted in declining values on certain of such instruments. Commercial mortgage loans are carried at amortized cost under SAP. Guardian establishes valuation allowances for estimated impairments as of the balance sheet date. Such valuation allowances are based on the excess carrying value of the loan over the present value of expected future cash flows discounted at the loan's original effective interest rate or the value of the loan's collateral if the loan is in the process of foreclosure or otherwise collateral dependent. Guardian also establishes allowances for loan losses when a loss contingency exists for pools of loans with similar characteristics, such as mortgage loans based on similar property types or loan to value risk factors.

As of December 31, 2018, Guardian held $4.5 billion (carrying value) of commercial real estate mortgage loans. The fair value of Guardian's commercial mortgage loan portfolio as of December 31, 2018 was $4.5 billion, and there were no loans that were either delinquent or in the process of foreclosure as of December 31, 2018. The performance of Guardian's commercial mortgage loan investments, however, may fluctuate in the future. An increase in the default rate of Guardian's commercial mortgage loan investments or a borrower's inability to refinance or pay off its loan at maturity could have an adverse effect on Guardian's results of operations and financial condition. In addition, 10% of the aggregate principal amount of Guardian's commercial mortgage loans are scheduled to mature in the next three years. If these loans are not refinanced or paid in full at maturity, Guardian's mortgage loan investments could be adversely affected.

Any geographic or sector concentration of Guardian's commercial mortgage loans may have adverse effects on its investment portfolios and, consequently, on its results of operations or financial condition. While Guardian seeks to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on its investment portfolios to the extent that the portfolio is concentrated.

Changes in interest rates may adversely affect Guardian's business, results of operations, financial condition and liquidity.

The profitability of the life insurance and annuity businesses of Guardian and its insurance subsidiaries is sensitive to interest rate changes, which could adversely affect Guardian's investment returns and results of operations. Despite remaining at relatively low level levels by historic standards, interest rates in the United States have recently increased and are expected to continue to increase in the near term. Periods of high or increasing rates have the potential to negatively affect Guardian's profitability in the following principal ways:

- In periods of increasing interest rates, life insurance policy loans, as well as surrenders and withdrawals on life insurance and annuity products may increase as policyholders seek investments with higher perceived returns. As of December 31, 2018, GIAC had outstanding $774 million of annuities that were subject to surrender at book value without a surrender charge. This could result in cash outflows requiring GIAC to sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which could cause Guardian to suffer realized investment losses. As of December 31, 2018, GIAC had bond assets with a carrying value of $199 million maturing on or prior to December 31, 2019.

- The income from certain of the insurance and annuity products of Guardian and its insurance subsidiaries is derived from the spread between the crediting rate it is required to pay under the contracts and the rate of return it is able to earn on its general account investments supporting such contracts. When interest rates rise, Guardian may face competitive pressure to increase crediting rates on such contracts. Guardian may increase its crediting rates more quickly than corresponding changes to the rates it earns on its general account investments, thereby reducing its spreads in respect of such contracts. This risk is heightened in the current market and economic environment, in which many securities with higher yields are unavailable. An increase in interest rates would also adversely affect the fair values of Guardian's fixed income securities.

U.S. long-term interest rates remain at relatively low levels by historical standards. Periods of low interest rates have the potential to negatively affect Guardian's profitability in the following principal ways:

- Low interest rates tend to decrease the yield Guardian earns on its portfolio of fixed income investments. This could in turn compress the spreads Guardian and its insurance subsidiaries earn on products, such as universal life and certain annuities, on which they are contractually obligated to pay customers a fixed minimum rate of interest. Should new money interest rates continue to be sufficiently below guaranteed minimum rates for a long enough period, Guardian and its insurance subsidiaries may be required to pay policyholders or annuity owners at a higher rate than the rate of return they earn on their respective portfolios of investments supporting those products.

- In periods of low interest rates, Guardian generally must invest the proceeds from the maturity, redemption or sale of fixed income securities from its portfolio at a lower rate of interest than the rate it had been receiving on those securities. A low interest rate environment may also be likely to cause redemptions and prepayments to increase. In addition, in periods of low interest rates, it may be difficult to identify and acquire suitable investments for proceeds from new product sales or proceeds from the maturity, redemption or sale of fixed income securities from Guardian's portfolio, which could further decrease the yield it earns on its portfolio or cause Guardian to reduce the sales of some products.

Guardian's exposure to credit spreads could adversely affect its results of operations, financial condition and liquidity.

Guardian's exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. A widening of credit spreads increases the net unrealized loss position of the fixed income investment portfolio and, if issuer credit spreads increase significantly or for an extended period of time, would likely result in higher other-than-temporary impairments. Credit spread tightening would reduce net investment income associated with new purchases of fixed income securities.

In addition, market volatility can make it difficult to value certain of Guardian's securities if trading becomes less frequent. As such, valuations of securities may include assumptions or estimates that may change significantly from period to period. This could increase the net unrealized loss position of Guardian's fixed income investment portfolio and increase other-than-temporary impairments, which could have a material adverse effect on Guardian's results of operations, financial condition or liquidity.

Sustained or significant deterioration in economic conditions could adversely affect Guardian's business.

Generally weak economic conditions may have a negative impact on Guardian's operating activities. Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets and inflation affect the business and economic environment and, ultimately, the amount and profitability of Guardian's business. In economic conditions characterized by higher unemployment, lower family income, lower business investment and lower consumer spending, the demand for Guardian's financial and insurance products could be adversely affected. In addition, elevated incidence of claims and lapses or surrenders of policies may occur. Policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Adverse changes in the economy could affect Guardian's earnings negatively and could have a material adverse effect on its business, results of operations and financial condition.

In addition, Guardian is susceptible to risks associated with the potential financial instability of the vendors on which Guardian relies to provide services or to whom it delegates certain functions. The same conditions that may affect Guardian's customers also could adversely affect its vendors, causing them to significantly and quickly increase their prices or reduce their output. Guardian's business depends on its ability to perform, in an efficient and uninterrupted fashion, its necessary business functions, and any interruption in the services provided by third parties could also adversely affect Guardian's cash flow, profitability and financial condition.

Guardian is subject to extensive regulation, which restricts its operations and imposes compliance costs.

Guardian and its insurance subsidiaries are subject to extensive regulatory oversight. Although Guardian endeavors to maintain all required licenses and approvals, its businesses may not fully comply with the wide variety of applicable laws and regulations or the relevant authority's interpretation of the laws and regulations, which may change from time to time. Also, state regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If Guardian does not have the requisite licenses and approvals or does not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend Guardian from carrying on some or all of its activities or impose substantial fines. Further, insurance regulatory authorities have relatively broad discretion to issue orders of supervision, which permit such authorities to supervise the business and operations of an insurance company.

State insurance regulators and the National Association of Insurance Commissioners ("NAIC") continually reexamine existing laws and regulations and may impose changes in the future that put further regulatory burdens on insurers and that may have an adverse effect on Guardian's business, results of operations and financial condition, which could prevent Guardian from making payments under the applicable Funding Agreement(s) when scheduled. Guardian's business also could be adversely affected by regulations or changes in state law relating to standards of minimum capital requirements and solvency, including RBC measurements, asset and reserve valuation requirements, surplus limits, limitations on investments, limitations on transactions with affiliates, risk-based capital requirements and premium taxes or other regulatory or tax matters. In addition, from time to time regulators raise issues during examinations or audits that could, if determined adversely, have a material impact on Guardian. Guardian cannot predict whether or when regulatory actions may be taken that could adversely affect its operations.

Guardian's insurance business is subject to regulation with respect to policy rates, minimum guarantees and related matters. In addition, assessments are levied against Guardian as a result of mandatory participation in various types of state guaranty associations, which are state associations designed to protect policyholders in the event of insolvencies of insurers. The amounts of such assessments are highly unpredictable and could increase significantly if there is an increase in the number or size of insurance companies which become insolvent or subject to rehabilitation. The net amount of such assessments against Guardian was approximately $4 million, $25 million and $2 million for 2018, 2017 and 2016, respectively. These amounts may not be an indication of future levels of assessments. See "Business of Guardian—Regulation."

Guardian is domiciled in the State of New York and the State of New York accounts for more premium income volume for Guardian than any other state, approximately 18.15% in 2018, 17.91% in 2017 and 18.31% in 2016. Accordingly, changes in New York laws and regulations that apply to business written in New York can affect Guardian disproportionately relative to its competitors. Examples of such changes include increases in premium taxes and resulting retaliatory taxes, other types of assessments, potentially higher reserve and capital requirements and changes such as with respect to disclosure of producer compensation that might have a less direct effect.

Furthermore, limited aspects of Guardian's dental business are subject to the Patient Protection and Affordable Care Act ("ACA"). In the small group market, ACA mandates a minimal level of benefits for pediatric dental care (the "Pediatric Mandate"), which may be sold separately as a stand-alone dental product or embedded in a medical product. The Pediatric Mandate is subject to some of the reform mandates imposed by ACA and may be subject to additional new state-by-state requirements as health care reform is implemented throughout the U.S. in the future. Such mandates could impact Guardian's ability to offer the Pediatric Mandate in the small group market either on or off the federal or state exchanges in future years.

Certain of Guardian's direct and indirect subsidiaries, as well as certain policies and contracts sold by them, are subject to various forms of regulation under the federal securities laws administered by the SEC. The Financial Industry Regulatory Authority, Inc. ("FINRA"), a securities self-regulatory organization, as well as the states in which certain of Guardian's direct and indirect subsidiaries offer securities products, provide investment advisory services, or conduct other securities-related activities, also regulate aspects of Guardian's securities-related businesses. These subsidiaries could be restricted in the conduct of their securities-related businesses should they fail to comply with such laws and regulations. Legal proceedings and regulatory investigations and inquiries with respect to revenue sharing, sales to seniors, and other aspects of the mutual fund and variable annuity businesses are ongoing and expected to continue in the future and could result in legal precedents, as well as new industry-wide legislation, rules, or regulations that could significantly affect the financial services industry, including mutual fund and variable annuity companies affiliated with Guardian. Future laws and regulations, or the interpretation thereof, could materially and adversely affect Guardian's business, results of operations and financial condition.

The NAIC, as well as certain state regulators, are currently considering implementing regulations that would apply an impartial conduct standard to recommendations made in connection with the sale of certain annuities and, in the case of New York, life insurance policies. In particular, on July 18, 2018, the NYSDFS issued a final version of amended Regulation 187, which adopts a "best interest" standard for the sale of life insurance and annuity products in New York. The regulation generally requires a consumer's best interest, and not the financial interests of a producer or insurer, to influence a producer's recommendation as to which life insurance or annuity product a consumer should purchase. In addition, the amendments to Regulation 187 impose a best interest standard on certain consumer in-force transactions. These amendments to Regulation 187 will become effective for annuity products on August 1, 2019 and for life insurance products on February 1, 2020. Guardian is continuing to assess the impact of the regulation on its business and has begun implementing on a plan to be in compliance with the regulation as of the effective dates. The regulation, when implemented, may have adverse effects on Guardian's business, results of operations and financial condition. In November 2018, the three primary agent groups in New York launched a legal challenge against the NYSDFS over the adoption of amended Regulation 187. It is not possible to predict whether this challenge will be successful.

Some of the regulatory authorities that oversee Guardian's businesses are considering or may in the future consider new regulatory requirements intended to assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Guardian cannot predict the substance or impact of pending or future legislation, regulation or the application thereof. Any such changes could affect the way Guardian conducts its business and manages its capital, which in turn could materially affect its results of operations, financial condition and liquidity.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase Guardian's direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on its financial condition or results of operations.

The Dodd-Frank Act and resulting changes in federal laws and regulations continue to adversely affect Guardian's business, results of operations and financial condition.

In July 2010, Congress passed, and President Obama signed, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Policy and rule-making conducted after the enactment of the Dodd-Frank Act has changed and will continue to significantly change financial regulation. The Dodd-Frank Act establishes a general framework for systemic regulation that has imposed mandatory clearing, exchange trading and margin requirements on many derivatives transactions. Although regulations with respect to swaps and other derivatives that are regulated by the Commodity Futures Trading Commission (the "CFTC") have been largely implemented, final implementation for Guardian of requirements relating to initial margining of swaps is expected to go into effect in September 2020. Regulations for security-based swaps, which are regulated by the SEC, have been largely adopted but not yet implemented. These regulations differ in many respects from those adopted by the CFTC, the prudential regulators and regulators in the EU. As a result, it is possible that implementation of SEC regulations could adversely impact Guardian's positions in security-based swaps, such as credit default swaps and equity swaps.

Beginning in September 2020, Guardian will be required to post initial margin to its derivatives counterparties in respect to its swaps positions depending on the size of the swaps books of the broader Guardian group and the applicable threshold established by counterparties. Initial margin positing is required if the Guardian and its affiliated have "material swaps exposure." Under the rules, this requires average daily aggregate notional exposure to uncleared swaps, uncleared security-based swaps, foreign exchange forwards and foreign exchange swaps for specified prior period in excess of $8 billion. Guardian expects that the requirements will be applicable to it. In addition, eligible margin for initial margin for swaps, like that for variation margin, is restricted to cash and liquid securities (such as U.S. government securities, government-sponsored enterprise debt securities, certain sovereign debt and specified corporate debt, listed equities and funds.

To the extent that Guardian's swaps or security-based swaps counterparty collects initial margin from it, Guardian may request that the derivatives counterparty segregate all such initial margin at a custodian. If Guardian does not request segregation, the custodian or counterparty may commingle such assets or collateral with the custodian's or counterparty's own assets or collateral, and in the event of the bankruptcy or insolvency of the custodian or counterparty, such assets and collateral may be subject to the conflicting claims of the creditors of the relevant custodian or counterparty, which may result in a loss to Guardian.

Guardian currently posts variation margin to and collects variation margin from counterparties to swaps subject to regulation by the CFTC, U.S. prudential regulators and authorities in the European Union (the "EU").

In addition, where Guardian enters into certain swaps that are subject to mandatory clearing, Guardian will be required to execute such swaps on a registered exchange or trading platform.

Further, where Guardian enters into a swap with non-U.S. counterparties in the EU, the regulations of the home or resident country of such counterparty generally apply regulatory requirements with respect to such swap that are similar to those adopted by the CFTC and the prudential regulators pursuant to the Dodd-Frank Act. The European Market Infrastructure Regulation ("EMIR"), like the CFTC regulations in effect in the U.S., requires reporting of derivatives and various risk mitigation techniques to be applied to derivatives entered into by parties that are subject to the jurisdiction of EMIR.

The Dodd-Frank Act also establishes a Financial Stability Oversight Council ("FSOC") which has authority to designate non-bank financial companies as systemically important financial institutions ("non-bank SIFIs") thereby subjecting them to enhanced prudential standards and supervision by the Federal Reserve. The prudential standards for non-bank SIFIs include enhanced RBC requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, early remediation procedures and recovery and resolution planning. If the FSOC were to determine that Guardian is a non-bank SIFI, Guardian would become subject to certain of these enhanced prudential standards. Other regulators such as state insurance regulators may also determine to adopt new or heightened regulatory safeguards as a result of actions taken by the Federal Reserve in connection with its supervision of non-bank SIFIs. There can be no assurance that such new or enhanced regulation will not apply to Guardian.

In addition, the Dodd-Frank Act establishes the Federal Insurance Office ("FIO") within the U.S. Department of the Treasury, which has the authority, on behalf of the United States, to participate in the negotiations of international insurance agreements with foreign regulators, as well as to collect information about the insurance industry and recommend prudential standards. While not having a general supervisory or regulatory authority over the business of insurance, the director of the FIO will perform various functions with respect to insurance, including serving as a non-voting member of FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation.

Federal agencies have been given significant discretion in connection with rulemaking pursuant to and implementation of the Dodd-Frank Act. It is unclear what impact the Trump administration's policies and a Republican majority in the Senate will have on the Dodd-Frank Act and the resulting impact on Guardian's business, financial condition or results of operations. Although the Democratic majority in the House of Representatives is unlikely to consider a full repeal of the Dodd-Frank Act, Guardian cannot predict whether any proposal to amend the Dodd-Frank Act will be implemented and whether it would have a material effect on its business, financial condition or operations and cannot currently identify the risks, if any, that may be posed to Guardian's business as a result of changes to, or legislative replacements for, Dodd-Frank.

On February 3, 2017, President Trump signed an executive order directing the Secretary of the Treasury to review the extent to which current financial regulatory policy, which would include the Dodd-Frank Act, promotes the Trump administration's financial regulatory policy aims. The Secretary's report on asset management and insurance was issued on October 26, 2017 and recommended activities-based evaluations of systemic risk in the insurance industry rather than an entity-based approach. The report also supported primary regulation of the U.S. insurance industry by the states rather than the federal government. On November 17, 2017, the Secretary also issued a report recommending changes to FSOC's process for non-bank SIFI designations, including prioritizing an activities-based approach instead of individual designations, and enhancing the analytical process, engagement, and transparency of the designation process. Guardian cannot predict whether any such legislation or regulatory changes will be adopted, or what impact they will have on Guardian's business, financial condition or results of operations.

Litigation and regulatory investigations are common in the life insurance industry and may harm Guardian's business and financial strength and reduce its profitability.

Life insurance companies and their affiliated financial services businesses have historically been subject to substantial litigation, including the risk of individual and class action law suits, resulting from claims disputes or relating to suitability, sales or underwriting practices, product design, disclosure, claims and payment procedures, administration, denial or delay of benefits and breaches of fiduciary or other duties. Most of the actions seek substantial or unspecified compensatory and punitive damages and the probability and amount of liability, if any, may remain unknown for substantial periods of time. Guardian and its subsidiaries are also subject to various regulatory inquiries from time to time, such as information requests and books and record examinations, from state and federal regulators and other authorities. Guardian is, from time to time, a plaintiff or defendant in actions arising out of its insurance business. Litigation, as well as governmental, administrative or regulatory proceedings, inquiries or investigations may harm Guardian's business and financial strength and reduce its profitability. Moreover, even if Guardian ultimately prevails in the litigation, regulatory action or investigation, it could suffer significant harm to its reputation, which could have a material adverse effect on its business, results of operations and financial condition, including its ability to attract new customers, retain current customers and recruit and retain employees and agents.

Changes in tax laws and the interpretation thereof could adversely affect Guardian's business.

Congress has, from time to time, considered legislation that could adversely impact or change the manner of taxing the products Guardian sells and of calculating the amount of taxes paid by life insurance companies or other corporations, including Guardian. Changes to federal, state or other tax laws, or in the interpretation of applicable tax laws and regulations, could reduce Guardian's earnings and adversely affect Guardian's business, financial condition or results of operations.

The attractiveness to Guardian's customers of many of its products may be due, in part, to favorable tax treatment. Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of life insurance and annuity products. Taxes, if any, are payable generally on income attributable to a distribution under the contract for the year in which the distribution is made. Death benefits under life insurance contracts may be received free of federal income tax. Congress has, from time to time, considered legislation that could have the effect of reducing or eliminating the benefit of such income tax deferral or otherwise affect the taxation of life insurance or annuity products. As a result, demand for certain of Guardian's life insurance and annuity products that offer income tax deferral could be negatively impacted. To the extent that legislation is enacted in the future to reduce the tax deferred status of life insurance or annuity products, limit the exclusion of death benefits from income, or reduce the taxation of competing products, all life insurance companies, including Guardian, could be adversely affected. Likewise, reductions in individual tax rates could reduce the attractiveness of tax deferral to Guardian's potential customers.

Congress has from time to time considered material changes to, or a repeal of, the estate tax. Many of Guardian's products are sold to customers in order to help them meet their estate tax planning needs. To the extent that legislation is enacted in the future that would materially change the estate tax, sales of Guardian's products could be adversely affected.

Guardian files U.S. federal income tax returns along with various state and local income tax returns. From time to time, Guardian is subject to audits of its federal, state and local tax returns. Years 2011 and prior are closed for U.S. federal income tax audits. As of the date of this Offering Memorandum, Guardian is under examination by the Internal Revenue Service ("IRS") for tax years 2012-2015. There are a number of state and local governmental audits in process. While Guardian does not expect any material changes as a result of pending audits, there can be no assurance that there will not be any such adjustments in the future.

New accounting rules, changes to existing accounting rules or the granting of permitted accounting practices to competitors could have an adverse effect on Guardian's results of operations and financial condition.

Guardian is required to comply with SAP. SAP and various components of SAP (such as actuarial reserving methodologies) are subject to review by the NAIC and its task forces and committees, as well as state insurance departments, in an effort to address emerging issues and otherwise improve or alter financial reporting. Various proposals are currently, or have been previously, pending before committees and task forces of the NAIC, some of which, if enacted, could negatively affect Guardian. The NAIC has approved a new valuation manual containing a principle-based approach to the calculation of life insurance company reserves. Principle-based reserving ("PBR") is designed to better address reserving for products, including the current generation of products for which the current formulaic basis for reserve determination does not work effectively. Although the principle-based approach became effective on January 1, 2017 in the states in which it has been adopted, to be followed by a three-year phase-in period for business issued on or after this date, New York enacted legislation adopting PBR in December 2018, and, at the same time, the NYSDFS adopted a temporary regulation, to become effective January 2020, to implement PBR while it develops a final regulation.

Guardian cannot predict whether or in what form reforms will be enacted and, if so, whether the enacted reforms will positively or negatively affect it.

In addition, the NAIC Accounting Practices and Procedures Manual provides that state insurance departments may permit insurance companies domiciled therein to depart from SAP by granting them permitted accounting practices. Guardian cannot predict what permitted and prescribed practices the NYSDFS may allow or mandate in the future, nor can Guardian predict whether or when the insurance departments of the states of domicile of its competitors may permit them to utilize advantageous accounting practices that depart from SAP. As of the date of this Offering Memorandum, Guardian has not requested or used any such permitted practices for the Statutory Financial Statements for the year ended December 31, 2018. Moreover, although states defer to interpretations of the insurance department of the state of domicile with respect to regulations and guidelines, neither the action of the domiciliary state nor action of the NAIC is binding on a state. Accordingly, a state could choose to follow a different interpretation. Guardian can give no assurance that future changes to SAP or components of SAP or the granting of permitted accounting practices to its competitors will not have a negative impact on its results of operations or financial condition.

The amount of statutory capital that Guardian has and the amount of statutory capital it must hold can vary significantly from time to time and is sensitive to a number of factors outside of its control, including equity market and credit market conditions.

Insurance regulators and the NAIC prescribe accounting standards and statutory capital and reserve requirements for Guardian and its insurance company subsidiaries. The NAIC has established regulations that provide minimum capitalization requirements based on RBC formulas for both life and property and casualty companies. The RBC formula for life companies establishes capital requirements relating to insurance, business, asset and interest rate risks, including equity, interest rate and expense recovery risks associated with variable annuities and group annuities that contain death benefits or certain living benefits.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors, including the amount of statutory income or losses generated by Guardian (which itself is sensitive to equity market and credit market conditions), the amount of additional capital it must hold to support its business growth, changes in equity market levels, the value of certain fixed-income and equity securities in its investment portfolio, the value of certain derivative instruments that do not get hedge accounting treatment, changes in interest rates and foreign currency exchange rates, as well as changes to the NAIC RBC formulas. Most of these factors are outside of Guardian’s control. Increases in the amount of required statutory reserves reduce the statutory capital used in calculating Guardian’s RBC ratios. In addition, in scenarios of equity market declines, the amount of additional statutory reserves that GIAC is required to hold for its variable annuity guarantees would increase, which would decrease GIAC’s, and, therefore, Guardian’s, statutory surplus.

Guardian’s statutory surplus and RBC ratios have a significant influence on its financial strength and claims paying ratings, which, in turn, are important to its ability to compete effectively. To the extent that Guardian’s statutory capital resources are deemed to be insufficient to maintain a particular rating by one or more rating agencies, it may seek to raise additional capital. If it were not able to raise additional capital in such a scenario for any reason, any ratings downgrade that followed could have a material and adverse effect on its business, results of operations, financial condition and liquidity.

The NAIC and the International Association of Insurance Supervisors (“IAIS”) continue to develop group capital calculations or group capital standards. The NAIC is developing a group capital assessment which is expected to be based on existing RBC measures. The IAIS continues to develop its global “insurance capital standard,” which will serve as the base group capital standard applicable to all internationally active insurance groups. Although federal regulators and the NAIC have engaged with the IAIS in the development of its capital standards, concerns remain about how such global standards will interact with existing U.S. regulatory requirements. Guardian cannot predict what impact these proposed capital standards may have on its operations. It is possible that Guardian or its affiliates may be required to hold additional capital, which may adversely affect its ability to do business.

Guarantees embedded in GMWB riders sold with variable annuity contracts expose GIAC to certain risks.

Certain variable annuities written by GIAC contain guaranteed minimum withdrawal benefit (“GMWB”) riders. These GMWB riders guarantee a minimum level of withdrawal benefits irrespective of the investment performance of the underlying accounts of the variable annuities; as a result, below a certain level, GIAC will be exposed to the difference between the investment value and the guaranteed benefits. Therefore, any decline in capital markets (including equity and debt markets), interest rates or account values may increase GIAC’s exposure to liability for benefit claims under these riders. The amount of statutory reserves related to GMWB is in part tied to the difference between the value of the underlying accounts and the guaranteed benefits. Even if GIAC is not immediately subject to guaranteed minimum withdrawal payments to annuity holders, it may be required to establish this type of reserve due to declines in capital markets or account values.

GIAC currently reinsures or attempts to hedge certain exposures to GMWB riders. A portion of GIAC's GMWB rider business ($495 million out of $8.9 billion total account value at December 31, 2018) is reinsured under a third-party treaty. The remainder is subject to a hedging program, using exchange traded futures contracts tied to various equity and Treasury rate indices. However, the hedge positions may not exactly offset the changes in the carrying value of the guarantees due to, among other things, the time lag between the changes in their values and corresponding changes in the hedge positions, volatility in the equity markets and derivative markets, swings in interest rates, contract holder behavior different than expected and divergence between the performance of the underlying funds and hedging indices. GIAC has a reinsurance agreement with a third-party reinsurer that reinsures 90% of various GMWB riders that were written through December 2008 and introduced prior to September 2008. That reinsurer is an admitted reinsurer in New York. The financial strength ratings of this reinsurer from S&P and Moody's are AA- and Aa3, respectively. The business not covered by the reinsurance treaty is subject to a hedging program. Beginning in September 2008, new GMWB rider forms were introduced, and the business written pursuant to these new rider forms is not subject to reinsurance, instead 100% of such business is subject to the hedging program. For a description of this hedging program and its limitations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs." At December 31, 2018, the account value of all GMWB contracts was approximately $6.6 billion before reinsurance and $6.1 billion after reinsurance. At December 31, 2017, the before and after reinsurance account values were $7.8 billion and $7.2 billion, respectively. At December 31, 2016, the before and after reinsurance account values were $7.4 billion and $6.7 billion, respectively. In addition, the net amount at risk was $1,358 million, $359 million and $653 million at December 31, 2018, 2017 and 2016, respectively.

GIAC's hedging program, using exchange traded futures contracts, does not hedge all risk arising from the riders, including risks associated with sustained volatility in capital markets and policyholder withdrawals, and there can be no assurance that GIAC's hedging program will be effective as designed to reduce the risks which Guardian does seek to hedge. The models used to guide the hedging activities are based on actuarial and capital market assumptions which are only estimates of future events. To the extent policyholder behavior, capital market developments, or other events deviate from model assumptions, this hedging program may be negatively impacted, which could materially affect GIAC's financial condition or results of operations. See "—Reinsurance may not be available, affordable, or adequate to protect Guardian against losses" and "—Counterparties to Guardian's reinsurance arrangements and other contracts may fail to perform, which could adversely affect its results of operations and financial condition."

As a mutual insurance company, Guardian has limited access to capital, and the ability of its subsidiaries to pay dividends is restricted under applicable insurance laws.

Guardian is a mutual insurance company with no capital stock and no shareholders. Consequently, it is unable to access directly the public equity markets as a means to raise capital. As of December 31, 2018, Guardian had outstanding surplus notes in the aggregate principal amount of $1.2 billion and no other long-term indebtedness outstanding. In addition, the Issuer has issued $1.5 billion in funding agreement-backed notes, which are secured by funding agreements issued by Guardian. Guardian does not rely on dividends from its subsidiaries to meet its operating cash flow requirements or to service its obligations under the surplus notes. For the year ended December 31, 2018, Guardian received approximately $44 million in cash and non-cash dividends from its subsidiaries. Guardian records these dividends as net investment income. No assurances can be given that these subsidiaries will pay dividends to Guardian in the future.

Guardian has not historically relied on dividends from its subsidiaries to meet its operating cash flow requirements. Historically, Guardian has reinvested a substantial portion of its unrestricted earnings in BLICOA, FCW and GIAC. Substantially all of the statutory surplus of Guardian's life insurance subsidiaries, including BLICOA and GIAC, of approximately $994 million, $984 million and $1.034 billion, at December 31, 2018, 2017 and 2016, respectively, is subject to dividend restrictions imposed by statutory authorities. Under the laws of Delaware and Massachusetts, the domiciliary states of GIAC and BLICOA, respectively, dividends in excess of unassigned funds require regulatory approval. In addition, BLICOA and GIAC must seek regulatory approval prior to paying a dividend whose fair market value together with other dividends within the preceding twelve months exceeds the greater of (i) 10% of the insurer's policyholder surplus as of the last day of December next preceding or (ii) the net gain from operations of the insurer for the twelve-month period ending the last day of December next preceding. Based on their respective statutory basis financial results as of December 31, 2018, Guardian's life insurance subsidiaries, including BLICOA and GIAC, would have been able to pay dividends to Guardian in 2018, 2017 and 2016 of up to $171 million, $177 million and $138 million, respectively without obtaining the prior approval of their applicable insurance regulators. For the years ended December 31, 2018, 2017 and 2016, Guardian received an aggregate of $44 million, $47 million and $12 million, respectively, in cash and noncash dividends from its subsidiaries. Guardian can make no assurance regarding the timing or amount of dividends, if any, that may be paid by these subsidiaries to Guardian in the future. GIS and FCW are not subject to dividend restrictions imposed by statutory authorities but may pay dividends up to but not exceeding any accumulated earnings. As of December 31, 2018, FCW had accumulated earnings of $105 million and would be able to pay a dividend of up to $105 million in 2019. As of December 31, 2017, FCW had accumulated earnings of $71 million and would be able to pay a dividend of up to $71 million in 2018. As of December 31, 2016, FCW had accumulated earnings of $44 million and would have been able to pay a dividend up to $44 million in 2017.

In addition to restrictions on the ability of Guardian's insurance subsidiaries to pay dividends to it, if Guardian were to need access to additional capital for any reason, its ability to obtain such capital could be limited and the cost of any such capital could be significant if the securities and credit markets experience volatility or disruption. Guardian's access to additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to Guardian's industry, Guardian's credit ratings and credit capacity, as well as the possibility that lenders could develop a negative perception of Guardian's long- or short-term financial prospects. Similarly, Guardian's access to funds could be impaired if regulatory authorities or rating agencies took negative actions against Guardian, such as a ratings downgrade. If a combination of these factors were to occur, Guardian might not be able to successfully obtain additional financing, if needed. As such, Guardian could be forced to delay raising capital, or perhaps issue different types of capital than it would otherwise, less effectively deploy such capital, issue shorter tenor securities than it would prefer, or bear an unattractive cost of capital, which could decrease its profitability and significantly reduce its financial flexibility.

Guardian's reserves for future policy benefits and claims related to the company's current and future business as well as businesses Guardian may acquire in the future may prove to be inadequate.

Guardian's reserves for future policy benefits and claims may prove to be inadequate. Guardian establishes and carries, as a liability, reserves based on estimates of how much the company will need to meet policyholder obligations, including the payment of future benefits and claims. For Guardian's life insurance and annuity products, these reserves are calculated based on methodologies required by the NYSDFS for statutory reserves, using mortality tables specified by the NYSDFS, as well as minimum interest rates also specified by the NYSDFS, and contract language. Guardian also sets up reserves to meet policyholder obligations on group insurance and disability insurance. Claim reserves reflect a combination of actual experience and industry experience, as well as, where mandated, experience tables specified by state insurance departments. It cannot be exactly determined with precision the ultimate amounts that will be paid, or the timing of payment of, actual benefits and claims or whether the assets supporting the policy liabilities will grow to the level assumed prior to payment of benefits or claims. Since Guardian cannot precisely determine the amount or timing of actual future benefits and claims, actual results could differ significantly from those assumed. Deviations from one or more of these estimates and assumptions could have a material adverse effect on Guardian's results of operations or financial condition. If Guardian concludes that reserves, together with future premiums, are insufficient for payments of benefits and expenses, Guardian may seek to increase premiums where it is able to do so.

Reinsurance may not be available, affordable or adequate to protect Guardian against losses.

As part of Guardian's overall risk management strategy, it purchases reinsurance for certain risks underwritten by Guardian's various business segments. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond Guardian's control determine the availability and cost of the reinsurance protection for new business. In certain circumstances, the price of reinsurance for business already reinsured may also increase. Any decrease in the amount of reinsurance will increase Guardian's risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce Guardian's earnings. Accordingly, Guardian may be forced to incur additional cost for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect its ability to write future business or result in the assumption of more risk with respect to those policies Guardian issues.

Guardian reinsures its business with various reinsurers. In order to enter into a reinsurance treaty with Guardian or its subsidiaries, the reinsurer must meet various standards in terms of financial strength and ratings. Guardian reinsures its participating life business, universal life business and variable universal life business mortality risk on any face amount issued in excess of Guardian's general retention limit of $17.5 million per life. For term insurance, Guardian coinsured between 76% and 90% of all term life insurance business on a first dollar quota share basis until May 1, 2014. Starting May 1, 2014, Guardian cedes amounts in excess of $2 million per life of newly issued term life insurance to a pool of four reinsurers on an automatic yearly renewable term basis. Term life insurance business may also be ceded to the same four reinsurers on a facultative basis. Also, starting May 1, 2014, Guardian has a coinsurance with funds withheld reinsurance agreement, with one reinsurer, covering 90% of its level term life insurance amounts net of the excess of $2 million retention on yearly renewable term reinsurance. See "Business of Guardian—Reinsurance."

All life insurance reinsurance treaties are covered by a pool of reinsurers. 43% of Guardian's individual life insurance face amount is reinsured as of December 31, 2018. Of the face amount reinsured, over 89% is ceded to four third-party reinsurers. The remaining percentage of the face amount reinsured is spread among a number of other companies. Some of these agreements are closed to new business. However, the reinsurance treaties covering the closed blocks of business remain in force as to these closed blocks. Group long-term disability and individual disability income treaties reinsure monthly policy benefits in excess of a specific monthly income benefit; however, individual disability income policies issued on or after January 1, 2016 are not reinsured. Variable annuity guaranteed minimum death benefits ("GMDB") riders issued through December 2009 are reinsured 100% with two reinsurers, each of which has a financial strength rating of at least AA- from S&P, while GIAC generally retains the basic return of premium ("ROP") death benefit. Variable annuity GMWB riders issued through December 2008 on riders introduced prior to September 2008 are 90% reinsured with one company. There can be no assurances that the reinsurance on the GMWB riders will be adequate to protect Guardian from losses that may adversely affect its financial condition.

Counterparties to Guardian's reinsurance arrangements and other contracts may fail to perform, which could adversely affect its results of operations and financial condition.

Guardian uses reinsurance to mitigate its risks in various circumstances. See "—Reinsurance may not be available, affordable or adequate to protect Guardian against losses." In general, reinsurance does not relieve Guardian of its direct liability to its policyholders, even when the reinsurer is liable to the cedant. Accordingly, Guardian bears credit risk with respect to its reinsurers. Guardian cannot provide assurance that its reinsurers will pay the reinsurance recoverables owed to it now or in the future or that they will pay these recoverables on a timely basis. A reinsurer's insolvency, inability or unwillingness to make payments under the terms of reinsurance agreements with Guardian could have an adverse effect on its results of operations and financial condition.

Guardian is engaged in a highly competitive business. Competitive factors may adversely affect Guardian's market share and profitability.

The life insurance industry is highly competitive. There are a large number of life insurance companies in the United States, many of which offer insurance products similar to those marketed by Guardian and may have advantages over Guardian in one or more of the competitive factors listed below. In addition to competition from within the industry, insurers are increasingly facing competition from non-traditional sources in the financial services industry, including mutual fund companies, banks, securities brokerage houses and other financial services entities. Recent industry consolidation, including acquisitions of insurance and other financial services companies in the United States by international companies, has resulted in larger competitors with strong financial resources, marketing and distribution capabilities and brand identities. Some competitors also offer a broader array of products, have more competitive pricing or, with respect to other insurers, have higher claims paying ability ratings. National banks, which may sell annuity products of life insurers in some circumstances, also have pre-existing customer bases for financial services products.

Competitiveness in the insurance business is affected by various factors including, but not limited to, name recognition, price, financial strength ratings, size and strength of distribution force, range of product lines, product features, commission structure, product quality, servicing ability, investment performance and general reputation. There can be no assurance that Guardian will be able to compete successfully against current and future competitors or that competitive pressures faced by Guardian will not materially and adversely affect its business, operating results and financial condition. See “Business of Guardian—Commercial and Government Markets— Commercial and Government Markets Product Competition,” “Business of Guardian—Individual Markets—Insurance Products—Individual Insurance Competition.” and “Business of Guardian—Individual Markets—Individual Wealth Management and Retirement Savings— Individual Annuities Products and Services Competition.”

The life insurance industry is rapidly evolving toward the use of information technology and data in underwriting risks rather than relying on the analysis of blood and urine samples. Guardian’s competitive posture may be impacted if it does not keep pace with these changes or implements them incorrectly.

Many of Guardian’s group insurance products are underwritten annually, and, accordingly, there is a risk that group purchasers may be able to obtain more favorable terms from competitors rather than renewing their existing coverage with Guardian. The effect of competition may, as a result, adversely affect the persistency of these and other products, as well as Guardian’s ability to sell products in the future.

In addition, the investment management and securities brokerage businesses have relatively few barriers to entry and continually attract new entrants. Many of Guardian’s competitors in these businesses offer a broader array of investment products and services and are better known than Guardian as sellers of annuities and other investment products.

If Guardian is unable to attract and retain independent agents, career agents, General Agents and key personnel, its ability to compete and its revenues could suffer.

Guardian’s career agency force is the primary means by which it distributes life insurance and annuity products. In order to continue increasing life insurance and annuity sales, Guardian must attract, develop and retain those who are or can be productive career agents.

Insurance companies compete vigorously for productive agents. Guardian competes with other life insurance companies for agents primarily on the basis of its financial position, support services, compensation and product features. Such agents may promote products offered by other life insurance companies that may offer a larger variety of products than Guardian does. Guardian’s competitiveness for such agents also depends upon the long-term relationships it develops with them. In addition, securing the future of Guardian’s individual market distribution requires Guardian to continue to attract and recruit successful General Agents. If Guardian were unable to attract and retain sufficient agents or General Agents, its ability to compete and its results of operations or financial condition could be impacted.

The success of Guardian’s businesses also largely depends on its ability to attract and retain key personnel. Strong competition exists for qualified personnel, including actuaries and portfolio managers, with demonstrated ability. Inability to attract key personnel, or attract and retain additional qualified personnel, could harm Guardian’s results of operations and financial condition.

Guardian’s profitability may decline if mortality rates or persistency rates or other assumptions differ significantly from pricing expectations.

Guardian sets prices for many of its insurance and annuity products based upon expected claims and payment patterns, using assumptions for mortality, persistency (how long a contract stays in-force) and interest rates. In addition to the potential effect of natural or man-made disasters, significant changes in mortality could emerge gradually over time, due to changes in the natural environment, the health habits of the insured population, effectiveness of treatment for disease or disability, or other factors. In addition, Guardian could fail to accurately anticipate changes in other pricing assumptions, including changes in interest and inflation rates. Significant negative deviations in actual experience from Guardian's pricing assumptions could have a material adverse effect on the profitability of its products. Guardian's earnings are significantly influenced by the claims paid under its insurance contracts and will vary from period to period depending upon the amount of claims incurred.

Guardian's Individual Life Insurance business consists primarily of participating policies. A significant increase in death benefits could result in a reduction of the dividends paid to participating policyholders of Guardian. A reduction in these dividends could reduce Guardian's ability to compete with other issuers of participating policies.

There is only limited predictability of claims or persistency experience within any given month or year. Guardian's future experience may not match its pricing assumptions or its past results. As a result, Guardian's results of operations and financial condition could be materially adversely affected, which could prevent Guardian from making payments under the applicable Funding Agreement(s) when scheduled.

GIAC sells single premium deferred annuities ("SPDA") that have a surrender charge period of up to seven years. SPDAs were sold starting in 1996. This block has a total account value of $218 million as of December 31, 2018. Policies sold from 1996–2011 no longer have a surrender charge and account for $203 million of the total account value. A total of $2 million of account value at December 31, 2018 is attributed to business which comes out of the surrender charge period in 2019 because it was written in 2012. Generally, when policies come out of the surrender charge period policyholders are more likely to withdraw their funds because they can do so without penalty. Each year, additional fixed annuities will come out of their surrender charge period. Guardian attempts to anticipate this additional lapse experience when it initially prices these products. An increase in surrenders could materially affect GIAC's financial condition or results of operations.

GIAC also sells single premium immediate annuities ("SPIA") and deferred income annuities ("DIA"). SPIAs were sold starting in 2010, and DIAs were sold starting in 2013. SPIA includes a single initial premium, and annuitization commences within the first year. DIA includes an initial premium and allows for additional premium payments between the initial premium date and annuity commencement. DIA annuitization is deferred at least 24 months from the issue date or 13 months from the last premium deposit, whichever is later. Annuitization for both products can be in the form of a life contingent annuity, a life contingent annuity with a term certain period or an annuity for a term certain. As of December 31, 2018, total statutory reserves for SPIA and DIA are $1.7 billion and $702 million, respectively.

Guardian has made, and expects to continue to make, strategic acquisitions, the success of which depends on numerous factors.

Guardian has acquired businesses and will continue to evaluate strategic acquisition opportunities that have the potential to support and strengthen its business. Guardian can give no assurances, however, that any acquisition opportunities will arise or, if they do, that they will be consummated, or that additional financing or capital, if needed, will be available on satisfactory terms. Guardian also cannot guarantee the success of any such acquisition. Guardian may not be able to achieve the synergies and other benefits that are expected from the integration of acquisitions as successfully or rapidly as projected, if at all. If Guardian fails to manage current and future acquisitions effectively, including failing to maintain or enhance the key business relationships and the reputations of acquired businesses, Guardian's results of operations could be adversely affected.

In addition, some of Guardian's acquired businesses have contracted with U.S., state and local governments. For this reason, any issue that compromises Guardian's relationship with governments could cause Guardian's revenue to decline. Among the key factors in maintaining Guardian's relationship with the governments it serves is its performance on contracts, the strength of its professional reputation and compliance with applicable laws and regulations. In addition, the mishandling or the perception of mishandling of sensitive or personal information, including as a result of misconduct or other improper activities by Guardian's employees or subcontractors, or a failure to maintain adequate protection against security breaches could harm Guardian's relationship with the governments it serves. Any harm to Guardian's relationship with the governments it serves could have an adverse effect on Guardian's business.

The impact of international tension between the United States and other nations, terrorist attacks and ongoing military and other actions may result in decreases in net income, revenue and assets under management and may adversely affect Guardian's investment portfolio.

The continued threat of terrorism both within the United States and abroad, the ongoing military and other actions and heightened security measures in response to these threats, and international tensions between the United States and other nations may cause disruptions to commerce, reduced economic activity and continued volatility in markets throughout the world. Such factors could affect Guardian's net income and revenue.

Guardian may also face increased death benefit claims as a result of war, terrorism or natural disaster. Although Guardian has contingency plans in place, a major terrorist act on the United States or natural disaster may materially disrupt Guardian's critical operations. Some of the assets in Guardian's investment portfolio may also be adversely affected by declines in the securities markets and economic activity as a result of these factors.

A pandemic or other catastrophic event could adversely affect Guardian's results of operations and financial condition.

A severe pandemic or catastrophic event may cause significant volatility in global financial markets, disruptions to commerce and reduced economic activity. The resulting macroeconomic conditions could materially and adversely affect Guardian's cash flows, as well as the value and liquidity of its invested assets. In addition, Guardian's mortality and/or morbidity experience could be adversely affected by a pandemic or catastrophic event, resulting in a rapid and significant increase in policy benefits paid. Significant influenza pandemics have occurred in the last century, but the likelihood, timing and the severity of a future pandemic cannot be predicted.

The effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of such a pandemic could have an adverse impact on the losses experienced by Guardian. Guardian may also experience operational disruptions if its employees are unable or unwilling to come to work due to a pandemic or other catastrophe. Guardian has developed contingency plans to reduce the risk of operational disruptions. Despite these measures, Guardian may still be exposed to significant losses in the event of a pandemic or other catastrophe.

A computer system failure or security breach could disrupt Guardian's business, damage its reputation and adversely impact its profitability.

Guardian relies on computer systems to conduct business, including customer service, marketing and sales activities, customer relationship management and producing financial statements. While Guardian has policies, procedures, automation and backup plans designed to prevent or limit the effect of failure, its computer systems may be vulnerable to disruptions or breaches as the result of natural disasters, man-made disasters, criminal activity, pandemics or other events beyond its control. The failure of Guardian's computer systems for any reason could disrupt its operations, result in the loss of customer business and adversely impact its profitability.

Guardian retains confidential information on its computer systems, including customer information and proprietary business information, and such information may also be stored on the systems of third parties to whom Guardian outsources certain functions or the systems of its career agents. Guardian's career agents may experience, and have experienced, breaches of their computer systems that resulted in the compromise of personally identifiable customer information. Any compromise of the security of these computer systems, including the disclosure of personally identifiable customer information, could damage Guardian's reputation, expose it to litigation, increase regulatory scrutiny and require Guardian to incur significant technical, legal and other expenses.

The area of cybersecurity has come under increased scrutiny by insurance regulators. New York's cybersecurity regulation for financial services institutions, including banking and insurance entities, that are under the jurisdiction of the NYSDFS became effective on March 1, 2017. The regulation requires these entities to establish and maintain a cybersecurity program designed to protect consumers' private data and the confidentiality, integrity and availability of the licensee's information systems. The NAIC adopted the Insurance Data Security Model Law (the "Cybersecurity Model Law") on October 24, 2017, which establishes standards for data security and for the investigation of and notification of insurance commissioners of cybersecurity events involving unauthorized access to, or the misuse of, certain nonpublic information. The Cybersecurity Model Law imposes significant new regulatory requirements intended to protect the confidentiality, integrity and availability of information systems. Its implementation will be based on adoption by state legislatures. Importantly, the Cybersecurity Model Law states that a licensee's compliance with the New York cybersecurity regulation shall constitute compliance with the Cybersecurity Model Law. Most recently, California passed its California Consumer Privacy Act of 2018 (the "Act"), which is set to become effective on January 1, 2020. Guardian continues to evaluate the impact of the Act on its business. Guardian has assessed the impact of the CCPA to its current processes and is in the process of addressing any required modifications.

Guardian may not be able to protect its intellectual property and may be subject to infringement claims.

Guardian relies on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect its intellectual property. Although Guardian uses a broad range of measures to protect its intellectual property rights, third parties may infringe or misappropriate its intellectual property. Guardian may have to litigate to enforce and protect its copyrights, trademarks, patents, trade secrets and know-how or to determine their scope, validity or enforceability, which represents a diversion of resources that may be significant in amount and may not prove successful. Additionally, complex legal and factual determinations and evolving laws and court interpretations make the scope of protection afforded Guardian's intellectual property uncertain. The loss of intellectual property protection or the inability to secure or enforce the protection of its intellectual property assets could have a material adverse effect on its business and ability to compete.

Guardian also may be subject to costly litigation in the event that another party alleges its operations or activities infringe upon another party's intellectual property rights. Guardian may be subject to claims by third parties for breach of copyright, trademark, patent, trade secret or license usage rights. If Guardian were found to have infringed third-party intellectual property rights, Guardian could incur substantial liability, and in some circumstances could be enjoined from providing certain products or services to its customers or utilizing and benefiting therefrom, all of which could have a material adverse effect on its business, results of operations and financial condition.

Guardian is exposed to the impact of changes in interest rates on its pension funding obligations.

Guardian sponsors non-contributory defined benefit pension plans covering all eligible Guardian employees and career agents. These include tax-qualified plans, as well as nonqualified plans providing benefits to certain participants in excess of ERISA limits for qualified plans. The valuation of the defined benefit plan liabilities is sensitive to changes in interest rates. A significant decrease in interest rates has the potential to negatively impact Guardian's capital as changes in the fair value of the defined benefit plan liabilities are charged to capital.

On February 21, 2017, the Company announced a plan amendment to close the Home Office Employees' Retirement Plan to employees hired on or after January 1, 2018. Home Office employees hired on or after January 1, 2018 will be offered a new defined contribution plan.

On February 16, 2018, the Company contributed $18.1 million to the Field Clerical Pension Plan to cover a funding shortfall in the plan. On February 20, 2018 the Company made a cash payment to purchase a group annuity contract to settle the remaining obligations to participants in the Field Clerical Pension Plan. As of December 31, 2018, the Company has no further obligation relating to the Field Clerical Pension Plan.

Certain of Guardian's administrative operations are located internationally, subjecting Guardian to various international risks and increased compliance and regulatory risks and costs.

Certain of Guardian's administrative operations are located in Canada and India and, in the future, Guardian may seek to expand its operations in those or into other countries. As a result of these operations, Guardian may be exposed to economic, operating, regulatory and political risks in those countries, such as foreign investment restrictions, substantial fluctuations in economic growth, high levels of inflation, volatile currency exchange rates and instability, including civil unrest, terrorist acts or acts of war, which could have an adverse effect on Guardian's business, financial condition and results of operations. Further, it may prove difficult for Guardian to achieve its goals and take advantage of growth opportunities due to a lack of comprehensive market knowledge. The political or regulatory climate in the United States could also change such that it would no longer be lawful or practical for Guardian to use international operations in the manner in which they are currently conducted. If Guardian had to curtail or cease operations in India or Canada and transfer some or all of these operations to another geographic area, Guardian would incur significant transition costs as well as higher future overhead costs that could adversely affect Guardian's results of operations.

In many foreign countries, particularly in those with developing economies, it may be common to engage in business practices that are prohibited by laws and regulations applicable to Guardian, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA") and similar anti-bribery laws. Any violations of the FCPA or other anti-bribery laws by Guardian, its employees, subsidiaries or local agents, could have an adverse effect on Guardian's business and reputation and result in substantial financial penalties or other sanctions.

USE OF PROCEEDS

The proceeds from the sale of each Series of Notes issued under the Program, net of underwriting discounts and commissions or similar applicable compensation will be used immediately by the Issuer to purchase one or more Funding Agreements from Guardian.

DESCRIPTION OF THE ISSUER

This section provides an overview of the material provisions of the Trust Agreement, dated as of April 11, 2016 (the "Trust Agreement"), between the Administrative Trustee and the Trust Beneficial Owner and the Certificate of Trust (the "Certificate of Trust") filed with the Secretary of State of the State of Delaware on April 11, 2016. These documents are not restated in their entirety and prospective investors should read the actual documents.

General

The Issuer is a special purpose statutory trust created on April 11, 2016 under the laws of the State of Delaware pursuant to the Trust Agreement and the filing of the Certificate of Trust for the purpose of, among other things, issuing the Notes. The exclusive purposes of the Issuer are, and the Issuer shall have the power and authority, to:

- enter into the transaction documents;
- issue and sell the Notes;
- use the net proceeds from the sale of the Notes to purchase one or more Funding Agreements;
- pledge, collaterally assign and grant a security interest in the Series Collateral to the Indenture Trustee; and
- engage in only those other activities necessary or incidental thereto.

The principal executive office of the Issuer is located at Guardian Life Global Funding, c/o: Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attn: Corporate Trust Administration; its telephone number is (302) 636-6000; and its facsimile number is (302) 636-4140. The organization identification number of the Issuer is 6013334. The Issuer's LEI Code is 635400NHILJ5JEKILC36.

The Issuer is Organized in Series

The Trust Agreement provides that the Issuer will be organized in series, as permitted by Sections 3804(a) and 3806(b)(2) of the Trust Act.

In connection with the issuance of each Series of Notes, the Issuer will:

- create a separate Series of the Issuer pursuant to a Series Trust Agreement (as defined in the Trust Agreement);
- issue and sell the Notes of such Series of Notes with respect to the applicable Series of the Issuer; and
- purchase each related Funding Agreement from Guardian and procure the other components of the Series Collateral with respect to the applicable Series of the Issuer. See "Description of the Notes—General—Security; Limited Recourse."

Accordingly, the applicable Series of Notes and the liabilities, obligations and expenses related thereto will constitute debt, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to the applicable Series of the Issuer. The Series Collateral for the applicable Series of Notes will constitute the assets of, and be associated with, such Series of the Issuer.

Although the applicable Series of the Issuer will not be a separate legal entity, the Trust Act provides that, if the Issuer complies with all applicable statutory requirements, the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to a particular Series of the Issuer will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. In addition, under the Trust Act, none of the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to the Issuer generally or any other Series of the Issuer will be enforceable against the assets of such Series of the Issuer. Notice of this limitation on liabilities of each Series of the Issuer is set forth in the Certificate of Trust.

Administrative Trustee

Wilmington Trust, National Association will be the sole administrative trustee of the Issuer generally and with respect to each Series of the Issuer, and has agreed, under the terms of the Trust Agreement to provide certain administrative services to the Issuer generally and with respect to each Series of the Issuer until such time as the relevant Series Trust is terminated. A Series Trust shall be terminated following the payment to each of the Holders of the relevant series of Notes, and the Series Beneficial Owner of all amounts required to be paid to them pursuant to such series of Notes, the relevant Series Indenture, the Trust Agreement, the relevant Series Trust Agreement and other program documentation. Under the Trust Agreement, the Administrative Trustee may resign at any time upon 60 days' notice to the Trust Beneficial Owner and the Indenture Trustee and may also be removed by the Trust Beneficial Owner and the Indenture Trustee for cause in case of the Administrative Trustee being adjudged bankrupt or subject to analogous proceedings. The resignation or removal of the Administrative Trustee shall become effective upon appointment by the Trust Beneficial Owner and the Indenture Trustee of a successor Administrative Trustee and the acceptance of such appointment by the successor Administrative Trustee. The Administrative Trustee has not participated in the preparation of this Offering Memorandum and will not be obligated in any way to make any payments under or in respect of the Notes. The Administrative Trustee is not affiliated with Guardian, the Trust Beneficial Owner, the Series Beneficial Owner, the Indenture Trustee or any of their respective affiliates.

Trust Beneficial Owner and Series Beneficial Owner

The Trust Beneficial Owner will be the sole owner of a beneficial interest in the Trust generally and the Deposit of the Issuer. After the payment in full to the Holders of a Series of Notes of all amounts required to be paid to them and the satisfaction of all other expenses and liabilities of the relevant Series of the Issuer, GSS Holdings II, Inc., as the Series Beneficial Owner, will be entitled to receive any remaining Series Property (as defined in the Trust Agreement) of the relevant Series of the Issuer. As such, the Series Beneficial Owner will be the sole "beneficial owner" of each Series of the Issuer (as defined and used in Sections 3801(b) and 3806(b)(2) of the Trust Act). Neither the investment by the Trust Beneficial Owner nor any investment by the Series Beneficial Owner will be secured by the Series Collateral relating to any Series of Notes.

No Affiliation

None of Guardian or any of its officers, directors, subsidiaries or affiliates owns any beneficial interest in the Issuer nor has any of these persons or entities entered into any agreement with the Issuer other than:

- a license agreement pursuant to which, among other things, Guardian has granted to the Issuer a non-exclusive license to use the name "Guardian Life" as provided therein in connection with the Program;
- the Support Agreement (as defined herein);
- the Purchase Agreement dated April 18, 2016 (the "Purchase Agreement"), among the Issuer, Guardian and the Purchasing Agents; and
- the Funding Agreements and certain other documents contemplated by the Program in connection with the issue and sale of the Funding Agreements and the Notes of each Series.

None of Guardian, its officers, directors, subsidiaries or affiliates is affiliated with the Trust Beneficial Owner, the Series Beneficial Owner, the Administrative Trustee or the Indenture Trustee.

Records and Financial Statements

As required by the Trust Act:

- separate and distinct records (directly or indirectly, including through a nominee or otherwise) will be maintained for each Series of the Issuer; and
- the assets associated with each such Series of the Issuer will be held in such separate and distinct records and maintained separately from the assets of the Issuer generally and from the assets of each other Series of the Issuer.

Delaware law does not require that the Issuer, either generally or with respect to any Series of the Issuer, prepare financial statements. The Issuer has not prepared financial statements as of the date of this Offering Memorandum, and it is not anticipated that any such financial statements will be prepared with respect to the Issuer generally or with respect to any Series of the Issuer.

Expenses of the Issuer

The Issuer has entered into a Support and Expenses Agreement, dated as of April 18, 2016 (the "Support Agreement"), with Guardian, pursuant to which Guardian has agreed to indemnify the Issuer with respect to any and all of the costs, losses, damages, claims, actions, suits, expenses (including reasonable fees and expenses of counsel), disbursements, taxes, penalties and liabilities of any kind or nature of the Issuer, other than the following: (i) any obligation of the Issuer to make any payment to any Holder in accordance with the terms of the Notes; (ii) any obligation or expense of the Issuer to the extent that such obligation or expense has actually been paid utilizing funds available to the Issuer from payments under the applicable Funding Agreements; (iii) except for any amounts payable to the Administrative Trustee or the Custodian, any cost, loss, damage, claim, action, suit, expense, disbursement, tax, penalty and liability of any kind or nature whatsoever resulting from or relating to any insurance regulatory or other governmental authority asserting that: (a) the Notes are, or are deemed to be, (1) participations in the Funding Agreements or (2) contracts of insurance; or (b) the offer, purchase, sale and/or transfer of the Notes (1) constitute the conduct of the business of insurance or reinsurance in any jurisdiction or (2) require the Issuer, any Purchasing Agent, or any Holder to be licensed as an insurer, insurance agent or broker in any jurisdiction; (iv) any withholding taxes imposed on or with respect to payments made under any Funding Agreement, the Indenture, any Series Indenture or any Note; and (v) any cost, loss, damage, claim, action, suit, expense, disbursement, tax, penalty and liability of any kind or nature whatsoever resulting from or relating to the acts or failures to act of any Service Provider (as defined in the Support Agreement) to the extent that such Service Provider would not be entitled to indemnification or payment from the Issuer in connection with any such act or failure to act pursuant to the terms of any agreement between the Issuer and such Service Provider in effect on the date of the Support Agreement.

Custodial Agreement

The Issuer has entered into a Custodial Agreement, dated as of April 18, 2016 (the "Custodial Agreement") with Wilmington Trust, National Association, as custodian (the "Custodian") and the Indenture Trustee, pursuant to which the Issuer and the Indenture Trustee have appointed the Custodial as custodian for the Issuer with respect to each Funding Agreement that is pledged and collaterally assigned to the Indenture Trustee pursuant to the Indenture and each relevant Series Indenture, and that comes into the physical custody or possession of the Custodian under the Custodial Agreement.

CAPITALIZATION OF THE ISSUER

The following table presents the Issuer's capitalization as of December 31, 2018, prepared in conformity with GAAP.

	As of December 31, 2018
Debt:	
Short-Term Debt[(1)]	$ 0
Long-Term Debt[(1)]	1,500,000,000
Total Debt	$ 1,500,000,000
Equity:	
Paid in Capital	$ 1,000
Retained Earnings	0
Accumulated Other Comprehensive Income	0
Total Equity	$ 1,000
Total Capitalization	$ 1,500,001,000

(1) Reflects $500,000,000 principal amount of Guardian Life Global Funding Series 2016-1, Tranche 1 2.000% Fixed Rate Notes due 2021, $300,000,000 principal amount of Guardian Life Global Funding Series 2016-2, Tranche 1 1.950% Fixed Rate Notes due 2021, $400,000,000 principal amount of Guardian Life Global Funding Series 2017-1, Tranche 1 2.500% Fixed Rate Notes due 2022 and $300,000,000 principal amount of Guardian Life Global Funding Series 2018-1, Tranche 1 3.400% Fixed Rate Notes due 2023.

CAPITALIZATION OF GUARDIAN

As a mutual insurance company, Guardian has no capital stock and no shareholders. Guardian's participating policyholders generally have certain rights to receive policyholder dividends declared by the Board of Directors. Such declarations are at the full discretion of the Board of Directors. See "Financial and Accounting Matters—Policyholder Dividends and Other Experience Credits." These policyholders also have certain rights to vote in the election of directors as provided by the laws of the State of New York. They and certain other policyholders may have rights to receive distributions in a proceeding for the rehabilitation, liquidation, conservation or dissolution of Guardian.

Guardian's balance sheet includes its surplus and an asset value reserve (an "AVR"). The amount by which the admitted assets of Guardian exceed its liabilities is referred to as surplus. The AVR stabilizes surplus from fluctuations in the value of the investment portfolio (other than fluctuations in the value of certain fixed income investments due to interest rate changes) of Guardian.

The following table sets forth the actual capitalization of Guardian as of December 31, 2018 prepared in accordance with SAP. The AVR is included in the following table even though such reserve is shown as a liability on Guardian's balance sheet. This treatment is consistent with the general view of the insurance industry. In addition, such reserve is included as part of total adjusted capital for risk-based capital purposes.

	As of December 31, 2018 ($ in Millions)
Debt:	
Short-Term Debt	$ 0
Medium Term Debt	0
Long-Term Debt	0
Total Debt	0
AVR	879
Surplus:	
Surplus Notes	1,198
Policyholders' Surplus	5,974
Surplus and AVR	$ 7,172

BUSINESS OF GUARDIAN

Founded on July 10, 1860 and incorporated in the State of New York, Guardian is the fourth largest U.S. mutual life insurance company based on statutory surplus of $7.2 billion, $6.7 billion and $6.2 billion as of December 31, 2018, 2017 and 2016, respectively, according to peer data compiled by the NAIC. Guardian primarily operates in the ordinary life insurance business, but also provides, directly or through its subsidiaries, a wide range of group, disability, wealth management and retirement savings products and services, as well as investment services. The Company provides its products and services to individuals, corporations and other institutions in all 50 states of the United States and the District of Columbia. Guardian's major subsidiaries include BLICOA, FCW, GIAC and GIS. As of December 31, 2018, 2017 and 2016, Guardian had total assets of $58.5 billion, $55.6 billion and $51.9 billion, respectively. As of December 31, 2018, 2017 and 2016, respectively, Guardian had total life insurance in-force of $659.5 billion, $628.8 billion and $590.8 billion, respectively. For the years ended December 31, 2018, 2017 and 2016, Guardian generated total premium income of $8.4 billion, $8.1 billion and $7.8 billion, respectively. For the years ended December 31, 2018, 2017 and 2016, Guardian's net gain from operations totaled $1.4 billion, $1.4 billion and $1.4 billion, respectively and net income totaled $310 million, $423 million and $368 million, respectively. Guardian's insurance financial strength/claims paying ability is rated AA+ by S&P, Aa2 by Moody's, AA+ by Fitch and A++ by A.M. Best. S&P, Moody's, Fitch, and A.M. Best currently report a stable outlook for Guardian's insurance financial strength/claims paying abilities rating. These ratings are of interest to policyholders, but are not ratings of the Notes offered hereby and do not reflect an evaluation of the safety and security of the Notes.

Guardian, together with its subsidiaries, is a financial services group that seeks to provide attractive value for policyholders and customers by providing a wide array of differentiated products and services, while aiming to achieve strong financial results. In pursuing this strategy, Guardian's guiding principle is to enable its customers to obtain financial success while protecting their families and businesses. To achieve this goal, Guardian focuses on developing and distributing a broad portfolio of financial products and services, maintaining what it believes to be prudent underwriting standards and rigorous expense control, and pursuing asset/liability management practices that it considers conservative.

Guardian believes that its key strengths will enable it to capitalize on a variety of opportunities in the U.S. life insurance market. These strengths include:

- *Commitment to mutual status*. This commitment allows Guardian to focus on meeting the needs of its policyholders by making long-term financial strength and stability and the payment of competitive dividends its primary objectives. As a mutual insurance company, Guardian does not have stockholders and believes that it does not experience the same short-term earnings pressures as its publicly-traded life insurance peers, permitting it to manage product development, risk and investments on a long-term economic basis.

- *Diversified product portfolio that meets a wide array of needs.* Guardian believes that the diversity of its product portfolio allows it to meet the needs of its clients, both at the individual and group level. Guardian also believes that its diversified product portfolio improves its ability to be financially successful in many different market environments by providing diversification of earnings and reducing the level of volatility in its financial results. Guardian has paid dividends to policyholders every year since 1868.

- *Industry-leading products targeted at high-quality customer base.* Guardian believes that it is a product leader in many areas where it writes business, in particular among its targeted core customer base of affluent individuals, small businesses and small business owners. Guardian's participating whole life insurance products, which have represented approximately 88% of Guardian's individual life premium income over the past five years, offer a competitive base product together with attractive riders and a competitive dividend scale, making Guardian the fourth largest writer of participating whole life premium in the industry in 2018, according to LIMRA Sales Report. In addition, Guardian's high net worth customer base has resulted in larger average premiums per policy than most of its peers; according to the 2018 LIMRA Sales Report, Guardian's average whole life only premium per policy sold was $10,336, while the peer group's average was $4,083. This peer group includes Massachusetts Mutual Life Insurance Company, New York Life Insurance Company and The Northwestern Mutual Life Insurance Company. Guardian believes its term and universal life and individual disability income products are also attractive in terms of benefit features and price. Based on the 2018 LIMRA survey results, the most recent annual LIMRA survey available, Guardian's dental business ranks first in in-force PPO cases.

- *Highly productive career agent system.* Guardian's distribution model for individual products is focused on career agents, supervised by general agents and career development managers in 50 general agencies and Guardian-managed agencies. This is a critical element of Guardian's business model. Guardian's career agent system consists of over 2,500 active agents as of December 31, 2018 and enjoys one of the highest retention rates in the industry. Guardian's four-year average agent retention as of December 31, 2018 was 23% versus the overall 16% four-year average of the companies that participated in the 2017 LIMRA Agent Production and Retention Study. Guardian believes the benefits of a career agent model include the commitment of career agents to the long-term protection of their clients and the long-term financial success, financial strength and stability of Guardian, as well as the agents' commitment to their communities and the small businesses located there. The career system is supplemented by other distribution channels where appropriate for the product and market.

- *Long-term track record of growth and profitability.* Guardian has historically experienced strong operating results and has been profitable every year since 2003 based on net income. In 2018, Guardian generated total revenues of $10.9 billion, net gain from operations of $1.4 billion and net income of $310 million. In addition, from 2004 to 2018, Guardian's net income and policyholder surplus increased at compound annual growth rates of approximately 0.6% and 6.0%, respectively.

- *Strong balance sheet with a conservative investment portfolio and solid levels of capitalization.* Guardian believes that it has strong financial strength and capitalization, as evidenced by its strong insurance financial strength/claims paying ability ratings from the rating agencies and its regulatory capital ratios, which historically have been in excess of the levels required by regulatory authorities. S&P, Moody's, Fitch and A.M. Best currently report a stable outlook for Guardian's financial strength rating. Guardian also believes that its investment portfolio is conservative and well-diversified. Guardian maintains a high quality fixed income portfolio, with approximately 95.3% of the securities in its bond portfolio, as of December 31, 2018, rated investment grade.

- *Strong Enterprise Risk Management execution.* Guardian believes that it has a strong risk management culture, internal controls and reporting and oversight system. Guardian employs experienced asset class specialists that actively manage credit and portfolio risk. Furthermore, Guardian maintains what it considers to be a low product risk profile with focus on participating life insurance and a conservative set of product guarantees.

- *Accomplished and deep management team.* Guardian's management team is composed of well-respected, seasoned executives with extensive experience in the insurance industry and at Guardian.

Corporate Strategy

Guardian's strategic objective is to generate growth in net income and to maintain a strong and consistent policyholder dividend policy. Guardian intends to achieve its objective by pursuing the following strategies:

- *Being the trusted mutual partner, delivering financial security how, when and where its clients prefer.* By making mutuality relevant at a personal level, Guardian focuses on solutions that fit its clients' needs. Specific customer segments are targeted via appropriate channels leveraging technology to deliver products and service more efficiently.

- *Focus on profitable growth.* Guardian continues to pursue opportunities to drive profitable growth, including improving its products, expanding distribution and enhancing its service capabilities. Guardian has invested significant resources in expanding and strengthening its distribution system and the management team remains committed to distribution excellence to generate profitable growth for the company. This includes expansion into the worksite market, where consumers are increasingly purchasing insurance products.

- *Pursue strong risk management and underwriting standards.* Guardian believes that it has a conservative, low-risk approach to operations and underwriting and actively manages product and investment risk. Consistent with its history as a mutual insurance company, Guardian is committed to pursuing high asset quality, strong capitalization and liquidity and a conservative investment philosophy. Guardian believes it utilizes reasonably conservative underwriting practices in its insurance businesses.

- *Continue to deliver superior service.* Guardian seeks to develop and maintain long-term relationships with customers through its career agent system and sales organizations, including general agents, career agents, brokers, group sales representatives and wholesalers. Guardian believes it has established a reputation for high-quality service to its customers and distribution, and remains committed to providing the superior service that has been recognized by such organizations as J.D. Power and DALBAR.

The principal product lines of Guardian and its major subsidiaries are organized into two segments set forth below:

- *Individual Markets* products include individual life insurance and individual disability income insurance products. Individual life insurance products include participating whole life insurance, universal life insurance, term life insurance and variable universal life insurance. Individual disability income insurance products, which are sold by BLICOA, include individual disability income insurance and multi-life disability income insurance. Individual Markets also includes certain wealth management and retirement savings products, which aim to meet an individual's needs through products, sold by GIAC. These products include individual fixed and variable annuities.

- *Commercial and Government Markets* products include dental, vision, life, AD&D, short- and long-term disability, hospital indemnity, absence management administration and supplemental products such as accident, cancer and critical illness. Guardian's group business has also diversified into new areas, including dental and vision benefits for government programs. In April 2018, Guardian changed the name of its Group and Worksite Markets segment to Commercial and Government Markets.

Guardian distributes its individual products primarily through a career agent force, which consists of agencies managed by general agents, career development managers, or principal directors, consisting of career agents and brokers who sell products directly to the customer. Guardian distributes its group products through group sales representatives, brokers, benefit consultants and its career agents. As of December 2018, Guardian had over 200 group sales professionals and over 90 account managers, and over 14,900 active group brokers and benefit consultants.

The following table sets forth Guardian's and its subsidiaries' statutory selected summary financial data by main product line of business for the periods indicated. Certain of the financial information used to prepare the following table is not derived from the Statutory Financial Statements contained in this Offering Memorandum. The Statutory Financial Statements are prepared in accordance with SAP and, therefore, are presented on a parent company basis only, such that the Statutory Financial Statements do not consolidate the assets and liabilities or results of Guardian's subsidiaries. See "Financial and Accounting Matters—Summary of Principal Differences Between SAP and GAAP." The following table consolidates financial information from the Statutory Financial Statements, as well as from the statutory financial information of BLICOA and GIAC and the GAAP financial information of FCW and GIS. Guardian is not the issuer of the Notes offered hereby, and none of its subsidiaries (including BLICOA, GIAC, FCW and GIS) are in any way obligated with respect to the Notes.

	2018	2017	2016	2015	2014
Premium Income:					
Individual Insurance:					
Individual Life Insurance	$ 4,102	$ 4,039	$ 3,850	$ 3,669	$ 3,576
Individual Disability Income Insurance	626	601	580	558	537
Individual Annuity*	464	445	925	-	-
Group Insurance	4,093	3,914	3,769	3,474	3,146
Retirement Products and Services**	-	-	(1,893)	1,674	1,498
Other***	1,694	(8)	11	7	6
Total premium income	$ 10,979	$ 8,991	$ 7,242	$ 9,382	$ 8,763
Net Investment Income:					
Individual Insurance:					
Individual Life Insurance	$ 1,824	$ 1,824	$ 1,799	$ 1,774	$ 1,674
Funding Agreement****	49				
Individual Disability Income Insurance	218	218	213	191	194
Individual Annuity*	128	117	106	-	-
Group Insurance	146	152	144	166	156
Retirement Products and Services	-	-	3	95	82
Other***	120	120	104	43	44
Total investment income	$ 2,485	$ 2,431	$ 2,369	$ 2,269	$ 2,150
Net Income:					
Individual Insurance:					
Individual Life Insurance	$ (57)	$ 76	$ 102	$ 251	$ 122
Funding Agreement****	13				
Individual Disability Income Insurance	71	81	80	34	47
Individual Annuity*	123	11	(160)	-	-
Group Insurance	237	272	181	177	160
Retirement Products and Services	-	-	21	(34)	(2)
Other***	78	15	40	(17)	118
Total net income	$ 465	$ 455	$ 264	$ 411	$ 445

*As a result of reporting changes in 2016, Individual Annuity is reported on its own line. Previously reported in Retirement Products and Services.
**2016 reflects the sale of GIAC's 401(k) business to Ameritas via a reinsurance transaction and asset sale.
***As a result of reporting changes in 2017, Retirement Products and Services is reported as part of Other.
**** As a result of reporting changes in 2018, Funding Agreement is reported on its own line. Previously it was reported as part of "other".

2018 Consolidated Statutory Reserves

2018 consolidated statutory reserves by main product line were: individual life insurance $39,563 million; individual disability income insurance $3,448 million; individual annuity $3,664 million; group insurance $2,109 million; and other products $573 million.

Individual Markets

Insurance Products

Guardian's Individual Markets line of business provides a wide range of products and services through a network of general agencies, principal directors, career development managers, and affiliated career agents, independent brokers, broker-dealers and banks.

The principal products offered by the Individual Markets line of business include participating whole life insurance, universal life insurance, term life insurance, variable universal life insurance, individual disability income insurance and annuities.

Many of these products offer a range of riders that provide such benefits as waiver of premium, accidental death benefits, paid-up additions of insurance, accelerated death benefits and long-term care benefits.

Set forth below is a description of the Individual Markets line of business principal insurance products:

Whole Life. Whole life insurance is a participating product that provides guaranteed minimum death benefits and guaranteed cash values in return for periodic premium payments of a fixed amount. Guardian offers several types of whole life products, including products with premium due for the life of the insured and products with guaranteed limited payment periods. Guardian also offers survivorship whole life, a product that pays a death benefit upon the death of the second of two insureds. In 2018, 97% of the individual life products segment premium income was participating whole life insurance premium income. In 2015, Guardian began offering an Index Participation Feature for certain new sales of whole life insurance. Contractholders may elect to allocate 0 to 100% of the dividend associated with the policy's cash value of paid up additions to be based on the return of an S&P 500 index subject to a cap and a 4% guarantee.

Universal Life. Universal life insurance provides the policyholder with flexible premium payments and death benefits. Both Guardian and GIAC offer universal life products. Those sold by GIAC include secondary guarantees. Guardian and GIAC's universal life products credit premium in excess of specified sales charges to the account value of the policy, which is allocated to the fixed account backed by each company's general account. That account value includes a guaranteed principal with a minimum interest credit. The policy value is the net result of the premium payments, plus interest credits, minus expense and cost of insurance charges, minus the amount of any partial surrenders. GIAC also offers survivorship universal life, a product that insures two lives and pays a death benefit at the second death. Guardian also offers universal life insurance for the bank-owned life insurance market ("BOLI") sold in connection with corporate benefit plans, for sale to small or medium corporate purchasers for funding deferred compensation and post-retirement benefits. Sales of BOLI accounted for 0.0%, 0.3% and 0.1% of Guardian's total life insurance sales for 2018, 2017 and 2016, respectively. Guardian offers universal life products with secondary guarantees, but such products accounted for only 0.1%, 0.1% and 0.1% of sales in 2018, 2017 and 2016, respectively.

Variable Universal Life. Variable universal life insurance, issued by GIAC, provides the policyholder, within guidelines established by the terms of the policy, the ability to select and change premium levels, amounts of death benefit and investment options. GIAC credits premium in excess of specified sales charges (the "net premium") to the accumulation value of the policy. GIAC applies the net premium, as instructed by the policyholder, to a fixed rate account which is backed by GIAC's general account, or to one or more of GIAC's separate account investment options, or to an index-linked interest option. For variable universal life products, the policyholder bears the investment risk for cash values in the separate account investment options. GIAC deducts monthly charges, including the cost of insurance, mortality and expense risk charges and administrative charges from the accumulation value to which GIAC credits the net premium. There are both short term and longer term secondary guarantee options available subject to the payment of stipulated premiums. GIAC also offers variable universal life products for the corporate-owned life insurance market ("COLI") market sold in connection with corporate benefit plans, for sale to small or medium corporate purchasers for funding deferred compensation and post-retirement benefits. Currently, this product line may be purchased only by existing policyholders to insure additional employees or as additional coverage to existing employees.

Term Life. Term life insurance provides life insurance protection for a fixed period and has no cash value. Guardian offers a variety of term insurance products designed to meet varying client needs. Almost all term life insurance products allow conversion within a specified time period to one of Guardian's other permanent life insurance products.

Disability Income. Individual disability income insurance, which is sold by BLICOA, can help offset a portion of lost earnings, ensure continued retirement contributions, cover small business operating costs and facilitate partnership buy-outs when an individual becomes disabled. Individual disability income policies are typically sold to individual policyholders in single sale transactions. They are also sold to small groups of individuals through the multi-life disability income market.

Individual Markets Product Pricing and Management

Guardian seeks to price Individual Markets products to produce an appropriate return on invested capital consistent with Guardian's financial strength objectives. Guardian attempts to achieve long-term value for policyholders by competitively managing the key financial fundamentals for each product, including investment earnings, expenses, policy persistency, mortality and morbidity (the incidence and duration of disability). For participating whole life products, Guardian reflects actual experience in dividends, which generally represent premium refunds resulting from more favorable investment, mortality and expense experience than was reflected in the original policy pricing.

Individual Insurance Principal Markets, Marketing and Distribution

Sales of Guardian's Individual Markets products are primarily targeted at affluent and emerging affluent market segments including professionals, business owners, small- and mid-sized businesses, corporations, banks, principals and partners. Products are designed to solve fundamental as well as complex financial concerns, including estate planning, business succession planning and the funding of certain employee benefit plans.

As of December 31, 2018, Guardian sells its Individual Markets products primarily through 50 general agencies, Guardian-managed agencies and career development managers that oversee over 2,500 career agents. Guardian is investing substantially to enable its general agents, career development managers and career agents to run their businesses more effectively and better serve their customers. With increased competition in a deregulated financial services arena, Guardian believes that continued success requires increased distribution productivity and capacity. Guardian also serves clients through existing relationships with banks and broker-dealers, including Park Avenue Securities LLC ("PAS"), a registered broker-dealer that Guardian indirectly wholly owns. PAS also provides securities brokerage and investment management services.

Guardian has recently implemented a program to help facilitate ownership transfers in its general agencies, with the goal of ensuring smooth ownership transitions and continued success in the future for successful general agencies.

Individual Markets Underwriting

Guardian balances the risk assessment process to ensure an evaluation of relative risks that seeks profitable new business and competitive product performance. Underwriting risk represents the exposure to loss resulting from actual policy experience such as mortality or morbidity risk being worse than expected in product pricing assumptions. Guardian attempts to reduce this underwriting risk through what it believes to be reasonably conservative evaluation of the risks. Guardian also attempts to reduce this underwriting risk through the use of reinsurance, although there can be no assurances this reinsurance will mitigate the risks as planned. In addition, Guardian's reinsurers may not perform as required, or its reinsurance may otherwise be inadequate. For a description of Guardian's reinsurance, see "—Reinsurance."

Guardian's Individual Markets underwriting teams for individual life and individual disability income insurance are experienced teams, with a respective average of 19 years and 12.5 years, of experience for individual life insurance and individual disability income insurance underwriters, respectively. Guardian believes that its approach to underwriting risk is prudent and relatively conservative.

Individual Insurance Competition

The life insurance industry is highly competitive. There are a large number of life insurance companies in the United States, many of which offer individual insurance products similar to those marketed by Guardian. In addition to competition within the industry, insurers are increasingly facing competition from non-traditional sources in the financial services industry, including mutual fund companies, banks, securities brokerage houses and other financial services entities, many of which provide alternative investment and savings vehicles for consumers. Federal legislative initiatives are affecting the financial services industry, thereby changing the environment in which Guardian competes.

Guardian competes for large life insurance sales with many other financially strong companies. The process for negotiating large sales may involve clients' advisors, consultants, attorneys and accountants. In addition, there is substantial competition for smaller sales due to the large number of companies and agents in these markets nationwide.

In the disability income market, according to the "LIMRA Disability Income Sale—U.S." survey, the five largest writers of disability insurance, including BLICOA, account for the majority of the premiums earned in the market.

Individual Wealth Management and Retirement Savings

GIAC serves the individual retirement market through its Individual Markets Division. This line of business provides financial products and programs for individuals saving for or living in retirement. In addition, many Guardian career agents are registered representatives of Guardian's broker-dealer subsidiary, PAS, and in that capacity provide wealth management services and retirement savings products to their clients.

Below is a description of GIAC's principal retirement-focused insurance products:

Variable Annuities. Variable annuities ("VAs") are individual contracts which allow for either a single premium or flexible premiums, which may be directed to a fixed account backed by the insurer's general account or among a number of separate account investment options for which the investment risk is borne by the contract holder. All VAs allow the owner at a later date to annuitize the contract to receive regular income payments for a specified time period and/or for his or her lifetime (or the lifetime of two people).

GIAC currently offers an individual VA with a B-Share contract and a C-Share contract. The B-Share contract in this series has a seven-year surrender charge period but a lower contract charge (combined M&E and administrative charges) than the C-Share product, which has no surrender charges. This series of contracts does not offer the option to purchase a living benefit rider.

Living Benefit Riders. As of February 17, 2017, GIAC no longer offers variable annuities with living benefit riders.

Fixed Annuities. GIAC's fixed deferred annuities are designed for more conservative investors and guarantee a set interest rate for a fixed period of time. GIAC currently offers a single premium deferred annuity with four-, five-, and six-year rate periods, so customers can choose a range of time periods that are best suited for their needs. The products currently offer an additional interest rate step-up of 0.10% for premiums in excess of $100,000.

Single Premium Immediate Annuities. GIAC's immediate annuities are designed to provide the customer, in exchange for a lump sum premium payment, with a guaranteed stream of income payments set to begin no later than the beginning of the 13th month after the contract is issued and guaranteed to last for the customer's lifetime (or joint lifetime) or for a set period of time. The customer does not have access to the single premium payment other than through the stream of guaranteed payments to be provided by GIAC.

Deferred Income Annuities. GIAC's DIAs are designed to provide the customer with a stream of income payments set to begin between 24 months and 40 years after the initial premium payment and guaranteed to last for the customer's lifetime (or joint lifetime). Premium payments may be made at any time up to 13 months prior to the date that annuity payments are scheduled to begin. Each premium payment has a separate annuity payment stream, but all payment streams are aggregated when payments begin. The customer does not have access to the premium payments other than through the stream of guaranteed payments to be provided by GIAC.

At December 31, 2018, GIAC's total VA assets totaled $9.2 billion, while fixed annuity assets totaled $3.0 billion. In addition, Guardian continues to invest in and expand its fixed product portfolio.

Individual Annuities Principal Markets, Marketing and Distribution

GIAC's individual annuities are distributed by the Wholesale Division of PAS and offered at the retail level through selling agreements with outside registered broker-dealers, in addition to the Retail Division of PAS.

GIAC's wholesaling force focuses solely on annuities. As of December 31, 2018, the average length of industry experience of the annuity wholesaling group is over 17 years.

Individual Annuities Products and Services Competition

GIAC annuity sales are almost entirely made up of fixed annuities. There are a number of large life insurance companies that offer fixed annuity products similar to those marketed by GIAC. GIAC has designed its fixed annuity products with the aim of being competitive in the marketplace. Guardian's biggest competitors in the fixed annuity space are New York Life, Mass Mutual, Principal, and Western & Southern.

GIAC's current fixed product offerings include SPDA, SPIA and DIA. In the income annuity space (SPIA and DIA), the dominant issuers are other large mutual insurers including New York Life, MassMutual and Northwestern Mutual.

These fixed offerings complement GIAC's VA portfolio and focus on providing income benefits for its policyholders.

Commercial and Government Markets

Insurance Products

Guardian entered the group insurance business in 1957, and Guardian's current Commercial and Government Markets products provide a wide range of employee benefits in all 50 states and the District of Columbia. The products are distributed predominantly through independent brokers throughout the country.

The principal products in the Commercial and Government Markets line of business include dental, vision, life insurance, AD&D, short-term disability, long-term disability, absence management administration and supplemental health products such as accident, hospital indemnity, cancer and critical illness. All Commercial and Government Markets products are marketed on an employer funded, an employee contributory and on a voluntary (*i.e.*, employee pay all) basis. Each Commercial and Government Markets product contains a wide range of plan design variables and options to serve the varying employee benefit needs of customers and prospective customers. In addition, Guardian's group business provides dental, vision and hearing benefits for government programs.

On December 31, 2018, Guardian sold its dental support organization, which supported dental centers in California, Texas and Alabama to Western Dental Services.

Below is a description of the principal Commercial and Government Markets products:

Dental: Dental insurance is a term insurance product that covers the cost of dental services, subject to policy provisions such as co-payments, co-insurance and annual maximums. Guardian's primary dental product is a

PPO product that provides comprehensive benefits to covered individuals, especially when they seek treatment from network dentists. As of December 31, 2018, Guardian maintains a network of over 124,000 individual dentists throughout the United States. Currently, 76% of these dentists are directly contracted with Guardian and the remainder are in the network via partnerships with other dental networks. Through various state specific subsidiaries, Guardian also markets DHMO products in California, Florida, Illinois, Indiana, Michigan, Missouri, New Jersey, New York, Ohio, Colorado and Texas.

Vision: Vision insurance is a term insurance product that covers the cost of eye exams and vision aids, subject to policy provisions such as co-payments, co-insurance, and annual maximums. Guardian's primary vision product is a PPO product that provides comprehensive benefits to covered individuals, especially when they seek treatment from network providers. Guardian has partnerships with two alternative vision networks, Vision Services Plan and Davis Vision, to support the PPO product. In addition, Guardian owns the Avēsis vision network, which is used for a segment of the Company's PPO vision business.

Life Insurance: Group life insurance is a basic term product that provides a death benefit for a fixed period and has no cash value. The product typically provides extended coverage by waiving premium for disabled employees.

Accidental Death and Dismemberment: AD&D is a term product that provides a death or dismemberment benefit when the cause of the death or dismemberment is due to an accident, as opposed to a health or disease related occurrence. Since death or dismemberment caused by accident is generally less frequent than death or dismemberment caused by health or disease in the adult population covered by group benefit insurance products, the premium for this coverage is relatively low.

Short-Term Disability: Group short-term disability insurance replaces a portion of lost earnings due to disability. While Guardian offers a range of options, the typical short-term disability policy replaces 60% of income after an individual is disabled for a week. Benefits are payable as long as the individual remains disabled, up to a maximum of typically 13 or 26 weeks, depending on the product.

Long-Term Disability: Group long-term disability insurance replaces a portion of lost earnings due to disability for a longer period of time than is covered by short-term disability. While Guardian offers a range of options, the typical long-term disability policy replaces 60% of income after an individual is disabled typically for 90 or 180 days, depending on the product. Benefits are payable as long as the individual remains disabled, typically up until normal retirement age.

Critical Illness: Critical illness is a term product that provides lump sum benefits for the diagnosis of serious conditions such as cancer, heart attack, kidney failure and stroke. Guardian's critical illness plan pays benefits directly to the member and does not coordinate with any medical insurance the member may have. Critical illness is typically marketed on a voluntary basis.

Accident: Accident insurance is a term product that provides indemnity benefits upon the occurrence and treatment of accidental injuries. Guardian's accident plan pays benefits directly to the member, regardless of the cost of treatment, and does not coordinate with any medical insurance the member may have. Typical coverage includes payments to the member upon use of ambulance services, emergency room visits and hospitalization as well as diagnosis of fractures, burns and lacerations. Accident insurance is typically marketed on a voluntary basis.

Cancer: Cancer insurance is a term product that provides a lump sum benefit for the diagnosis of cancer as well as additional benefits when the member undergoes treatment. Guardian's cancer plan pays benefits directly to the member, regardless of the cost of treatment, and does not coordinate with any medical insurance the member may have. Typical coverage includes payments to the member for cancer related hospitalization, surgery, radiation and chemotherapy. Cancer insurance is typically marketed on a voluntary basis.

Hospital Indemnity: Hospital indemnity insurance is a term product that provides fixed benefit payments, regardless of the cost of treatment, for people with hospital stays, need of ambulance services and other specific medical treatments. The product serves as a supplement to an employee's medical plan.

Medical Stop Loss: Provides financial protection to employers who self-fund their medical benefit plans. In May 2018, Guardian announced that it was exiting this line of business, no longer accepting new customers and would not offer renewals. The majority of these customers (which was less than 200 customers) were terminated by the end of 2018. Guardian expects essentially no stop loss premium in 2020.

Absence Management Administration: Through its wholly owned subsidiary, The Reed Group, Guardian provides administrative services, software and content subscriptions to employers and insurance carriers to manage employee absences.

Government Programs: Through various subsidiaries, Guardian insures and/or administers dental, vision and hearing benefits for government programs, including Medicaid, CHIP and Medicare Advantage.

Group Insurance Product Pricing and Management

Guardian seeks to price each Commercial and Government Markets product to produce an appropriate return consistent with Guardian's financial objectives. Guardian's group insurance products are term insurance and the pricing factors for each product line are updated regularly and the price for each group client is periodically adjusted, typically on an annual basis, subject to client renewal. Generally, Guardian sets renewal rate increases to reflect trends in morbidity and mortality on Guardian's block of business. The majority of in-force group insurance product policies, especially dental and vision, have historically received annual rate increases. Guardian maintains what it believes to be competitively priced products by managing what it considers key fundamentals, including underwriting, expense management and claim costs.

Commercial and Government Markets Principal Markets, Marketing and Distribution

Sales of Guardian's Commercial and Government Markets products are primarily targeted to employers with two to 10,000 employees. The commercial and government product portfolio has a wide range of options to serve the needs of varying customer segments.

Guardian sells its commercial and government products primarily through independent brokers. As of December 2018, Guardian maintains a staff of over 200 group sales professionals plus over 90 account managers located in over 50 offices across the country who cultivate and manage relationships with independent brokers. As of December 2018, over 14,900 brokers have group insurance product business in force with Guardian.

In addition, Guardian maintains a group of over 240 contracted enrollers across the country. These individuals are part of the sales process and conduct employee enrollment meetings for commercial and government products that are sold on a voluntary basis.

Commercial and Government Markets Product Underwriting

Guardian balances the risk assessment process to ensure an evaluation of relative risks both at the issuance of new business as well as the annual renewal of in-force policies. Underwriting risk reflects the exposure to actual loss experience adversely deviating from product pricing assumptions, specifically morbidity and mortality assumptions. Most underwriting is at the group level, reflecting prior claim experience, group demographics and plan design parameters.

Commercial and Government Markets Product Competition

The group insurance product industry is highly competitive, with a mix of national and regional competitors that vary by product type and employer size segment. In general, dental insurance tends to have more regional competition, as the product strength is often associated with the local provider network. There are also many dental insurers that compete in multiple regions throughout the country. Group life and disability competitors tend to be more national in scope, although some tend to focus on specific employer size segments.

Guardian competes through its long-term relationships with brokers in markets throughout the country, a wide and flexible product portfolio, a large dental network and superior customer service.

Investment Management

Investment advisory services are provided to Guardian, its affiliates and various unaffiliated individual and institutional investors primarily through Guardian's investment management staff and its subsidiaries. The primary focus of investment management at Guardian is to manage the general account assets of Guardian and its subsidiaries. The invested assets of Guardian's general account have grown from $37.7 billion at December 31, 2013 to $53.1 billion at December 31, 2018.

Guardian's investment objectives are to (1) protect financial strength and ratings, (2) provide competitive long-term dividends and (3) execute a competitive long-term asset allocation strategy. The goal of Guardian's asset/liability management is to structure the risk/reward profile of the asset portfolio in an optimal manner relative to the liabilities. Guardian's investment strategy focuses on supporting product liabilities in light of total return, yield, liquidity, cash flow and diversification considerations. Guardian's general account investments primarily back participating whole life products. Guardian's subsidiaries also aim to match asset portfolios to relevant characteristics of the liabilities.

Guardian utilizes a wide array of investment instruments to carry out its portfolio management activities. The investment strategies Guardian uses in managing its asset portfolios are generally aimed at maximizing the long-term total rate of return.

Guardian also provides its customers access to a wide range of investment products, some of which are distributed through its subsidiary, PAS. Further, Guardian provides certain third party asset management services to institutional counterparties through subsidiaries of GIS. In the third quarter of 2016, a collateralized loan obligation special purpose vehicle ("CLO") managed by Park Avenue Institutional Advisers LLC ("PAIA"), a GIS subsidiary, issued $406 million in equity and debt instruments, of which Guardian purchased $43 million in equity. On November 14, 2017, the second CLO managed by PAIA issued $456 million in equity and debt instruments, of which Guardian purchased $42 million in equity. On August 23, 2018, the $363 million of senior notes issued from the first CLO in the third quarter of 2016 was refinanced with $366 million in senior notes. On November 8, 2018, the third CLO managed by PAIA issued $404 million in equity and debt instruments, of which Guardian retained $33 million of $38 million in issued equity. Depending on market conditions and regulatory developments, Guardian may, in the future, make additional investments in equity, debt or subordinated debt interests issued by additional CLOs managed by PAIA.

Reinsurance

Guardian enters into reinsurance agreements with other insurance companies in the normal course of business. Total premium ceded for the years ended December 31, 2018, 2017 and 2016 was $283 million, $275 million and $260 million, respectively. Premiums ceded to reinsurers are reported as a reduction of premium revenue in the Statement of Operations. The reinsurance agreements create no right or legal relationship between the reinsurer and the insured, owner or beneficiary of any insurance policy reinsured under these agreements. Guardian remains liable to the insured for the payment of benefits, and must make such payments if the reinsurer cannot meet its obligations under the reinsurance agreements.

Guardian participates in automatic reinsurance and facultative reinsurance. Automatic reinsurance is reinsurance in which the ceding company is obligated to cede, and the reinsurer is obligated to assume, risks which meet specific criteria based on the provisions of the reinsurance agreement and the ceding company's underwriting. Facultative reinsurance is reinsurance of individual risks at the option of the reinsurer and the ceding company, whether under a treaty of reinsurance or by negotiation with respect to an individual risk. The reinsurer is free to accept or reject the offerings of the ceding company, and the reinsurer may specify its own ratings or terms for the reinsurance. Automatic reinsurance can be ceded to a pool of reinsurers on a first dollar quota-share or excess of retention basis. Under first dollar quota-share arrangements the ceding company retains a certain percentage of the risk on each policy, in a given class of business, and cedes the remaining portion to a pool of reinsurers based on predetermined shares. In an excess of retention arrangement, the ceding company keeps amounts up to its maximum capacity (full retention limit) on any one life and cedes the remaining amount to one or more reinsurers. When reinsured with more than one reinsurer, the amounts in excess of the ceding company's capacity may be ceded based on an alphabetic split (depending on the insured's last name) or based on predetermined shares.

Guardian's maximum retention limit for participating whole life, universal life and variable universal life is generally $17.5 million of death benefit per life. Any death benefit in excess of the $15 million retention is ceded to a pool of reinsurers under excess of retention arrangements. Guardian may selectively retain a greater amount of coverage on two individuals in connection with joint and last survivorship policies. For term policies, Guardian's maximum retention is currently $2 million of death benefit per life. Any death benefit in excess of the $2 million retention is ceded to a pool of reinsurers under excess of retention arrangements. Guardian coinsured between 76% and 90% of all term life insurance business on a first dollar quota share basis until May 1, 2014. Starting May 1, 2014, Guardian cedes amounts in excess of $2 million per life of newly issued term life insurance to a pool of four reinsurers on an automatic yearly renewable term basis. Term life insurance business may also be ceded to the same four reinsurers on a facultative basis. Also, beginning May 1, 2014, Guardian has coinsurance with funds withheld under a reinsurance agreement with one reinsurer, covering 90% of Guardian's level term life insurance amounts net of the excess of $2 million dollar on term life retention yearly renewable term reinsurance.

As of December 31, 2018, Guardian ceded $168 billion of individual participating whole life, individual universal life and individual term death benefit to reinsurers, or 43% of the total individual life death benefit coverage in-force. Claims ceded to reinsurers are reported as a reduction of benefits payments to policyholders and beneficiaries in the Statement of Operations.

Historically, BLICOA's retention on individual disability income policy monthly benefits has varied from $4,000 to $10,000 per life on policies issued before January 1, 2016. Amounts in excess of BLICOA's retention limits were reinsured with third-party with reinsurers. For policies issued on or after January 1, 2016, BLICOA has ceased external reinsurance of new business and BLICOA and Guardian retain 100% of the risk.

Reinsurance with Unaffiliated Companies

For all participating whole life policies, universal life policies with secondary guarantees and universal life policies without secondary guarantees policies, issued directly by Guardian through June 1, 2015, where Guardian's retention is exceeded, Guardian has an automatic yearly renewable term reinsurance program involving four reinsurers. Business may also be ceded to the four automatic reinsurers on a facultative basis. Guardian has one reinsurance program open to new business for facultative cases and cases that exceed the automatic binding limits that may also be submitted facultatively on a case-by-case basis to the reinsurer. Guardian cedes approximately 10% of its participating whole life, universal life with secondary guarantee and universal life without secondary guarantee life insurance face amounts under these programs. Guardian also has a yearly renewable term first dollar quota-share program under which Guardian cedes 90% of universal life policies without secondary guarantee, issued directly by Guardian since June 1, 2015, to two reinsurers.

Guardian coinsured between 76% and 90% of all term life insurance business on a first dollar quota share basis until May 1, 2014. Starting May 1, 2014, Guardian cedes amounts in excess of $2 million per life of newly issued term life insurance to a pool of four reinsurers on an automatic yearly renewable term basis. Term life insurance business may also be ceded to the same four reinsurers on a facultative basis. Also, beginning May 1, 2014, Guardian has coinsurance with funds withheld under a reinsurance agreement, with one reinsurer, covering 90% of Guardian's level term life insurance amounts net of the excess of $2 million retention.

Guardian has various yearly renewable term first dollar quota-share agreements under which Guardian cedes 90% of all secondary guarantee universal life premiums that it had assumed from GIAC to third-party reinsurers. Guardian also maintains several reinsurance programs covering life insurance products that Guardian no longer writes.

As of December 31, 2018, Guardian's two largest reinsurance counterparties accounted for 52% and 19%, respectively, of the outstanding individual life insurance reinsurance in-force by face amount. As of December 31, 2018, measured by reference to reserve credit taken by Guardian, Guardian's five largest life reinsurers had financial strength ratings from S&P of A or better. These five companies represented more than 93% of Guardian's ceded life reinsurance reserve credit.

BLICOA coinsured 90% of all term life insurance business on a first dollar quota share basis with five third-party reinsurers, with the exception of 5 and 10-year term policies issued between April 1, 2004 and June 30, 2005, which were 76.5% coinsured. All of these agreements covering BLICOA's term life insurance are closed to new business.

BLICOA has reinsurance on its individual disability income policies issued prior to January 1, 2016 for the monthly benefits payable in excess of a specified dollar amount per individual insured. Individual disability income policies issued on or after January 1, 2016 are not reinsured. In addition, BLICOA maintains an excess of loss reinsurance arrangement on a closed block of non-cancelable disability income insurance.

BLICOA has coinsurance treaties with two companies to which it cedes 90% of the risks for all of its long-term care products. BLICOA stopped writing long-term care insurance in 2012 and as of December 31, 2018 has $49 million of direct premium in-force ($5 million net premium).

Guardian has some reinsurance on selected group products. Group life and AD&D insurance are reinsured for excess of a certain face amount on an individual certificate. Group long-term disability has reinsurance for monthly benefits over a certain dollar amount on an individual certificate.

GIAC reinsures certain living and death benefit guarantees within its VA business. GIAC has a coinsurance agreement with one reinsurer covering 90% of various GMWB riders that were written through December 2008 and introduced prior to September 2008. That reinsurer is an admitted reinsurer in New York. The financial strength ratings of this reinsurer from S&P and Moody's are AA- and Aa3, respectively. The reinsurance treaty remains in effect for any business written on these riders including any renewal premiums received through present day. The remainder of the business written on these riders is subject to a hedging program. Beginning in September 2008, new GMWB rider forms were introduced, and the business written pursuant to these new rider forms is not subject to reinsurance, instead 100% of such business is subject to the hedging program. For a description of this hedging program and its limitations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs." At December 31, 2018, the account value of all GMWB contracts was approximately $6.6 billion before reinsurance and $6.1 billion after reinsurance. At December 31, 2017, the account value of all GMWB contracts was approximately $7.8 billion before reinsurance and $7.2 billion after reinsurance. At December 31, 2016, the before and after reinsurance account values were $7.4 billion and $6.7 billion, respectively. In addition, the net amount at risk was $1,358 million, $359 million and $653 million at December 31, 2018, 2017 and 2016, respectively. In addition, the account value associated with the GMIB risk is 100% reinsured with a third party reinsurer, representing $52 million, $67 million and $75 million of related account value as of December 31, 2018, 2017 and 2016, respectively. GIAC provides a death benefit if the contract value is less than the guaranteed minimum amount. Most base contracts include a death benefit based on a ROP. Additionally, GIAC offers elective death benefit riders that may provide a greater death benefit than the ROP amount. All GMDB annual benefit elective riders issued through December 2009 are 100% reinsured with two third party reinsurers, each of which has a financial strength rating of at least AA- from S&P. To the extent the GMDB annual benefit elective rider was purchased, ROP benefit risk was also reinsured with such third-party reinsurers for certain issue years. Depending on the type of GMDB annual death benefit rider purchased, the ROP portion of coverage ended for contracts issued either on or after April 2005 or January 2009, and such risks are no longer reinsured.

GIAC sold its 401(k) business to Ameritas in a combined asset sale and reinsurance transaction that closed on September 1, 2016. The parties entered into a Reinsurance and Administration Agreement (the "Agreement") providing for coinsurance of all general account liabilities associated with the business and modified coinsurance of the liabilities associated with the Separate Accounts (i.e., 401(k) contributions made by plan sponsors and plan participants). The initial general account coinsurance premium was $150 million while the initial Separate Account modified coinsurance premium was $3.2 billion. This Agreement also provides for an assumption/novation to Ameritas of each customer contract associated with the 401(k) business beginning 24 months following closing, and provides for administration by Ameritas of the reinsured business. Ameritas bears all economic risk for this business as of September 1, 2016. During 2018, GIAC completed novation of certain Group 401(k) contracts with Ameritas through assumption reinsurance, which included separate account liabilities of $2.5 billion and general account liabilities of $57 million.

Prices on reinsurance can, subject to treaty terms on notification, be increased on both yearly renewable term and coinsurance business. Guardian's treaties generally require a six-month advance notice to change prices. Although reinsurers have historically tended to prospectively increase rates on yearly renewable term agreements or decrease allowances under coinsurance treaties, which results in a less favorable financial result for the ceding company, reinsurers can increase rates on both a prospective and retrospective basis. Although unusual, a reinsurer may notify a company that subject to the notification period, it will not accept any new business at any price. More typically, a reinsurer will notify a company that after a certain date, given appropriate notice, either yearly renewable term rates or coinsurance allowances will change for any new business under the treaty. If this situation were to occur for either existing or new business, Guardian has the right to find other reinsurers and renegotiate the treaty, either with the existing reinsurers or with new parties. There are no guarantees that rates charged by reinsurers will not increase in the future, either for new or existing business.

Reinsurance with Affiliates

Guardian and third parties enter into coinsurance, modified coinsurance and yearly renewable term agreements with GIAC to provide for reinsurance of selected GIAC VA contracts, group 401(k) plans and group life and individual life policies. Under the terms of the modified coinsurance agreements with GIAC, reserves ceded to the reinsured business and corresponding assets held by GIAC amounted to $510 million as of December 31, 2018. The reinsurance contracts do not relieve GIAC of its primary obligation for policyholder benefits. Failure of reinsurers to honor their obligations could result in losses to GIAC; consequently, GIAC evaluates the financial condition of its reinsurers in order to minimize its exposure to losses from reinsurer insolvencies. Guardian also has a first dollar quota-share coinsurance/modified coinsurance and subsequent first dollar quota-share yearly renewable term agreement with GIAC whereby Guardian assumes 90% of the risks on certain variable life and variable universal life policies sold by GIAC.

Guardian has two coinsurance treaties in effect with BLICOA: (1) effective concurrently since the creation of BLICOA in 2001, Guardian cedes 100% of its direct individual disability business to BLICOA; and (2) effective as of January 1, 2013, Guardian assumes 80% of BLICOA's net individual disability business which includes the business ceded to BLICOA in the treaty referenced in clause (1) above, as well as business written directly by BLICOA.

Guardian also has a quota-share coinsurance/modified coinsurance agreement with BLICOA whereby Guardian assumed the risk on certain universal life policies sold by BLICOA. Guardian assumes the excess of BLICOA's retention on certain universal life policies on a yearly renewable term basis. Guardian has a quota-share coinsurance agreement with BLICOA whereby Guardian assumed 5–10% of the risk on certain term life policies sold by BLICOA as a participant in BLICOA's term reinsurance pool. All lines covered by the agreements with BLICOA are closed to new business.

Legal Proceedings

Guardian is involved in litigation arising in and out of the normal course of business, which seek both compensatory and punitive damages. Guardian is not currently litigating nor is it aware of any pending legal actions or allegations that should reasonably give rise to a materially adverse impact to its financial position or liquidity. However, the outcome of litigation cannot be foreseen with certainty.

Guardian is subject to governmental and administrative proceedings and regulatory inquiries, examinations and investigations in the ordinary course of its business. Guardian has cooperated with these regulatory agencies and has responded to information requests and comments.

These examinations, inquiries and investigations have included industry-wide reviews of abandoned property and escheatment issues, illustrations and replacements of life insurance and annuities, underwriting practices involving prescription drug use or social media presence, and the standards of conduct in the sale of life insurance and annuities. In connection with certain of these matters, Guardian has been contacted by the SEC, FINRA, the NYSDFS, the New York Attorney General and other regulatory authorities.

Guardian believes that it is reasonable to expect that regulatory inquiries, examinations and investigations into the financial services industry will continue for the foreseeable future. It is the opinion of management that the ultimate resolution of these matters will not materially impact Guardian's financial position or liquidity. The outcome of a particular matter may be material to Guardian's operating results for a particular period depending upon, among other things, the size of the matter and level of Guardian's income for the period.

Regulation

Insurance Regulation Generally. Guardian, NAIC number 64246, is licensed to transact its insurance business in, and is subject to regulation and supervision by, all 50 states of the United States and the District of Columbia. Guardian and its insurance subsidiaries are licensed, regulated and supervised in all jurisdictions where they conduct insurance business. The extent of such regulation varies. However, most jurisdictions have laws and regulations requiring the licensing of insurers and their agents and setting standards of solvency, reserves, reinsurance, capital adequacy and business conduct to be maintained by licensed insurance companies, and may regulate withdrawal from certain markets. In addition, statutes and regulations usually require the approval of policy forms and, for certain lines of insurance, the approval of rates. Such statutes and regulations in certain states also prescribe the permitted types and concentration of investments. Guardian, along with each of its insurance subsidiaries, is required to file detailed annual financial statements with supervisory agencies in each of the jurisdictions in which Guardian or such insurance subsidiary does business and its operations and accounts are subject to periodic examination by such authorities. Guardian's operations and accounts are also subject to examination by such agencies. The primary purpose of this insurance industry regulation is to protect policyholders, not holders of any securities. Guardian is also subject to federal and state laws and regulations affecting the conduct of Guardian's businesses.

The New York Insurance Law limits the sales commissions and certain other marketing expenses that may be incurred in connection with the sale of individual life insurance policies and annuity contracts issued in any state by Guardian, GIAC and BLICOA. Some group insurance products also have restrictions on commissions, although the restrictions are more limited in nature. The NYSDFS requires the filing of information on agent compensation program structure and amounts on an annual basis.

The NAIC, as well as certain state regulators, are currently considering implementing regulations that would apply an impartial conduct standard to recommendations made in connection with certain annuities and, in the case of New York, life insurance policies. In particular, on July 18, 2018, the NYSDFS issued a final version of amended Regulation 187, which adopts a "best interest" standard for the sale of life insurance and annuity products in New York. The regulation generally requires a consumer's best interest, and not the financial interests of a producer or insurer, to influence a producer's recommendation as to which life insurance or annuity product a consumer should purchase. In addition, the amendments to Regulation 187 impose a best interest standard on certain consumer in-force transactions. These amendments to Regulation 187 will become effective for annuity products on August 1, 2019 and for life insurance products on February 1, 2020. Guardian is continuing to assess the impact of the regulation on its business. The regulation, when implemented, may have adverse effects on Guardian's business, results of operations and financial condition. In November 2018, the three primary agent groups in New York launched a legal challenge against the NYSDFS over the adoption of amended Regulation 187. It is not possible to predict whether this challenge will be successful.

State insurance regulatory authorities and other state enforcement agencies may from time to time make inquiries regarding Guardian's compliance with laws and regulations regarding the conduct of its insurance business. Guardian and its subsidiaries endeavor to respond to such inquiries in an appropriate way and to take corrective action if warranted. Based upon regulatory inquiries that have been made, it is Guardian's opinion that any regulatory proceedings which might be initiated following such inquiries are not likely to have a material adverse effect on Guardian's financial position or results of operations.

Holding Company Regulation. Guardian is subject to the New York Insurance Law governing insurance companies and their subsidiaries and affiliates, in particular, Article 17 of the New York Insurance Law. That article places certain restrictions on transactions between Guardian and its subsidiaries and other affiliates. In addition, the NYSDFS requires reports and notifications of transactions involving Guardian and its subsidiaries and other affiliates. Some of these transactions are subject to prior approval by the NYSDFS.

Guardian's insurance subsidiaries are subject to regulation under the insurance holding company laws of various jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require each controlled insurance company to register with state regulatory authorities and to file with those authorities certain reports, including information concerning their capital structure, ownership, financial condition, certain intercompany transactions and general business operations and, where applicable requirements have been adopted, reports on the enterprise risk management and governance of Guardian.

The New York Insurance Law and the regulations thereunder also restrict the aggregate amount of investments Guardian may make in non-life insurance subsidiaries and provide for periodic reporting on all of its subsidiaries.

Risk Management and ORSA. The NAIC's Risk Management and Own Risk and Solvency Assessment Model Act, or the "ORSA Model Act," requires insurers that exceed specified premium thresholds to maintain a framework for managing the risks associated with their entire holding company group, including non-insurance companies. In addition, at least annually, the insurer must prepare a summary report, or the "ORSA Report," regarding its internal assessment of risk management and capital adequacy for the entire holding company group. ORSA Reports are filed on a confidential basis with the insurance holding company group's lead regulator and made available to other domiciliary regulators within the holding company group. Guardian filed its latest ORSA Report in October 2018.

Unclaimed Property Laws. Guardian is subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment of unclaimed or abandoned funds, and is subject to audit and examination for compliance with these requirements.

Guaranty Funds. All 50 states of the United States and the District of Columbia have insurance guaranty fund laws requiring insurance companies doing business within those jurisdictions to participate in guaranty associations. Guaranty associations are organized to cover, subject to limits, contractual obligations under insurance policies and certificates issued under group insurance policies, issued by impaired or insolvent life insurance companies. These associations levy assessments, up to prescribed limits, on each member insurer doing business in a particular state on the basis of their proportionate share of the premiums written by all member insurers in the lines of business in which the impaired or insolvent insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets, usually over a period of years. Assessments levied against Guardian by guaranty associations during each of the past five years have not been material. While Guardian cannot accurately predict the amount of future assessments, Guardian believes that assessments with respect to other pending insurance company impairments and insolvencies will not have a material adverse effect on Guardian's financial position or results of operations.

Policy and Contract Reserve Sufficiency Analysis. Under the New York Insurance Law, Guardian is required to conduct annually an analysis of the sufficiency of all life insurance and annuity statutory reserves. Each year Guardian must submit an opinion of a qualified actuary that states that Guardian's statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient provision for Guardian's associated contractual obligations and related expenses. If reserves are viewed as being inadequate, Guardian must set up additional reserves by moving funds from surplus. As part of Guardian's 2018 statutory annual statement, Guardian provided an actuarial opinion without qualifications regarding these reserve requirements as of December 31, 2018.

Risk-Based Capital. Section 1322 of the New York Insurance Law requires that New York-domiciled life insurers report their RBC based on a formula calculated by applying factors to various asset, premium and reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk. Section 1322 imposes broad confidentiality requirements on those engaged in the insurance business (including insurers, agents, brokers and others) and on the NYSDFS as to the use and publication of RBC data.

Section 1322 gives the Superintendent explicit regulatory authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not exceed certain RBC levels. As of December 31, 2018, Guardian's total adjusted capital was in excess of each RBC level that might require Guardian to take remedial action.

BLICOA and GIAC are also subject to RBC requirements. Certain FCW subsidiaries are insurance entities subject to RBC requirements, while FCW itself, not being an insurer, is not. As of December 31, 2018, the total adjusted capital of each of BLICOA, GIAC and the relevant FCW subsidiaries was in excess of each RBC level that might require BLICOA, GIAC or a relevant FCW subsidiary to take some remedial action.

Statutory Examinations. As part of their routine regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records and accounts of insurers domiciled in their states. These examinations are generally conducted in cooperation with the departments of two or three other states under guidelines promulgated by the NAIC. The NYSDFS last completed its statutory examination of Guardian for the four-year period ending December 31, 2013 and issued a final report on exam findings on June 19, 2015.

Various state insurance departments also periodically examine non-domestic insurance companies conducting business in their states, including Guardian and its insurance subsidiaries. The purpose of these periodic examinations is to evaluate the companies' compliance with state insurance laws and regulations and to determine if operations are consistent with the public interest of the policyholders resident in the state conducting the examination.

NAIC Ratios. On the basis of statutory financial statements filed by life insurance companies with state insurance regulators, the NAIC calculates annually 12 financial ratios to assist state insurance regulators in monitoring the financial condition of life insurers. State insurance regulators review this statistical report, which is available to the public, together with an analytical report, prepared by and available only to state insurance regulators, to identify insurance companies that appear to require immediate regulatory attention. A "usual range" of results for each ratio is used as a benchmark. In general, departure from the "usual range" on four or more of the ratios can lead to inquiries from individual state insurance departments. Guardian had no ratios outside the "usual range" in 2018 and 2017.

Surplus and Capital. The New York Insurance Law requires Guardian to maintain at least $150,000 in surplus. In addition to this minimum, there are also risk-based capital requirements, as discussed above. Guardian and its insurance subsidiaries are subject to the supervision of the regulators in each jurisdiction in which they are licensed to transact business. These regulators have discretionary authority, in connection with the continued licensing of Guardian or any of these insurance subsidiaries, to limit or prohibit its sales to policyholders if such regulators determine that any such insurer has not maintained the minimum surplus or capital required or that such insurer's further transaction of business would be hazardous to policyholders.

Policyholder Dividend Requirements. New York Insurance Law Section 4219 limits the amount of surplus attributable to participating business that a domestic life insurance company may accumulate. Guardian is in compliance with that limit. Guardian distributes amounts of divisible surplus annually in the form of dividends on Guardian's participating policies in accordance with dividend scales approved annually by Guardian's Board of Directors.

Regulation of Investments. Guardian and each of its insurance subsidiaries is subject to state laws and regulations that require diversification of its investment portfolios and limit the amount of investments in certain asset categories, such as below-investment-grade fixed income securities, equity real estate, mortgages, other equity investments, foreign investments and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring statutory surplus, and, in most instances, require divestiture. Guardian believes its investments and those of each of its insurance subsidiaries comply with all such laws and regulations.

New York Insurance Regulation 210. On March 19, 2018, Insurance Regulation 210 became effective in New York. This regulation establishes standards for the determination and any readjustment of non-guaranteed elements ("NGEs") that may vary at the insurer's discretion for life insurance policies and annuity contracts delivered or issued for delivery in New York State. The regulation requires insurers to notify policyholders at least 60 days prior to any adverse change in NGEs and, with respect to life insurance policies, to notify the NYSDFS at least 120 days prior to any such changes. In addition, the regulation requires insurers to file annually with the NYSDFS to inform the NYSDFS of any adverse changes in the current scale of NGEs of any existing policy that occurred in the prior calendar year.

Federal Income Taxation. Congress has, from time to time, considered legislation that could adversely impact the manner of taxing the products Guardian sells and of calculating the amount of taxes paid by life insurance companies or other corporations, including Guardian. Changes to federal, state or other tax laws, or in the interpretation of applicable tax laws and regulations, could reduce Guardian's earnings and adversely affect Guardian's business, financial condition or results of operations.

The attractiveness to Guardian's customers of many of its products may be due, in part, to favorable tax treatment. Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of life insurance and annuity products. Taxes, if any, are payable generally on income attributable to a distribution under the contract for the year in which the distribution is made. Death benefits under life insurance contracts may be received free of federal income tax. Congress has, from time to time, considered legislation that could have the effect of reducing or eliminating the benefit of such income tax deferral or otherwise affect the taxation of life insurance or annuity products. As a result, demand for certain of Guardian's life insurance and annuity products that offer income tax deferral could be negatively impacted. To the extent that legislation is enacted in the future to reduce the tax deferred status of life insurance or annuity products, limit the exclusion of death benefits from income, or reduce the taxation of competing products, all life insurance companies, including Guardian, could be adversely affected. Likewise, reductions in individual tax rates could reduce the attractiveness of tax deferral to Guardian's potential customers.

Congress has from time to time, considered material changes to the estate tax. Many of Guardian's products are sold to customers in order to help them meet their estate tax planning needs. To the extent that legislation is enacted in the future that would materially change the estate tax, sales of Guardian's products could be adversely affected.

See "Risk Factors—Risk Factors Related to Guardian—Changes in tax laws and the interpretation thereof could adversely affect Guardian's business."

Securities Laws. Certain of Guardian's direct and indirect subsidiaries and certain policies and contracts offered by them, are subject to various forms of regulation under the federal securities laws administered by the SEC, state securities laws and FINRA rules. Certain of Guardian's direct and indirect subsidiaries, such as PAS and Park Avenue Institutional Advisers LLC ("PAIA"), are investment advisers registered under the Investment Advisers Act of 1940, as amended. In addition, PAS is a broker-dealer with the SEC under the Exchange Act, and is a member of, and subject to regulation by, FINRA.

In addition, certain separate accounts of GIAC related to its variable insurance products and a variety of mutual funds advised or subadvised by PAIA are registered under the Investment Company Act of 1940, as amended. The separate account interests under the variable products issued through these registered separate accounts and shares offered by these registered mutual funds are registered under the Securities Act.

Federal and state securities regulatory authorities, state attorneys general and FINRA from time to time make inquiries regarding compliance by Guardian and its subsidiaries with securities and other laws and regulations regarding the conduct of their securities businesses. Guardian endeavors to respond to such inquiries in an appropriate way and to take corrective action if warranted.

These laws and regulations are primarily intended to benefit investors in the securities markets and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws and regulations. In such event, the possible regulatory sanctions include the suspension of individual employees or associates, limitations on the activities in which the regulated entity may engage, suspension or revocation of an investment adviser's or broker-dealer's registration as an adviser or broker-dealer, censure and fines. Guardian's direct and indirect subsidiaries may also be subject to similar laws and regulations in the states in which they provide investment advisory services, offer the products described above, or conduct other securities-related activities.

Federal Insurance Initiatives and Legislation. Although the federal government has not directly regulated the insurance business, federal initiatives often have an impact on Guardian's life insurance business. Current and proposed measures that may significantly affect the insurance business generally include proposals to create an optional federal charter for insurers, limitations on anti-trust immunity, minimum solvency requirements, and other proposals at the federal level to streamline state insurance regulatory processes. Guardian cannot predict whether these proposals will be adopted, or, if adopted, the impact, if any, such proposals could have on Guardian's business, results of operation or financial condition. At the present time, Guardian does not know of any federal legislative initiatives that, if enacted, would adversely impact its business, results of operations or financial condition. See "Risk Factors—Risk Factors Related to Guardian. Guardian is subject to extensive regulation, which restricts its operations and imposes compliance costs" and "Risk Factors—Risk Factors Related to Guardian—The Dodd-Frank Act and certain other potential changes in federal laws and regulations may adversely affect Guardian's business, results of operations and financial condition."

In July 2010, Congress passed, and President Obama signed, the Dodd-Frank Act. Policy and rule-making conducted after the enactment of the Dodd-Frank Act has changed and will continue to significantly change financial regulation. The Dodd-Frank Act establishes a general framework for systemic regulation that has imposed and will impose mandatory clearing, exchange trading and margin requirements on many derivatives transactions. Although regulations with respect to swaps and other derivatives that are regulated by the Commodity Futures Trading Commission (the "CFTC") have been largely implemented, final implementation for Guardian of requirements relating to initial margining of swaps is expected to go into effect in September 2020. Regulations for security-based swaps, which are regulated by the SEC, have been largely adopted but not yet implemented. These regulations differ in many respects from those adopted by the CFTC, the prudential regulators and regulators in the EU. As a result, it is possible that implementation of SEC regulations could adversely impact Guardian's positions in security-based swaps, such as credit default swaps and equity swaps.

Beginning in September 2020, Guardian will be required to post initial margin to its derivatives counterparties in respect to its swaps positions depending on the size of the swaps books of the broader Guardian group and the applicable threshold established by counterparties. Initial margin positing is required if the Guardian and its affiliated have "material swaps exposure." Under the rules, this requires average daily aggregate notional exposure to uncleared swaps, uncleared security-based swaps, foreign exchange forwards and foreign exchange swaps for specified prior period in excess of $8 billion. Guardian expects that the requirements will be applicable to it. In addition, eligible margin for initial margin for swaps, like that for variation margin, is restricted to cash and liquid securities (such as U.S. government securities, government-sponsored enterprise debt securities, certain sovereign debt and specified corporate debt, listed equities and funds.

To the extent that Guardian's swaps or security-based swaps counterparty collects initial margin from it, Guardian may request that the derivatives counterparty segregate all such initial margin at a custodian. If Guardian does not request segregation, the custodian or counterparty may commingle such assets or collateral with the custodian's or counterparty's own assets or collateral, and in the event of the bankruptcy or insolvency of the custodian or counterparty, such assets and collateral may be subject to the conflicting claims of the creditors of the relevant custodian or counterparty, which may result in a loss to Guardian.

Guardian currently posts variation margin to and collects variation margin from counterparties to swaps subject to regulation by the CFTC, U.S. prudential regulators and authorities in the European Union (the "EU").

In addition, where Guardian enters into certain swaps that are subject to mandatory clearing, Guardian will be required to execute such swaps on a registered exchange or trading platform.

Further, where Guardian enters into a swap with non-U.S. counterparties in the EU, the regulations of the home or resident country of such counterparty generally apply regulatory requirements with respect to such swap that are similar to those adopted by the CFTC and the prudential regulators pursuant to the Dodd-Frank Act. The European Market Infrastructure Regulation ("EMIR"), like the CFTC regulations in effect in the U.S., requires reporting of derivatives and various risk mitigation techniques to be applied to derivatives entered into by parties that are subject to the jurisdiction of EMIR.

The Dodd-Frank Act also established an FSOC which has authority to designate non-bank financial companies as non-bank SIFIs thereby subjecting them to enhanced prudential standards and supervision by the Federal Reserve. The prudential standards for non-bank SIFIs include enhanced RBC requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, early remediation procedures and recovery and resolution planning. On October 26, 2017, the Secretary of the Treasury issued a report on asset management and insurance that recommended activities-based evaluations of systemic risk in the insurance industry rather than an entity-based approach. The report also supported primary regulation of the U.S. insurance industry by the states rather than the federal government. On November 17, 2017, the Secretary also issued a report recommending changes to FSOC's process for non-bank SIFI designations, including prioritizing an activities-based approach instead of individual designations, and enhancing the analytical process, engagement and transparency of the designation process. If the FSOC were to determine that Guardian is a non-bank SIFI, Guardian would become subject to certain of these enhanced prudential standards. Other regulators such as state insurance regulators may also determine to adopt new or heightened regulatory safeguards as a result of actions taken by the Federal Reserve in connection with its supervision of non-bank SIFIs. There can be no assurance that such new or enhanced regulation will not apply to Guardian.

In addition, the Dodd-Frank Act established the FIO within the U.S. Department of the Treasury, which has the authority, on behalf of the United States, to participate in the negotiations of international insurance agreements with foreign regulators, as well as to collect information about the insurance industry and recommend prudential standards. While not having a general supervisory or regulatory authority over the business of insurance, the director of the FIO will perform various functions with respect to insurance, including serving as a non-voting member of FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation.

Federal agencies have been given significant discretion in connection with rulemaking pursuant to and implementation of the Dodd-Frank Act. Additionally, it is unclear what impact the Trump administration's policies and a Republican majority in the Senate will have on the Dodd-Frank Act and the resulting impact on Guardian's business, financial condition or results of operations. Although the Democratic majority in the House of Representatives is unlikely to consider a full repeal of the Dodd-Frank Act, Guardian cannot predict whether any proposal to amend the Dodd-Frank Act will be implemented and whether it would have a material effect on its business, financial condition or operations and cannot currently identify the risks, if any, that may be posed to Guardian's business as a result of changes to, or legislative replacements for, Dodd-Frank. Guardian cannot predict whether any such legislation or regulatory changes will be adopted, or what impact they will have on Guardian's business, financial condition or results of operations.

Federal legislation and administrative policies in other areas, including employee benefit plan regulation and individual retirement account regulation, federal taxation and securities regulation, could significantly affect the insurance industry and the costs faced by its participants.

USA PATRIOT Act. Title III of the USA PATRIOT Act of 2001 (the "PATRIOT Act") amends the Money Laundering Control Act of 1986 and the Bank Secrecy Act to expand Anti-Money Laundering ("AML") and financial transparency laws applicable to financial services companies, including some categories of insurance companies. The PATRIOT Act, among other things, seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism, money laundering or other illegal activities. To the extent required by applicable laws and regulations, Guardian and certain of its subsidiaries that are deemed "financial institutions" under the PATRIOT Act have adopted anti-money laundering programs that include policies, procedures and controls to detect and prevent money laundering, designate a compliance officer to oversee the program, provide for on-going employee training, and ensure periodic independent testing of the program. Guardian's AML programs, to the extent required, also establish and enforce customer identification programs and provide for the monitoring and the reporting to the Treasury of certain suspicious transactions.

Pension Legislative Developments. On September 27, 2010, President Obama signed the Small Business Jobs Act of 2010 ("SBJA"). SBJA focuses mainly on credits for small businesses but has a major pension provision which permits participants to transfer money from a pre-tax account to a Roth account within a "qualified plan."

On July 6, 2012, President Obama signed the Moving Ahead for Progress in the 21st Century Act ("MAP-21") which, among other things, affects pension funding by changing the mechanism for determining interest rates to be used for funding pension plans; it also increased pension benefit guaranty corporation ("PBGC") premiums.

The Supreme Court in United States v. Windsor (2013) found that Section 3 of the Defense of Marriage Act ("DOMA"), which provides that the word "marriage" means only a legal union between one man and one woman as husband and wife, and the word "spouse" refers only to a person of the opposite sex who is a husband or a wife is unconstitutional because it violates the principles of equal protection.

The impact of any of the above may have a positive impact on the demand for retirement vehicles.

ERISA Considerations. Until December 31, 2016, Guardian and its subsidiaries issued certain investment products and services to employee benefit plans governed by ERISA, including group annuity contracts and funding agreements designed to fund tax-qualified retirement plans such as 401(k), profit-sharing and other participant directed plans, as well as defined benefit plans. This block of business was purchased by Ameritas Life Insurance Corp. (Ameritas) under an Asset Purchase Agreement entered into by a Guardian subsidiary and Ameritas on September 1, 2016. Pursuant to that Asset Purchase Agreement and other ancillary agreements between the parties, Ameritas has undertaken to novate these group annuity contracts and funding agreements and will assume the obligations and liabilities associated with them. As of March 2019, the majority of these contracts and agreements have been novated to Ameritas. ERISA provides (among other requirements) standards of conduct for employee benefit plan fiduciaries, including investment managers and investment advisers with respect to the assets of such plans, and holds fiduciaries liable if they fail to satisfy fiduciary standards of conduct. Generally, Guardian and its subsidiaries have maintained policies and procedures that are intended to limit the circumstances in which Guardian or any of its subsidiaries could be deemed a fiduciary with respect to plans governed by ERISA, or to the extent that they may be deemed to have such fiduciary status, to ensure compliance with applicable ERISA requirements.

The U.S. Department of Labor (the "DOL") issued regulations that largely were applicable in 2017 that expanded the definition of "investment advice" and required an advisor to meet an impartial or "best interests" standard, but the regulations were formally vacated by the U.S. Court of Appeals for the Fifth Circuit in 2018. The Court of Appeals decision also vacated certain DOL amendments to prohibited transaction exemptions. The DOL has announced that it plans to issue revised fiduciary investment advice regulations in September 2019. At this time, we cannot predict what form those regulations may take or their potential impact on us.

Annuity contracts and funding agreements that were issued prior to December 31, 2016 by Guardian's insurance subsidiaries may include a "fixed option" that accrues interest and is backed by the general account of the insurance subsidiary. In 1993, the United States Supreme Court issued an opinion in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank ("Harris Trust"), holding that certain contract holder funds held by John Hancock Mutual Life Insurance Company in its general account under a participating group annuity contract were "plan assets," and therefore subject to ERISA's fiduciary provisions. However, under Section 401(b)(2) of ERISA, if an insurance company issues a guaranteed benefit policy to a plan, the assets of the plan are deemed to include the policy, but do not, solely by reason of the issuance of the policy, include any assets of the insurance company. Section 401(b)(2)(B) of ERISA defines the term "guaranteed benefit policy" to mean an insurance policy or contract to the extent such policy or contract provides for benefits the amount of which is guaranteed by the insurer. Guardian's insurance subsidiaries intend that the "fixed option" component of their annuity contracts and funding agreements qualify as guaranteed benefit policies as defined by Section 401(b)(2)(B) as further interpreted by court decisions and the DOL.

Certain lawsuits have been brought under ERISA by employer sponsors of tax-qualified retirement plans investing through group annuity contracts that offer a selection of variable investment options funded by mutual funds. Plaintiffs have alleged, inter alia, that the insurance company defendants are fiduciaries with respect to plans, and as fiduciaries, the insurance company defendants breached their fiduciary duties and engaged in prohibited transactions by receiving certain compensation from mutual funds as a result of plan investments through the annuity contracts. The ultimate impact of the case law in this area remains uncertain. Although group variable contracts and funding agreements issued to retirement plans by Guardian's insurance subsidiaries have some features that may be similar to the features of group annuity contracts that are the subject of this litigation, neither Guardian nor any of its insurance subsidiaries are aware that similar litigation is threatened or has been filed involving any group annuity contracts or funding agreements issued by the insurance subsidiaries. Guardian and its insurance subsidiaries are continuing to monitor whether legal developments resulting from these lawsuits warrant new or different compliance policies and procedures for this line of business.

Environmental Considerations. As an owner and operator of real property, Guardian is subject to extensive federal, state and local environmental laws and regulations. Inherent in such ownership and operation is the risk that there may be potential environmental liabilities and costs in connection with any required remediation of such properties. Guardian routinely conducts environmental assessments for real estate Guardian is acquiring for investment and before taking title to real property through securing mortgages Guardian holds. In addition, certain federal and state laws have provisions that can protect a mortgage lender, such as Guardian or BLICOA, from environmental liability to governmental entities in connection with properties acquired by foreclosure, if the mortgage lender observes the required procedures under those laws and otherwise meets the legal criteria for these protections. Based on these environmental assessments, Guardian believes that any costs associated with compliance with environmental laws and regulations or any remediation of such properties would not have a material adverse effect on Guardian's financial position or results of operations.

Guardian, and certain of its subsidiaries, hold equity stakes in entities that could potentially be subject to environmental liabilities. Guardian believes, based on its assessment of the businesses and properties of these entities and Guardian's level of involvement in the operation and management of such entities, Guardian would not be subject to any material environmental liabilities with respect to these investments. However, unexpected environmental liabilities can arise.

International Operations

Guardian performs select operational functions in several locations in India through its Guardian India subsidiary (formerly Data Telesis). Functions performed include data entry, new business processing, billing, call center and scheduling. Guardian India provides services to Guardian and its affiliates, but no outside parties.

Properties

In July 2017 Guardian sold two owned buildings located in Bethlehem, Pennsylvania on approximately 31 acres, comprising a portion of Guardian's Northeast Regional Office campus. Guardian leased back the data center portion of these buildings, covering approximately 10,000 rentable square feet, through December 31, 2018. After exiting this site in December 2018 Guardian's Bethlehem campus now consists of one leased property totaling 281,745 rentable square feet and Guardian's annual rental obligation under this lease is approximately $5.0 million.

Guardian owns and occupies a 100,000 square foot building located on 40.9 acres in Appleton, Wisconsin, the site of Guardian's Midwest Regional Office. Annual operating expenses for this facility are approximately $1.1 million. In addition, Guardian owns a 136,000 square foot building in Pittsfield, Massachusetts located on 45.9 acres, occupied entirely by Guardian's wholly owned subsidiary, BLICOA. Annual operating expenses for this facility are approximately $1.0 million.

Guardian leases 842,164 rentable square feet in New York, New York, which is the current site of Guardian's Corporate Headquarters, and occupies 509,134 rentable square feet while the remaining 330,030 rentable square feet is occupied by subtenants. This lease expires September 30, 2019. Guardian's remaining rental obligation under this lease is approximately $20.3 million, while Guardian receives approximately $13.4 million annually in subtenant rent. In January 2017, Guardian exercised its option to purchase this facility at the expiration of the lease for a fixed price. During 2017, Guardian entered into a contract with a third party, pursuant to which Guardian agreed to sell its Corporate Headquarters to the third party following Guardian's acquisition of the property in 2019. Guardian has entered into a sublease agreement for 148,318 rentable square feet at 10 Hudson Yards in New York, New York for the relocation of its Corporate Headquarters with an associated rent commencement date of February 1, 2019. The term of the sublease is through June 29, 2036 and the average annual rental obligation will be approximately $14.9 million. Guardian has relocated a subset of employees from its current New York Headquarters building to a new leased facility at Bell Works (101 Crawfords Corner Road) in Holmdel, New Jersey. Guardian has entered into a lease agreement at Bell Works for 91,319 rentable square feet through December 31, 2032 and the average annual rent obligation is approximately $2.5 million.

Guardian also has 54 leases totaling 367,328 rentable square feet for its corporate-owned sales operations, satellite corporate operations and subsidiary operations. Such leases typically have terms of 3 to 5 years with renewal options. Guardian's annual rental obligations under these leases are approximately $11.1 million. Guardian sold the majority of its leased dental center sites effective December 31, 2018. Guardian remains as the tenant under 3 dental center leases totaling 62,634 rentable square feet, which typically have terms of 5 to 7 years with renewal options. Guardian's annual rental obligation under these leases is approximately $1.6 million.

Guardian also has 7 Reed Group leased locations comprising 209,000 rentable square feet, with annual rental obligations of approximately $4.2 million. In addition, Guardian has executed leases for 4 Guardian India locations comprising of 150,000 rentable square feet with annual rental obligations of approximately $2.6 million. Guardian India also owns a 17,642 rentable square foot suite in Chennai and annual operating expenses for this facility are approximately $0.2 million.

Guardian has also signed 11 leases totaling 76,061 rentable square feet on behalf of its agency operations (for those that have not yet become General Agents). Such leases typically have terms of 3 to 5 years with renewal options. Guardian's annual rental obligations under these leases are approximately $2.0 million.

Guardian believes that such owned and leased properties are suitable and adequate for Guardian's current business operations.

Employees and Agents

As of January 1, 2019, Guardian and its subsidiaries employed approximately 9,556 people. In addition, as of January 1, 2019, over 2,500 full-time career agents are engaged in the sale of Guardian's products. Approximately 42 entities have selling and servicing agreements for GIAC annuities (including PAS) and 956 broker-dealer entities have servicing agreements for GIAC annuities. Guardian believes that its employee relations are generally good.

Other Information

Guardian may from time to time make certain information available on its website at www.guardianlife.com/about-guardian/financial-highlights. **The information contained on or connected to Guardian's website is not a part of this Offering Memorandum, and you should not rely on any such information in making your decision whether to purchase Notes**.

FINANCIAL AND ACCOUNTING MATTERS

The historical financial information included in this Offering Memorandum has been prepared in conformity with the statutory accounting practices prescribed by the NYSDFS.

Summary of Principal Differences Between SAP and GAAP

SAP is different in some respects from financial statements prepared in accordance with GAAP. The more significant differences between SAP and GAAP are that, under SAP, (1) costs related to acquiring business, principally commissions and certain policy issue expenses, are charged to income in the year incurred; (2) life insurance and annuity reserves are based on statutory mortality and interest requirements, without consideration of withdrawals and company experience; (3) life insurance enterprises are required to establish a formula-based AVR by a direct charge to surplus to offset potential investment losses; (4) realized gains and losses resulting from changes in interest rates on fixed income investments are deferred in the interest maintenance reserve ("IMR") and amortized into investment income over the remaining life of the investment sold; (5) bonds are carried principally at amortized cost; (6) certain reinsurance transactions are accounted for as reinsurance for statutory purposes and as financing transactions under GAAP, and assets and liabilities are reported net of reinsurance for statutory purposes and gross of reinsurance for GAAP; (7) certain "non-admitted assets" (furniture and office equipment, leasehold improvements, capitalized internally developed non-operating system software and prepaid pension costs) must be excluded under statutory reporting through a charge to surplus; (8) investments in common stock of Guardian's wholly owned and majority owned subsidiaries are accounted for using the equity method, where earnings of such subsidiaries are recognized in surplus; only when dividends are distributed is income recognized; (9) gross deferred tax assets changes in deferred tax assets and deferred tax liabilities, except those allocated to changes in unrealized gains and losses, are recognized as a separate component of surplus; (10) deferred tax assets not meeting certain criteria are non-admitted; (11) investments in real estate joint ventures, where Guardian has a controlling financial interest, are accounted for using the equity method for statutory purposes and consolidated under GAAP; and (12) if in the aggregate, Guardian has a net negative cash balance, it is reported as a negative asset for statutory purposes and recorded as a liability under GAAP.

Investment Reserves

In compliance with SAP, Guardian maintains both an AVR and an IMR. The AVR is intended to stabilize policyholders' surplus against market fluctuations in the value of equities and credit related declines in the value of bonds, mortgage loans, public equity, private equity and real estate investments. The level of the AVR is based on both the type of investment and its credit rating. In addition, the reserves required for similar investments, for example, fixed maturity securities, differ according to the credit ratings of the investments, which are based upon ratings established periodically by the Securities Valuation Office of the NAIC. Guardian, in keeping with the New York Insurance Law and SAP, includes the reserve when determining its total adjusted capital for risk-based capital purposes. Changes in the AVR are recorded directly to surplus. The IMR defers net after-tax realized capital gains (losses) which result from changes in the overall level of interest rates for fixed income investments and amortizes these net capital gains (losses) into income over the remaining stated life of the investments sold. Guardian uses the group method of calculating the IMR. The IMR is not treated under SAP as part of the total adjusted capital for risk-based capital purposes. Net realized after-tax capital (losses)/gains of ($156) million, $166 million and $212 million as of December 31, 2018, 2017 and 2016, respectively, were transferred out/deferred into the IMR. Amortization of the IMR into net investment income amounted to $74 million in 2018, $99 million in 2017 and $122 million in 2016.

Realized investment gains and losses are reported in income based upon specific identification of securities sold. Realized losses include valuation adjustments for other-than-temporary declines in investments. Unrealized investment gains and losses on financial instruments carried at fair value represent changes in the reported fair value and are recorded directly to surplus.

Policyholder Dividends and Other Experience Credits

Guardian determines the amount of dividends payable to eligible participating policyholders. These dividends have the effect of reducing the cost of insurance to policyholders and should be distinguished from the dividends paid on shares of capital stock by other types of business corporations or by stock life insurance companies. Policies on which such dividends may be payable are referred to as eligible participating policies; policies on which such dividends are not payable are referred to as non-participating policies. However, for some participating policies where no dividends are anticipated to be paid and for nonparticipating policies, adjustments may be made to non-guaranteed premiums, policy credits and charges to reflect changes to actual mortality, investment results and expenses.

Divisible surplus in excess of the amount Guardian's Board of Directors determines to be necessary to meet its policy obligations (reserves) and contingencies (such as worsening mortality or economic conditions) and to operate and grow its business is distributed in the form of dividends on Guardian's eligible participating policies. The amount and allocation of that distribution is at the discretion of the Board of Directors. The determination of the dividend scale is made after review of actual experience and reflects the traditional three-factor approach, considering dividend interest rate, mortality and expense. For further information concerning statutory policyholder dividend requirements, see "Business of Guardian—Regulation." Guardian's Board of Directors receives the dividend scale report and recommendation from Guardian's Chief Actuary at its regular November Board meeting. The Board has an opportunity to review the report, ask questions of the Chief Actuary, and request additional information. It is the Board's responsibility to approve the following year's dividend scale. Once Board approval is received, Guardian implements the scale for the following year and all policy illustrations reflect the new scale.

Reserves for Policy Benefits

SAP prescribes methods for valuing obligations under in-force policies and contracts. Those valuations are reflected in the "Reserves for policy benefits" line of the financial statements. Changes in reserves for policy benefits are generally charged against earnings in the income statement. Statutes, regulations and actuarial professional standards require Guardian to analyze the sufficiency of these reserves, using various interest rate scenarios in the context of statutory accounting practices on an annual basis.

For a discussion of Policy Reserves, see "—Critical Accounting Policies—Reserves for policy benefits."

Separate Accounts

Guardian does not sell products which require separate account assets or liabilities. Any such products are sold by GIAC. Separate account assets and liabilities represent segregated funds administered and invested by GIAC for the benefit of individual and group variable annuity, variable life, and other insurance used by policyholders to meet specific insurance and investment objectives. Separate account assets consist principally of marketable securities reported at fair value and are not available to satisfy liabilities that arise from any other business of GIAC. GIAC receives administrative and investment advisory fees from these accounts.

Separate accounts reflect two categories of risk assumption: non-guaranteed separate accounts, for which the policyholder assumes the investment risk; and guaranteed separate accounts, for which GIAC contractually guarantees either a minimum return or minimum account value to the policyholder. Premium income, benefits and expenses of the separate accounts are included in GIAC's Statutory Statements of Income. Investment income and realized and unrealized capital gains and losses on the assets of separate accounts accrue to policyholders and, accordingly, are not recorded in the Statutory Statements of Income.

GIAC may transfer investments from the general account to seed separate accounts. Investments transferred to separate accounts are transferred at fair market value on the date the transaction occurs. Gains related to the transfer are deferred to the extent that GIAC maintains a proportionate interest in the separate account. The deferred gain is recognized as GIAC's ownership decreases or when the separate account sells the underlying asset during the normal course of business. Losses associated with these transfers are recognized immediately.

Accounting for Employee Benefit Plans

The Company sponsors non-contributory defined benefit pension plans covering all eligible employees. These include tax-qualified plans, as well as nonqualified plans that provide benefits to certain participants in excess of ERISA limits for qualified plans. The Company's policy is to fund the obligations of qualified plans in accordance with ERISA requirements.

In addition to pension benefits, the Company provides certain health care, dental and life insurance benefits ("post-retirement benefits") for retired employees. Substantially all of the employees and representatives may become eligible for these benefits if they reach retirement age while working for the Company.

In accordance with NAIC SAP, the costs associated with these required benefits are expensed over the period that the participant provides services to the Company, including recognition of assets and liabilities based on the funded status of the related plans. Pension assets are then non-admitted and thereby excluded from surplus.

Critical Accounting Policies

The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory financial statements, and the reported amounts of revenues and expenses during those reporting periods. The most significant estimates include those used in determining the carrying values of investments and derivatives, the amount of investment valuation reserves on mortgage loans, other-than-temporary impairments and reserves for policy benefits. Future events, including but not limited to changes in the levels of mortality, morbidity, interest rates, persistency, asset valuations and asset defaults, could cause actual results to differ from the estimates used in the statutory financial statements. Although some variability is inherent in these estimates, management believes the amounts presented are appropriate.

For a complete discussion of accounting policies and practices, see the notes to the Statutory Financial Statements included in the Offering Memorandum.

Carrying Values of Investments and Derivatives. Investments are valued in accordance with methods prescribed by the Securities Valuation Office of the NAIC ("SVO"). Guardian obtains the fair value of financial instruments held in its portfolio from a number of sources, which are measured at fair value, as described in the Statutory Financial Statements. These sources include published market quotes for active market exchange traded instruments, third-party pricing vendors, investment banks which are lead market makers in certain markets and broker quotes. Guardian also uses internal valuation models that use market observable inputs when available and Guardian derived inputs when external inputs are not available or deemed to be inaccurate.

Bonds are stated principally at amortized cost with bond premiums and discounts amortized using the scientific interest method. Those bonds which are rated 6 by the NAIC are reported at the lower of amortized cost or fair value. Mortgage-backed bonds are carried at amortized cost using the interest method considering anticipated prepayments at the date of purchase. Significant changes in future anticipated cash flows from the original purchase assumptions are accounted for using the retrospective adjustment method with Public Securities Association standard prepayment rates. Guardian has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date. Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from issuers or broker-dealers through information services or internal estimates and are believed to be consistent with current interest rates and the economic environment.

Preferred stocks which are rated 4, 5 or 6 by the SVO are stated at the lower of cost or fair value.

Common stocks of unaffiliated companies are stated at fair value, which is based on quoted market prices. For common stocks without quoted market prices, fair value is estimated using independent pricing services or internally developed pricing models. Investments in subsidiaries and affiliates are included in common stocks and are valued at equity in the underlying net assets. Undistributed earnings or losses of subsidiaries and unrealized appreciation or depreciation on common stocks are reflected as unrealized capital gains and losses directly in surplus.

Mortgage loans are valued at amortized cost. Valuation reserves are established for potential declines in the value of the mortgage loans. Fair value is determined based upon the present value of the scheduled future cash flows of each loan based on the average term to maturity discounted at the appropriate U.S. Treasury rate, adjusted for the current market spread for a similar quality mortgage.

Real estate, which Guardian has the intent to hold for the production of income, and real estate occupied by Guardian are carried at cost, less any valuation adjustment, encumbrances and accumulated depreciation of buildings and other improvements using a straight line method over the estimated useful life of the improvements. Depreciation expense is included in net investment income.

Derivative financial instruments for hedged assets and liabilities, which include those used in the equity hedging program, are carried at estimated fair value, which is based primarily upon quotations obtained from independent sources. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs." Changes in the fair value of these open hedge positions are recorded as unrealized capital gains and losses in surplus. Gains and losses realized on the termination, closing, expiration or assignment of contracts are recorded as realized capital gains and losses. Amounts receivable and payable are accrued.

Investment Valuation Reserves on Mortgage Loans. When, based upon current information and events, it is probable that Guardian will be unable to collect all amounts of interest and principal due according to the contractual terms of the mortgage loan agreement, a valuation allowance is established for the excess of the carrying value of the mortgage loan over its fair value. Collectability and estimated recoveries are assessed on a loan-by-loan basis considering all events and conditions relevant to the loan. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available, as changes occur in the market or as negotiations with the borrowing entity evolve. Changes to the valuation allowance are recorded as unrealized capital losses in surplus.

Other-than-Temporary Impairments. The carrying values of bonds, mortgage-backed and asset-backed securities are written down to fair value when a decline in value is considered to be other-than-temporary. Guardian considers the following factors in the evaluation of whether a non-interest related decline in value is other-than-temporary: (a) the financial condition and near-term prospects of the issuer; (b) the likelihood that Guardian will be able to collect all amounts due according to the contractual terms of a debt security in effect at the date of acquisition; (c) Guardian's ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value; and (d) the period and degree to which the market value has been below cost. Guardian considers the following factors in the evaluation of whether an interest related decline in value is other-than-temporary: (a) Guardian's near term intent to sell; (b) Guardian's contractual and regulatory obligations; and (c) Guardian's ability to hold the investment until anticipated recovery of the cost of the investment. Guardian conducts a semi-annual management review of all bonds including those in default, not-in-good standing or valued below 80% of cost. Guardian also considers other qualitative and quantitative factors in determining the existence of other-than-temporary impairments including, but not limited to, unrealized loss trend analysis and significant short-term changes in value. If the impairment is other-than-temporary, a direct write-down is recognized in realized capital losses and a new cost basis is established.

The cost basis of common stocks is adjusted for impairments deemed to be other-than-temporary. Guardian considers the following factors in the evaluation of whether a decline in value is other-than-temporary: (a) the financial condition and near-term prospects of the issuer; (b) Guardian's ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value; and (c) the period and degree to which the market value has been below cost. Guardian conducts a semi-annual management review of issuers whose common stock is not-in-good standing or valued below 80% of cost. Guardian also considers other qualitative and quantitative factors in determining the existence of other-than-temporary impairments including, but not limited to, unrealized loss trend analysis and significant short-term changes. If the impairment is other-than-temporary, a direct write-down to fair value is recognized in realized capital losses and a new cost basis is established.

For mortgage loans, when an event occurs resulting in an impairment that is other-than-temporary, a direct write-down is recognized in realized capital losses and a new cost basis is established. An impairment is deemed other-than-temporary when foreclosure proceedings or other procedures leading to the acquisition of the collateral are initiated, the acquisition of the collateral is probable and a reasonable estimate of the collateral value has been determined.

For real estate, depreciated cost is adjusted for impairments whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable, with the impairment being included in realized capital losses.

For partnerships and limited liability companies, when it appears probable that Guardian will be unable to recover the outstanding net capital contributed (cost) of an investment, or there is evidence indicating an inability of the investee to sustain earnings to justify the cost of the investment, an other-than-temporary impairment is recognized in realized capital losses for the excess of the cost over the estimated fair value of the investment. The estimated fair value is determined by assessing the value of the partnership or limited liability companies underlying assets, cash flow, current financial condition and other market factors. Distributions not deemed to be a return of capital are recorded in net investment income when received provided there are undistributed earnings in the partnerships or limited liability companies.

Reserves for policy benefits. Policyholders' reserves provide amounts adequate to discharge estimated future obligations in excess of estimated future premium on policies in-force. The reserves are established using actuarial methods based on mortality and morbidity experience tables and valuation interest rates prescribed by the NYSDFS. Actual future experience will differ from assumptions used to determine these reserves.

Reserves for life insurance contracts are developed using accepted actuarial methods computed principally on the Net Level Premium Method, the New Jersey Reserve Method, and the Commissioners' Reserve Valuation Method bases using the American Experience and the 1941, 1958, 1980 and 2001 Commissioners' Standard Ordinary mortality tables with assumed interest rates. Reserve methods, mortality tables and assumed interest rates vary with issue year generations of contracts. Reserves for disability riders associated with life contracts are calculated using morbidity rates from the 1952 Period 2 Intercompany Disability Table.

Individual disability income insurance policy reserves are generally calculated using the two-year preliminary term, net level premium and fixed net premium methods, and actuarially accepted morbidity tables, using the 1964 Commissioners' Disability Table and the 1985 Commissioners' Individual Disability Table A with assumed interest rates in accordance with applicable statutes and regulations.

Disabled life claim reserves are generally calculated using actuarially accepted methodologies and actuarially accepted morbidity tables, using 1985 Commissioners' Individual Disability Tables A and C modified with factors to generate reserves that are more conservative, with assumed interest rates in accordance with applicable statutes and regulations.

Unpaid claims and claim expense reserves are related to disability and long-term care claims with long-tail payouts. Unpaid disability claim liabilities are projected based on the most recent disability payment paid prior to the valuation date Claim expense reserves are based on an analysis of the unit expenses related to the processing and examination of new and ongoing claims. Interest accrued on reserves is calculated by applying NAIC prescribed interest rates to the average reserves by incurral year.

Tabular interest, tabular less actual reserves released and tabular cost for all life and annuity contracts and supplementary contracts involving life contingencies are determined in accordance with NAIC Annual Statement Instructions. Traditional life and term products use a formula that applies a weighted-average interest rate determined from a seriatim valuation file to the mean average reserves. Universal life, variable life, group life insurance, annuity, and supplemental contracts use a formula which applies a weighted-average credited rate to the mean account value.

Guardian waives deduction of deferred fractional premium at death, and returns any portion of the final premium beyond the date of death. Reserves are computed using continuous functions to reflect these practices. The larger of legally computed reserves and cash surrender values on a policy-by-policy basis are held as liabilities.

The same reserve methods applied to standard policies are used for the substandard reserve calculations that are based on a substandard mortality rate (a multiple of standard reserve tables).

Reserves for group life waiver and long-term disability ("LTD") reported claims are determined on a seriatim basis. Life waiver of premium reserves are determined using the 1970 Inter-company Group Life Disability Table for claimants disabled prior to 2009 and the 2005 Group Term Life Waiver Table for claimants disabled on or after January 1, 2009; interest rates are 4.0% for claims incurred in 2012 or earlier and 3.5% for claims incurred in 2013 or later.

The LTD reserves for approved claims are determined using either Table 95a (claims incurred in 2016 or earlier) or 2012 GLTD Table (claims incurred in 2017 or later) for the first 24 months of disability and the 1987 Commissioners' Group Disability Table thereafter; interest rates vary by the year the claim was incurred, ranging from 2.75% to 5.0%. Group short-term disability, vision and dental claims incurred but not yet reported reserves are estimated based on Guardian's historical experience. Group reserves include reasonable allowances for potential adverse deviation.

Guardian had total life insurance in-force of $659.5 billion, $628.8 billion and $590.8 billion as of December 31, 2018, 2017 and 2016, respectively. Of this total, Guardian had $15 billion, $14 billion and $14 billion of life insurance in-force as of December 31, 2018, 2017 and 2016, respectively, for which the gross premium income was less than the net premium income according to the standard valuation set by the NYSDFS. The gross premium income is less than the net premium income needed to establish the reserves because the statutory reserves must use industry standard mortality tables, while the gross premium income calculated by pricing uses mortality tables that reflect both Guardian's experience and the transfer of mortality risk to reinsurers.

Certain individual VA products issued by GIAC offer GMDBs and, on or before March 31, 2017 guaranteed living benefits ("VAGLB"). The primary types of VAGLBs offered by Guardian on or before March 31, 2017, were GMWBs. Certain individual VA products issued by GIAC in the past offered GMIBs and guarantee minimum accumulation benefits ("GMABs"). As of February 17, 2017, GIAC no longer offers VAGLB.

GMWB riders provide the VA contract holder with a guarantee that a minimum amount will be available for withdrawal annually for life regardless of the contract value. The liability for GMWBs is included in policyholders' reserves and the related change in this liability is included in change in policyholders' reserves. GIAC has a reinsurance agreement with a third-party reinsurer that reinsures 90% of various GMWB riders that were written through December 2008 and introduced prior to September 2008. That reinsurer is an admitted reinsurer in New York. The financial strength ratings of this reinsurer from S&P and Moody's are AA- and Aa3, respectively. The reinsurance treaty remains in effect for any business written on these riders including any renewal premiums received through the date hereof. The remainder of the business written on these riders is subject to a hedging program. Beginning in September 2008, new GMWB rider forms were introduced, and the business written pursuant to these new rider forms is not subject to reinsurance, instead 100% of such business is subject to the hedging program. For a description of this hedging program and its limitations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs." At December 31, 2018, the account value of all GMWB contracts was approximately $6.6 billion before reinsurance and $6.1 after reinsurance. At December 31, 2017, the account value of all GMWB contracts was approximately $7.8 billion before reinsurance and $7.2 billion after reinsurance. At December 31, 2016, the account values were $7.4 billion and $6.7 billion, respectively before and after reinsurance. In addition, the net amount at risk was $1,358 million, $359 million and $653 million at December 31, 2018, 2017 and 2016, respectively. As of February 17, 2017, GIAC no longer offers GMWB.

GMDBs provide a death benefit if the contract value is less than the guaranteed minimum amount. Some contracts provide that guarantee upon the contract owner's death while others provide it upon the annuitant's death. Most base contracts include a death benefit based on a ROP (the premium paid less amounts withdrawn). Additionally, coverage amounts for elective riders include a roll-up (an accumulation of premium at a specified interest rate adjusted for withdrawals), a reset (the contract value on a specified anniversary date adjusted for subsequent withdrawals, which may decrease when reset), or a ratchet (the contract value on a specified anniversary date adjusted for subsequent withdrawals, which is never allowed to decrease when reset). For an annuity contract, a decline in the stock market causing the contract value to fall below the specified amount will increase the net amount at risk, which is the GMDB in excess of the contract value. The liability for GMDBs is included in policyholders' reserves and the related change in this liability is included in change in policyholders' reserves. The net amount at risk represents the amount of death benefit guaranteed over the account value. At December 31, 2018, 2017 and 2016, the net amount at risk was $97 million, $36 million and $46 million, respectively. All GMDB annual benefit elective riders issued through December 2009 are 100% reinsured with two third party reinsurers, each of which has a financial strength rating of at least AA- from S&P. To the extent the GMDB annual benefit elective rider was purchased, ROP benefit risk was also reinsured with such third-party reinsurers for certain issue years. Depending on the type of GMDB annual death benefit rider purchased, the ROP portion of coverage ended for contracts issued either on or after April 2005 or January 2009, and such risks are no longer reinsured.

In the past, GIAC also offered GMIBs. The amount of these riders in-force is minimal relative to the GMWB business in-force. GMIBs provide the annuity contract holder with a guaranteed minimum payment when the contract is annuitized. The GMIB would be beneficial to the contract holder if the contract holder's account value would otherwise not provide a higher annuitization value using currently offered rates at the time of annuitization. The GMIB riders are 100% reinsured with one third-party reinsurer. GIAC no longer sells this type of VAGLB. The account value of the GMIB riders was $52 million, $67 million and $75 million at December 31, 2018, 2017 and 2016, respectively.

GIAC no longer sells the GMAB rider. Existing business for legacy policies accounted for $0.2 million of account value at December 31, 2018, $0.7 million at December 31, 2017 and $1.7 million at December 31, 2016. There is no reinsurance on this block of riders. In general, VAGLBs require adherence to limitations required by GIAC's approved asset allocation strategy. Election of a VAGLB is generally only available at contract issue. As noted above, as of February 17, 2017, GIAC no longer offers VAGLBs.

Actuarial Guideline XLIII (VACARVM) provides guidance on how to calculate reserves for VAs with both living and death benefit guarantees. The guideline requires the reserve to be calculated using two approaches, the standard scenario approach and the stochastic scenario approach, the final reserve being the greater of the two. The Standard Scenario amount is based on a single path, deterministic projection with stipulated assumptions and the stochastic amount is based on the results of stochastically generated interest rate and equity scenarios. Management's best estimate assumptions along with margins for uncertainty are used to calculate the stochastic amount. Key assumptions used in valuing the liability include full withdrawals, partial withdrawals, mortality, investment management fees and revenue sharing, expenses, fund allocations, and other policyholder behavior. In addition, a method for projecting interest rates and equity returns is required. The stochastic process also requires the projection of in-force general account assets, assets from reinvested cash flows and in-force hedge assets that support the liabilities. The key assumptions needed in valuing the assets include reinvestment asset mix, reinvestment credit spreads, default rates, implied volatility, and swap interest rates. At December 31, 2018, 2017 and 2016, the Stochastic amount was the greater of the two measures and was thus used as the final reserve.

SPIA and DIA statutory reserves are determined as the present value of future payments. The present value of future payments is based on prescribed maximum mortality and discount rate assumptions; however, for certain issue years, more conservative discount rate assumptions are used.

The estimated fair value of contract holder account balances for investment type contracts has been determined to be equivalent to carrying value as the current offering and renewal rates are set in response to current market conditions.

The estimated fair value of contract holder account balances for investment type contracts has been determined to be equivalent to carrying value as the current offering and renewal rates are set in response to current market conditions.

All policyholders' reserves and accruals are based on the various estimates discussed previously and are presented net of reinsurance. Management believes that these liabilities and accruals will be sufficient, in conjunction with future revenues, to meet future anticipated obligations of policies and contracts in-force.

Reserves for dividend accumulations, premium deposit funds and investment-type contracts are based on account value or accepted actuarial methods using applicable interest rates. Fair value is estimated by discounting expected future cash flows using current market.

SELECTED HISTORICAL STATUTORY FINANCIAL INFORMATION OF GUARDIAN

The selected financial information of Guardian set forth below has been compiled on an unconsolidated basis and determined in accordance with SAP. For a description of the accounting principles applicable to this financial information and certain differences between SAP and GAAP, see "Financial and Accounting Matters—Summary of Principal Differences Between SAP and GAAP."

The following statutory financial information as of December 31, 2018, 2017 and 2016 and for the years then ended has been derived from the Statutory Financial Statements included elsewhere in this Offering Memorandum. The Statutory Financial Statements for 2018, 2017 and 2016 have been audited by PricewaterhouseCoopers LLP, independent accountants.

This information should be read in conjunction with, and is qualified in its entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Statutory Financial Statements and other information included elsewhere in this Offering Memorandum. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results may differ from estimates. The results for past accounting periods are not necessarily indicative of the results to be expected for any future accounting period.

	Years Ended December 31,			$ Change	% Change	$ Change	% Change
	2018	2017	2016	2018 vs. 2017	2018 vs. 2017	2017 vs. 2016	2017 vs. 2016
		($ in Millions)					
Statements of Income Data:							
Revenue:							
Premiums, annuity considerations and fund deposits	$ 8,381	$ 8,112	$ 7,768	$ 269	3.3%	$ 344	4.4%
Net investment income	2,132	2,106	2,052	26	1.2%	54	2.6%
Amortization of IMR	74	99	122	(25)	-25.3%	(23)	-18.9%
Other income	270	342	299	(72)	-21.1%	43	14.4%
Total revenue	$10,857	$10,659	$10,241	$ 198	1.9%	$ 418	4.1%
Benefits and expenses:							
Benefit payments to policyholders and beneficiaries	$ 4,535	$ 4,449	$ 4,293	$ 86	1.9%	$ 156	3.6%
Net additions to policy benefit reserves	2,481	2,409	2,330	72	3.0%	79	3.4%
Commissions and operating expenses	2,445	2,383	2,262	62	2.6%	121	5.3%
Total benefits and expenses	$ 9,461	$ 9,241	$ 8,885	$ 220	2.4%	$ 356	4.0%
Gain from operations before dividends and federal income taxes	1,396	1,418	1,356	(22)	-1.6%	62	4.6%
Dividends to policyholders(1)	(966)	(903)	(839)	(63)	7.0%	(64)	7.6%
Gain from operations before federal income taxes	$ 430	$ 515	$ 517	$ (85)	-16.5%	$ (2)	-0.4%
Federal income tax benefit/(expense)	52	(65)	(141)	117	-180.0%	76	-53.9%
Income from operations before net realized capital gains	$ 482	$ 450	$ 376	$ 32	7.1%	$ 74	19.7%
Net realized capital gains	(172)	(27)	(8)	(145)	537.0%	(19)	237.5%
Net income	$ 310	$ 423	$ 368	$ (113)	-26.7%	$ 55	14.9%
Balance Sheet Data:							
Assets:							
Total assets	$58,489	$55,569	$51,884	$ 2,920	5.3%	$ 3,685	7.1%
Liabilities and surplus:							
Reserves for policy benefits	$44,258	$41,778	$39,369	$ 2,480	5.9%	$ 2,409	6.1%
Policyholder dividends payable and other contract liabilities(2)	3,753	3,550	3,107	203	5.7%	443	14.3%
Interest maintenance reserve	301	531	464	(230)	-43.3%	67	14.4%
Asset valuation reserve	879	829	810	50	6.0%	19	2.3%
Other liabilities	2,126	2,197	1,962	(71)	-3.2%	235	12.0%
Total liabilities	$51,317	$48,885	$45,712	$ 2,432	5.0%	$ 3,173	6.9%
Surplus	7,172	6,684	6,172	488	7.3%	512	3.0%
Total liabilities and surplus	$58,489	$55,569	$51,884	$ 2,920	5.3%	$ 3,685	7.1%

(1) Dividends to policyholders are discretionary and subject to the approval of Guardian's Board of Directors.

(2) Statutory accounting practices require that the liability for policyholders' dividends include dividends currently payable and the full amount of dividends apportioned for payment over the 12 months following the date of the applicable payment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion below is prepared in conformity with SAP and the accounting practices prescribed by the NYSDFS. See "Financial and Accounting Matters—Summary of Principal Differences Between SAP and GAAP."

General

This disclosure should be read in conjunction with the Statutory Financial Statements (including the notes thereto) and "Selected Historical Statutory Financial Information of Guardian." This section reviews the financial condition of Guardian at December 31, 2018, 2017 and 2016, Guardian's results of operations for the years ended December 31, 2018, 2017 and 2016, and factors that may affect Guardian's future financial performance.

Guardian, together with its subsidiaries, is a diversified financial services group that seeks to provide attractive value for policyholders and customers by providing a wide array of differentiated products and services, while aiming to achieve strong financial results. In pursuing this strategy, Guardian's guiding principle is to enable its customers to obtain financial success while protecting their families and businesses. To achieve this goal, Guardian focuses on developing and distributing a broad portfolio of financial products and services, maintaining what it believes to be prudent underwriting standards and rigorous expense control, and pursuing asset/liability management practices that it considers conservative.

Guardian's statutory net income was $310 million for the year ended December 31, 2018, $423 million for the year ended December 31, 2017 and $368 million for the year ended December 31, 2016. As of and for the year ended December 31, 2018, Guardian had $58.5 billion in total statutory assets, net gain from operations (before dividends to policyholders and taxes) of $1.4 billion, over 1.2 million individual policies in-force, and $659.5 billion of life insurance in-force.

Guardian's insurance financial strength/claims paying ability, is rated AA+ by S&P, Aa2 by Moody's, AA+ by Fitch, and A++ by A.M. Best. S&P, Moody's, Fitch, and A.M. Best currently report a stable outlook for Guardian's insurance financial strength rating. Each rating agency independently assigns ratings based on its own separate review and takes into account a variety of factors, which are subject to change, in making its decision. Accordingly, there can be no assurance of the ratings that will be afforded Guardian or the Notes in the future. These ratings are of interest to policyholders, but are not ratings of the Notes offered hereby and do not reflect an evaluation of the safety and security of the Notes.

Basis of Presentation

The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates include those used in determining the carrying values of investments and derivatives, the liability for future policyholders' reserves and deposit-type contracts, and the amount of investment valuation reserves on mortgage loans, real estate held for sale, other-than-temporary impairments and the liability for taxes. Future events including, but not limited to, changes in the levels of mortality, morbidity, interest rates, persistency and asset valuations, could cause actual results to differ from the estimates used in the financial statements. Although some variability is inherent in these estimates, management believes the amounts presented are appropriate. Guardian has reclassified certain prior year balances to conform to the current year presentation. With respect to an individual line item, a discussion of changes between the end of one period and another may be omitted to the extent such item has not changed materially.

The discussion below regarding Guardian's results of operations is based on the Statutory Financial Statements of Guardian included elsewhere in this Offering Memorandum. Those financial statements have been prepared on the basis of SAP prescribed by the NYSDFS. Under SAP, results of subsidiaries are not consolidated with the results of Guardian on a line-by-line basis, but rather are generally recorded at their underlying net equity value as affiliated common stock investments, with the current year change in net equity value, less dividends paid and contributions from Guardian reflected in unrealized capital gains and losses through surplus. Dividends received from subsidiaries are included in Guardian's net investment income. See "Financial and Accounting Matters."

Analysis of Results of Operations—For the Years Ended December 31, 2018, 2017 and 2016.

The following table sets forth the components of statutory net income for the years ended December 31, 2018, 2017 and 2016.

	Years Ended December 31,		
	2018	**2017**	**2016**
		($ in Millions)	
Revenue:			
Premiums, annuity considerations and fund deposits	$ 8,381	$ 8,112	$ 7,768
Net investment income	2,132	2,106	2,052
Amortization of IMR	74	99	122
Other income	270	342	299
Total revenue	$ 10,857	$ 10,659	$ 10,241
Benefits and expenses:			
Benefit payments to policyholders and beneficiaries	$ 4,535	$ 4,449	$ 4,293
Net increase to policy benefit reserves	2,481	2,409	2,330
Commissions and operating expenses	2,445	2,383	2,262
Total benefits and expenses	$ 9,461	$ 9,241	$ 8,885
Gain from operations before dividends and federal income taxes	1,396	1,418	1,356
Dividends to policyholders	(966)	(903)	(839)
Gain from operations before federal income taxes	$ 430	$ 515	$ 517
Federal income tax expense	52	(65)	(141)
Net gain from operations	$ 482	$ 450	$ 376
Net realized capital (losses)/gains after taxes and transfers to IMR	(172)	(27)	(8)
Net income	$ 310	$ 423	$ 368

Net Income

Total revenue increased $0.2 billion from $10.7 billion in 2017 to $10.9 billion in 2018, driven primarily by higher premiums, annuity considerations and fund deposits, partially offset by a decrease in net reserve adjustments on reinsurance and lower amortization of IMR. Total benefits and expenses increased $0.2 billion from $9.2 billion in 2017 to $9.4 billion in 2018, due to increase in benefit payments to policyholders and beneficiaries, net increases to policy benefit reserves, and increases to commissions and operating expenses.

Total revenue increased $0.4 billion from $10.2 billion in 2016 to $10.6 billion in 2017, driven primarily by an increase in premiums, annuity considerations and fund deposits. Total benefits and expenses increased $0.3 billion from $8.9 billion in 2016 to $9.2 billion in 2017, due to increases in benefit payments to policyholders and beneficiaries, policy benefit reserves, and commissions and operating expenses.

Premium income, annuity considerations and fund deposits

Selected premium income, annuity considerations and fund deposits information is presented below:

	Years Ended December 31,			$ Change	% Change	$ Change	% Change
	2018	2017	2016	2018 vs. 2017	2018 vs. 2017	2017 vs. 2016	2017 vs. 2016
	($ in Millions)						
Premium income:							
Whole life	$ 3,971	$ 3,900	$ 3,706	$ 71	1.8%	$ 194	5.2%
Disability	501	481	464	20	4.2%	17	3.7%
Term, universal, and variable life	125	134	138	(9)	-6.7%	(4)	-2.9%
Commercial and Government Markets	3,782	3,613	3,457	169	4.7%	156	4.5%
Reinsurance and Other	2	(16)	3	18	-112.5%	(19)	-633.30%
Total	$8,381	$ 8,112	$ 7,768	$ 269	3.3%	$ 344	4.4%

For the year ended December 31, 2018, premium income as compared to the year ended December 31, 2017 increased $269 million, primarily due to an increase in Commercial and Government Markets premiums of $169 million and an increase of $71 million of Whole life premiums due to natural growth and persistency.

For the year ended December 31, 2017, premium income as compared to the year ended December 31, 2016 increased $344 million, primarily due to an increase in whole life premium income of $194 million due to natural growth and persistency and an increase in Group premium income of $156 million due to improved persistency and growth.

Net Investment Income

The components of net investment income are set forth below:

	Years Ended December 31		
	2018	2017	2016
		($ in Millions)	
Net investment income:			
Bonds	$ 1,637	$ 1,611	$ 1,545
Preferred stocks	-	-	7
Common stocks—subsidiaries and affiliates	45	47	12
Common stocks—unaffiliated	13	24	9
Mortgage loans	171	166	169
Policy loans	262	253	247
Real estate	64	69	73
Derivatives and other invested assets	154	155	181
Cash, cash equivalents and short-term investments	13	6	4
Total gross investment income	$ 2,359	$ 2,331	$ 2,247
Investment expenses	(227)	(225)	(195)
Net investment income	$ 2,132	$ 2,106	$ 2,052
Amortization of IMR	74	99	122
Net investment income including IMR amortization	**$ 2,206**	**$ 2,205**	**$ 2,174**

For the year ended December 31, 2018, net investment income, including IMR amortization, increased slightly as compared to 2017.

For the year ended December 31, 2017, net investment income, including IMR amortization, increased $31 million due to increased net investment income from the bond, unaffiliated common stock and affiliated common stock portfolios. This increase was partially offset by higher investment expenses and lower IMR amortization.

For the year ended December 31, 2016, net investment income, including IMR amortization, increased $86 million due to increases in bonds and mortgage interest income plus increased private equity income distributions, which was partially offset by lower dividend distributions from common stock affiliates and higher investment expenses.

Guardian calculates the yield on its investment portfolio before federal income taxes as (a) two times gross investment income divided by (b) the beginning and ending balance of invested assets minus (c) gross investment income. After deducting all investment expenses, the net annualized yields were, 4.21% for the year ended December 31, 2018, 4.42% for the year ended December 31, 2017 and 4.66% for the year ended December 31, 2016.

Bond gross investment income increased $26 million in 2018 as compared to 2017 due to increased average asset balances. Bond gross investment income increased $66 million in 2017 as compared to 2016 due to increased average asset balances. Average bond asset balances were $38.7 billion, $36.7 billion and $33.6 billion in 2018, 2017 and 2016, respectively. Average bond portfolio yields decreased from 4.60% in 2016 to 4.39% in 2017 to 4.23% in 2018. Prepayment fees on private placements, which are included in gross investment income, were $5 million in 2018, $15 million in 2017 and $37 million in 2016.

Income from common stocks—unaffiliated decreased by $11 million in 2018, as compared to 2017. Income from common stocks—unaffiliated increased by $15 million in 2017, as compared to 2016.

Mortgage loan gross investment income increased $5 million in 2018 as compared to 2017 due to increased average asset balances.

Mortgage loan gross investment income decreased $3 million in 2017 as compared to 2016 due to lower mortgage prepayment fees received in 2017. Predominantly all income comes from commercial loans. Average mortgage portfolio yields were 4.01% in 2018, 4.44% in 2017 and 4.94% in 2016. Mortgage prepayment fees, which are included in gross investment income, were $3 million in 2018, $8 million in 2017 and $14 million in 2016.

The $9 million increase in policy loan gross investment income in 2018 as compared to 2017 is primarily due to an increase in average asset balance which rose from $3.5 billion in 2017 to $3.6 billion in 2018. The $6 million increase in policy loan gross investment income in 2017 as compared to 2016 is primarily due to an increase in average asset balance which rose from $3.4 billion in 2016 to $3.5 billion in 2017.

Real estate income decreased by $5 million in 2018 as compared to the prior year. Real estate income decreased by $4 million in 2017 as compared to the prior year.

In 2018, gross investment income in derivatives and other invested assets was only $1 million less than in 2017. In 2017, the decrease in derivatives and other invested assets gross investment income of $26 million was primarily due to $38 million lower private equity income distributions in 2017 as compared to 2016, partially offset by higher income distributions from real estate joint ventures and real estate fund investments.

The cash, cash equivalents and short-term investment gross investment income increased by $7 million in 2018 as compared to 2017 as short term interest rates rose sharply in 2018. The cash, cash equivalents and short-term investment gross investment income increased slightly by $2 million in 2017 as compared to 2016.

Amortization of IMR decreased $25 million in 2018 as a result of a significant increase in realized losses in the bond portfolio of $463 million as compared to 2017. Amortization of IMR decreased $23 million in 2017 as a result of a significant decrease in bond gains of $146 million as compared to 2016.

Other income

Other income, which includes miscellaneous income, commissions and expense allowances on reinsurance ceded, and reserve adjustments on reinsurance, decreased $72 million for the year ended December 31, 2018, as compared to December 31, 2017, primarily due to reserve adjustments on reinsurance assumed that were negatively impacted by investment market returns.

Other income, which includes miscellaneous income, commissions and expense allowances on reinsurance ceded, and reserve adjustments on reinsurance, increased $43 million for the year ended December 31, 2017, as compared to December 31, 2016, primarily due to reserve adjustments on reinsurance assumed.

Benefit payments to policyholders and beneficiaries

Benefit payments to policyholders and beneficiaries increased $86 million for the year ended December 31, 2018 as compared to December 31, 2017. The increase is primarily due to natural increases in Individual Life claims paid of $66 million and higher surrenders paid of $151 million, partially offset by the $168 million initial allocation of the future benefit portion of pending and unreported LTD claim reserves to the additions to policy benefit reserves line.

Benefit payments to policyholders and beneficiaries increased $156 million for the year ended December 31, 2017 as compared to December 31, 2016. The increase is primarily due to increased surrender benefits and withdrawals for life contracts, higher death benefits, and increased interest and adjustments on deposit type contract funds.

Additions to policy benefit reserves

Net additions to policy benefit reserves increased $72 million in the year ended December 31, 2018 compared to the year ended December 31, 2017. The policyholders' reserves increased primarily as a result of the $168 million initial allocation of the future benefit portion of pending and unreported LTD claim reserves previously reported on the benefit payments to policyholders and beneficiaries line, partially offset by decreases in Individual Life of $130 million due to higher surrenders.

Net additions to policy benefit reserves increased $79 million in the year ended December 31, 2017 compared to the year ended December 31, 2016. The policyholders' reserves increased primarily as a result of natural growth of Individual Life reserves.

Commissions and operating expenses

Commissions and operating expenses increased $62 million in the year ended December 31, 2018 compared to the year ended December 31, 2017, due to premium growth from all lines of Commercial and Government Markets of $37 million, increased expense allowances on reinsurance assumed of $11 million, and increased field expenses resulting from the closing of the Field Clerical Pension Plan of $16 million.

Commissions and operating expenses increased $121 million in the year ended December 31, 2017 compared to the year ended December 31, 2016, due to premium growth from better persistency, increases in general insurance expenses partially offset by decreases in premiums, licenses, and fees.

Dividends to Policyholders

Dividends to policyholders increased $63 million for the year ended December 31, 2018 as compared to the year ended December 31, 2017, due to natural growth.

Dividends to policyholders increased $64 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016, due to natural growth.

Guardian Federal Income Tax Expense

Federal income tax expense on operations decreased $117 million for the year ended December 31, 2018 as compared to the year ended December 31, 2017, primarily due to a decrease in ordinary taxable income of $35 million and a decrease of $77 million due to the benefit realized from a contribution to the pension plans.

Federal income tax expense on operations decreased $76 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016, primarily due to a decrease in ordinary taxable income.

Net Realized Capital Gains After Tax and Transfers to IMR

Net realized capital gains after taxes and transfers to IMR were comprised of the following:

	Years Ended December 31, 2018	2017	2016
		($ in Millions)	
Total net realized capital gains (losses) after taxes and transfers to IMR			
Bonds	$ (208)	$ 255	$ 401
Preferred stocks	–	28	(11)
Mortgage loans	–	(7)	(2)
Common stocks—subsidiaries and affiliates	–	–	–
Common stocks—unaffiliated	(8)	15	5
Real estate	25	12	29
Derivatives and other invested assets	(188)	(12)	(54)
Net realized capital gains (losses) before deferral to the IMR	$ (379)	$ 291	$ 368
Capital gains tax benefit/(expense)	51	(152)	(164)
Transfer from/(to) IMR	156	(166)	(212)
Total net realized capital losses after tax benefit/(expense) and transfers from/(to) IMR	$ (172)	$ (27)	$ (8)

The book values of investments are written down when a decline in value is considered to be other-than-temporary. Impairments during 2018, 2017 and 2016 totaled $192 million, $54 million and $46 million, respectively. Of the $192 million for 2018, $59 million relates to impairments that reduced surplus which were driven primarily by $39 million for GIS's sale of the DSO business and $14 million in bonds. The remaining $133 million relates primarily to $90 million in investment tax credit investments and $30 million for private equities. Of the $54 million for 2017, $15 million relates to impairments that reduced surplus which consists of $11 million in bonds and $4 million in real estate. The remaining $39 million was primarily for private equities. In 2016, $46 million of impairments were taken on private equity limited partnership investments which had no impact on surplus. Guardian employs a systematic methodology to evaluate other-than-temporary impairments. The methodology to evaluate declines in value utilizes a quantitative and qualitative process to attempt to evaluate available evidence concerning the declines in a disciplined manner. See "Financial and Accounting Matters—Critical Accounting Policies."

Net realized capital gains after taxes and transfers from IMR decreased $145 million in 2018 as compared to 2017, primarily from decreased realized gains after IMR in the bond portfolio of $141 million, increased other-than-temporary impairments of $138 million and decreased gains in unaffiliated common stock of $23 million. These were partially offset by reduced capital gains taxes of $203 million.

Net realized capital gains after taxes and transfers to IMR decreased $19 million in 2017 as compared to 2016, primarily from decreased realized gains after IMR in the bond portfolio of $100 million, realized gains resulting from sales of directly owned real estate decreased $17 million, and realized losses on mortgage loans were $5 million higher in 2017 as compared to 2016. These decreases were partially offset by a decrease in capital gains tax of $12 million, lower derivative and other invested assets losses of $42 million, and higher preferred stock gains of $39 million.

Realized capital gains after tax and transfers to IMR do not reflect the changes in AVR and other investment reserves, which are recorded as a change in surplus.

Bonds: Net realized capital gains after IMR decreased by $141 million in 2018 as compared to 2017, primarily due to the rising interest rate environment during 2018. Net realized capital gains after IMR decreased by $100 million in 2017 as compared to 2016, primarily due to lower trading activity in 2017.

There were $14 million in other-than-temporary impairments in the bond portfolio during 2018. There were $11 million in other-than-temporary impairments in the bond portfolio during 2017 related to a private placement holding. There were no other-than-temporary impairments in the bond portfolio during 2016.

Derivative and other invested assets:

Derivative instruments and other invested assets had realized (losses) of ($188) million in 2018 compared to realized (losses) of ($12) million in 2017. There were ($178) million in other-than-temporary impairments in 2018 in this category as compared to ($39) million in 2017. There were ($2) million in realized (losses) on real estate joint venture sales in 2018 as compared to $28 million in gains on sale in 2017. Realized gains on foreign currency generated $9 million in realized gains in 2018 as compared to $14 million realized gains in 2017. Credit default swaps generated a realized (loss) of ($5) million in 2018 as compared to a ($1) million loss in 2017. In addition, realized (losses) on future contracts were ($12) million in 2018 as compared to ($17) million in 2017. Lastly, there were no realized gains on the sale of surplus note investments in 2018 as compared to $3 million in realized gains in 2017.

Derivative instruments and other invested assets had realized (losses) of ($12) million in 2017 compared to realized (losses) of ($54) million in 2016. There were ($39) million in other-than-temporary impairments in 2017 in this category as compared to ($46) million in 2016. There were $28 million in private equity and real estate joint venture gains on sale in 2017 as compared to $37 million in gains on sale in 2016. Realized gains on foreign currency generated $14 million realized gains in 2017 as compared to no realized gains/ (losses) in 2016. Credit default swaps generated a realized (loss) of ($1) million in 2017 as compared to a ($4) million loss in 2016. In addition, realized (losses) on future contracts were ($17) million in 2017 as compared to ($41) million in 2016. Lastly, realized gains on the sale of surplus note investments totaled $3 million in 2017 as compared to no realized gains/(losses) in 2016. For a description of Guardian's hedging program and its limitations, see "Financial and Accounting Matters—Critical Accounting Policies" and "—Quantitative and Qualitative Information about Market Risk—Hedging Programs."

For 2018, $156 million of net after-tax losses were transferred out of the IMR primarily from the sales of bonds during 2018 in the normal course of business. For 2017, $166 million of net after-tax gains were deferred into the IMR primarily from the sales of bonds during 2017 in the normal course of business. For 2016, $212 million of net after-tax gains were deferred into the IMR primarily from significant gains on bond sales during 2016. Gains/losses transferred from or deferred to the IMR are amortized into income over the estimated life of the investment sold.

Statement of Financial Position

The following table sets forth Guardian's assets, liabilities and surplus:

	As of December 31,					
	2018		2017		2016	
			($ in Millions)			
Balance Sheet Data:						
Total assets	$	58,489	$	55,569	$	51,884
Total liabilities	$	51,317		48,885		45,712
Total surplus	$	7,172		6,684		6,172

Assets

Total assets as of December 31, 2018 increased $2.920 billion, or 5.3%, as compared to December 31, 2017. The major components of the growth in assets were invested assets and reinsurance recoverable from affiliates.

Total assets as of December 31, 2017 increased $3.685 billion, or 7.1%, as compared to December 31, 2016. The major components of the growth in assets were invested assets and reinsurance recoverable from affiliates, partially offset by a decrease in deferred tax assets.

Total invested assets as of December 31, 2018 increased $2.615 billion, or 5.2%, as compared to December 31, 2017, driven by increases in private placement bonds, commercial mortgages and investment grade bonds.

Total invested assets as of December 31, 2017 increased $3.5 billion, or 7.5%, as compared to December 31, 2016, driven by increases in private placement bonds, investment grade bonds, commercial mortgages and commercial mortgage backed securities.

Bonds at December 31, 2018 of $39.4 billion increased 3.2%, or $1.3 billion, from $38.1 billion at December 31, 2017. Taxable bonds increased by $1.4 billion, while tax exempt bonds decreased by $0.1 billion from the prior year. Bond impairments increased by $3 million in 2018 as compared to 2017. Bonds at December 31, 2017 of $38.1 billion increased 7.6%, or $2.7 billion, from $35.4 billion at December 31, 2016. Taxable bonds increased by $2.7 billion, while tax exempt bonds remained relatively unchanged at approximately $1.2 billion for both years. Bond impairments increased by $11 million in 2017 as compared to 2016.

Bonds in NAIC Classes 1 and 2 represented 70.7%, 72.0% and 70.6% of total general invested assets as of December 31, 2018, 2017 and 2016, respectively. The percentage of total invested assets representing bond investments in NAIC Classes 3 through 6 was 3.5%, 3.5% and 4.9% as of December 31, 2018, 2017 and 2016, respectively. See "—Investments" for more discussion of NAIC investment classes.

There were no preferred stock investments at December 31, 2018, similar to December 31, 2017. There were no preferred stock investments at December 31, 2017, a decrease of $40 million as compared to December 31, 2016. Net realized gains totaled $28 million as a result of these sales to reduce the portfolio to zero.

Common stocks of subsidiaries and affiliates held by Guardian as of December 31, 2018 increased $155 million as compared to December 31, 2017, or 15.6%, consisting of a $158 million increase in the value of life insurance subsidiaries and a $3 million decrease in other affiliated common stocks. Common stocks of subsidiaries and affiliates held by Guardian as of December 31, 2017 decreased $49 million as compared to December 31, 2016, or 4.7%, consisting of a $15 million increase in the value of life insurance subsidiaries and a $64 million decrease in other affiliated common stocks. There was $50 million contributed to common stock affiliates during 2018, $54 million in return of capital during 2018 and $7 million in non-admitted common stock affiliates. There was $108 million contributed to common stock affiliates during 2017, $138 million in return of capital during 2017 and $6 million in non-admitted common stock affiliates.

Common stocks of unaffiliated entities as of December 31, 2018 increased $125 million as compared to December 31, 2017, or 23.3%, primarily due to net acquisitions in the portfolio. Net realized (losses) recognized from these dispositions were $8 million. Net unrealized (losses) from stocks were $57 million. There were no other-than-temporary impairments during 2018.

Common stocks of unaffiliated entities as of December 31, 2017 increased $98 million as compared to December 31, 2016, or 22.4%, primarily due to net acquisitions in the portfolio. Net realized gains recognized from these dispositions were $15 million. Net unrealized gains from stocks were $31 million. There were no other-than-temporary impairments during 2017.

Mortgage loans as of December 31, 2018 increased $519 million as compared to December 31, 2017, or 13.0%, including $993 million in new investments, rollovers and additional fundings, which were partially offset by the $471 million of paydowns, sales and full payoffs.

Mortgage loans as of December 31, 2017 increased $529 million as compared to December 31, 2016, or 15.2%, including $1,033 million in new investment, rollovers and additional fundings, which were partially offset by the $502 million of paydowns, sales and full payoffs.

Guardian does not originate any residential mortgages but invests in residential mortgage loan pools, which may contain mortgages of subprime credit quality.

Policy loans as of December 31, 2018 increased $115 million as compared to December 31, 2017 or 3.3%, due to growth in the ordinary course of business. Policy loans as of December 31, 2017 increased $115 million as compared to December 31, 2016, or 3.4%, due to growth in the ordinary course of business.

Properties held for the production of income at December 31, 2018 of $328 million decreased by $13 million from $341 million at December 31, 2017. This was primarily due to four property sales with proceeds of $66 million during 2018 that generated $25 million in net realized gains. There were no properties purchased during 2018, however, 1 property with a book value of $32 million was acquired via foreclosure. There was also $6 million in capital expenditures during 2018. Real estate occupied by the company is $3 million as of December 31, 2018 and is included in the $331 million total. Depreciation expense recorded during 2018 totaled $18 million and the decrease in encumbrances was $7 million. As of December 31, 2018, industrial and other buildings in the general account represented 11.6% of Guardian's real estate portfolio compared to 22.6% for the same property type as of December 31, 2017.

Properties held for the production of income at December 31, 2017 of $341 million decreased by $20 million from $361 million at December 31, 2016. This was primarily due to five property sales with proceeds of $107 million during 2017 that generated $16 million in net realized gains. There were no properties purchased during 2017, however, 2 properties with a book value of $26 million were acquired via foreclosure. There was also $2 million in capital expenditures during 2017. Real estate occupied by the company is $4 million as of December 31, 2017 and is included in the $345 million total. Depreciation expense recorded during 2017 totaled $19 million and the decrease in encumbrances was $52 million. There was one property that was written off as an impairment during 2017 and this generated a realized loss of $4 million. As of December 31, 2017, industrial and other buildings in the general account represented 22.6% of Guardian's real estate portfolio compared to 21.7% for the same property type as of December 31, 2016.

Partnership and LLCs as of December 31, 2018 increased $245 million as compared to December 31, 2017, or 12.5%, as a result of net capital contributions made to new and existing partnerships. Partnerships and LLCs had $178 million in other-than-temporary impairments as of December 31, 2018, which did not result in a reduction of surplus. During 2018, there were $577 million contributed to new or existing partnerships. In addition, during 2018, there were $205 million of returns of capital. There were no sales of real estate ventures during 2018.

Partnerships and LLCs as of December 31, 2017 increased $168 million as compared to December 31, 2016, or 9.4%, as a result of capital contributions made to new and existing partnerships. Partnerships and LLCs had $39 million in other-than-temporary impairments as of December 31, 2017. During 2017, there were $446 million contributed to new or existing partnerships. In addition, during 2017, there were $232 million of returns of capital which included the sale of four real estate joint/private equity ventures that generated $24 million in realized gains.

Derivatives and other invested assets at December 31, 2018 were $473 million, $417 million at December 31, 2017 and $83 million at December 31, 2016. This balance mainly represents the value of foreign currency swaps and a small number of unsettled trades at December 31, 2018 relating to bond and stock trading activity. It also includes $365 million in investments in surplus note debentures of other insurance companies at December 31, 2018, that were reclassified out of bonds and into other invested assets at the beginning of 2017.

Guardian uses derivative financial instruments in the ordinary course of business to attempt to manage risks, primarily to reduce equity, interest rate and currency risk. For a description of these hedging programs and their limitations, see "—Quantitative and Qualitative Information about Market Risk—Hedging Programs." The vast majority of Guardian's investment risk is not hedged. Guardian may use a combination of derivatives and fixed income investments to create synthetic investment positions. These combined investments are created opportunistically when they are economically more attractive than the replicated instrument or when the replicated instrument is unavailable. To a much lesser extent, some of these combinations are considered replicated asset transactions as defined under statutory accounting principles.

Cash, cash equivalents and short-term investments increased by $178 million at December 31, 2018 compared to December 31, 2017 due to Guardian receiving proceeds late in the year that could not be reinvested into longer term investments. Cash, cash equivalents and short-term investments decreased by $268 million at December 31, 2017 compared to December 31, 2016 due to deploying a higher percentage of assets into longer term investments.

Investment income due and accrued at December 31, 2018 was $415 million. Investment income due and accrued at December 31, 2017 was $430 million. Investment income due and accrued at December 31, 2016 was $384 million.

Other than invested assets increased $305 million from $5.114 billion at December 31, 2017 to $5.419 billion at December 31, 2018, primarily due to an increase in funds held or deposited with reinsured companies and an increase in current federal and foreign income tax recoverable and interest thereon.

Other than invested assets increased $149 million from $4.965 billion at December 31, 2016 to $5.114 billion at December 31, 2017, primarily due to an increase in funds held or deposited with reinsured companies partially offset by a decrease in the net deferred tax asset.

Other than invested assets increased $24 million from $4.941 billion at December 31, 2015 to $4.965 billion at December 31, 2016, primarily due to increased receivables from subsidiaries and affiliates.

Liabilities

Total liabilities as of December 31, 2018 increased $2.432 billion, or 5.0%, as compared to December 31, 2017, primarily due to increases in reserves for policy benefits and policyholder dividends payable and other contract liabilities.

The increase in reserves for policy benefits of $2.480 billion at December 31, 2018 as compared to December 31, 2017 is primarily related to natural growth of the business and the $168 million initial allocation of the future benefit portion of pending and unreported LTD claim reserves.

Policyholder dividends payable and other contract liabilities increased $203 million at December 31, 2018 as compared to December 31, 2017, primarily due to the issuance of a funding agreement of $337 million partially offset by the $168 million initial allocation of the future benefit portion of pending and unreported LTD claim reserves to reserves for policy benefits.

Total liabilities as of December 31, 2017 increased $3.173 billion, or 6.9%, as compared to December 31, 2016, primarily due to increases in reserves for policy benefits and policyholder dividends payable and other contract liabilities.

AVR increased $50 million, or 6.1%, at December 31, 2018 as compared to December 31, 2017, primarily due to the required basic contributions that are required by the AVR formula. The mortgage reserve increased by $5 million from $32 million at December 31, 2017 to $37 million at December 31, 2018.

AVR increased $19 million, or 2.4%, at December 31, 2017 as compared to December 31, 2016, and is at its maximum reserve primarily due to the required basic contributions that are required by the AVR formula. The mortgage reserve increased by $1 million from $31 million at December 31, 2016 to $32 million at December 31, 2017.

Other liabilities at December 31, 2018 of $2.126 billion decreased by $71 million from $2.197 billion at December 31, 2017. This decrease was primarily due to decreases in general expenses due and accrued.

Other liabilities at December 31, 2017 of $2.197 billion increased by $235 million from $1.962 billion at December 31, 2016. This increase was primarily due to increases in general expenses due and accrued.

Surplus

Surplus increased $488 million from $6.684 billion at December 31, 2017 to $7.172 billion at December 31, 2018. The increase in surplus was primarily due to net income of $310 million and increases in net unrealized capital gains (losses) of $184 million.

Surplus increased $512 million from $6.172 billion at December 31, 2016 to $6.684 billion at December 31, 2017. The increase in surplus was primarily due to net income of $423 million and the issuance of a surplus note of $350 million. These increases were partially offset by increased pension liabilities and a decrease in net admitted deferred income tax.

Liquidity and Capital Resources

Liquidity

Guardian manages its liquidity position by matching its exposure to cash demands with adequate sources of cash and other liquid assets. Guardian’s principal sources of liquidity are operating cash flows and holdings of cash, cash equivalents and other readily marketable assets. Historically, Guardian has consistently experienced net positive cash flows from operations. Guardian’s primary cash flow sources include investment income, principal repayments on invested assets, and insurance premiums.

Cash, cash equivalents and short-term investments increased $178 million, or 32.1%, as of December 31, 2018 as compared to December 31, 2017. Cash, cash equivalents and short-term investments decreased $268 million, or 32.6%, as of December 31, 2017 as compared to December 31, 2016.

Net cash provided from operations for the year ended December 31, 2018 was $2.561 billion. For the year ended December 31, 2018, net cash used in investing activities amounted to $2.703 billion and net cash provided from financing totaled $320 million. Net cash provided from operations increased $96 million, or 3.9%, to $2.561 billion in 2018 as compared to 2017. The increase is primarily attributable to increases in premiums and other income received of $276 million and investment income of $76 million. These increases to net cash provided from operations were partially offset by increased benefits and loss payments of $249 million. The decrease in cash from financing and miscellaneous activities was primarily attributable to the issuance of a surplus note in 2017 and no issuance in 2018.

Net cash provided from operations for the year ended December 31, 2017 was $2.465 billion. For the year ended December 31, 2017, net cash used in investing activities amounted to $3.530 billion and net cash provided from financing totaled $797 million. Net cash provided from operations decreased $199 million, or 7.5%, to $2.465 billion in 2017 as compared to 2016. The decrease is primarily attributable to increased benefit and loss related payments and commissions, expenses and taxes paid partially offset by increased premiums and other income received. The increase in cash from financing and miscellaneous activities is primarily attributable to the issuance of a surplus note and the issuance of an FA-Backed Note in 2017.

Excess operating cash flow is used to purchase investments. Purchases of investments were $16.2 billion, $19.0 billion and $20.3 billion for the years ended December 31, 2018, December 31, 2017 and December 31, 2016, respectively, while sales and maturities of investments and receipts from repayments of loans were $13.6 billion, $15.6 billion and $16.9 billion, respectively, resulting in a net cash outflow of $2.6 billion, $3.4 billion and $3.4 billion, respectively.

Guardian utilizes what it believes to be sophisticated asset/liability analysis techniques in the management of the investments supporting its liabilities. Additionally, Guardian tests the adequacy of the projected cash flows provided by assets to meet all of its future policyholder and other obligations. Guardian performs these studies using stress tests regarding future credit and other asset losses, market interest rate fluctuations, claim losses, and other considerations. The result provides a view of the adequacy of the underlying assets, reserves, and capital. Guardian analyzes a variety of scenarios modeling potential demands on liquidity, taking into account the provisions of policies and contracts in force, its cash flow position, and the volume of cash and readily marketable securities in its portfolio. Guardian attempts to proactively manage its liquidity position on an ongoing basis to meet cash needs while minimizing adverse impacts on investment returns.

In most scenarios that Guardian has tested, operating cash flow is sufficient to satisfy its obligations. Guardian believes that even in extreme scenarios tested, obligations can be met in the modeled stress tests through operating cash flows and the sale of some of Guardian’s liquid assets. These stress test scenarios assume no new business that would result in immediate positive cash flow. In addition, if Guardian was in a stress situation, some uses of cash could be suspended, including new investments in illiquid instruments. However, given the inherent limitations and underlying assumptions of quantitative modeling, there can be no assurances of Guardian’s ability to maintain sufficient liquidity under actual liquidity needs. See “Risk Factors—Risk Factors Related to Guardian—Guardian’s investment portfolio and aspects of Guardian’s business are subject to the full range of market risks, including credit, liquidity and equity markets and interest rate risks” and “—Some of Guardian’s investments are relatively illiquid and are in asset classes that could experience significant market valuation fluctuations.”

FHLB Membership

Guardian became a member of the Federal Home Loan Bank of New York (“FHLBNY”) in February 2018. Membership provides Guardian with access to FHLBNY’s financial services, including the ability to obtain collateralized loans and to issue collateralized funding agreements.

Guardian’s capacity to borrow from the FHLBNY is limited to 5% of its prior year-end statutory net admitted assets, excluding separate account assets, under New York state insurance law. Based on Guardian’s net admitted assets as of December 31, 2018, Guardian’s borrowing capacity is more than $2.924 billion. FHLBNY borrowings and funding agreements must be collateralized by qualifying mortgage-related assets or U.S. Treasury securities, the fair value of which must be maintained at specified levels relative to outstanding borrowings and dependent on collateral type. As of the date of this Offering Memorandum, there have been no borrowings from the FHLBNY.

Liquidity Risks

Liquidity risk is the risk that Guardian will not have access to sufficient funds to meet its liabilities when due. Guardian believes that its product mix contributes to its strong liquidity position. Guardian’s blocks of variable life insurance and VA contracts limit its liquidity risk because the customer bears most of the investment risk for these types of products. A primary liquidity concern for Guardian is the risk of early contract owner and policyholder life insurance policy loans and surrenders and withdrawals. Guardian closely evaluates and manages this risk. As a matter of policy, virtually all of Guardian’s life insurance and annuity products contain surrender charges for varying durations or fair value adjustments, reducing the risk that customers will seek surrenders and withdrawals or life insurance policy loans during the periods when surrender charges or fair value adjustments are in place. Surrender charges or fair value adjustments help Guardian to better plan the maturities of its invested assets by reducing the risk that future outflows will exceed anticipated levels.

Guardian's principal sources of liquidity to meet unexpected cash outflows are its portfolio of liquid assets and its net operating cash flow. Liquid assets include cash, cash equivalents, short-term investments and other readily marketable public securities. Furthermore, Guardian monitors and manages cash flows over a one-year horizon in order to attempt to maximize investment returns relative to client obligations and to reduce the number, length of time and severity of asset and liability cash flow mismatches. See "—Investments" for a more detailed discussion of the investment portfolio.

Dividends from Subsidiaries

Guardian has not historically relied on dividends from its subsidiaries to meet its operating cash flow requirements. Dividend payments from insurance subsidiaries are generally subject to certain restrictions imposed by statutory authorities. Additionally, dividend payments from other subsidiaries are limited to their retained earnings.

For Guardian's life insurance subsidiaries, including BLICOA and GIAC, substantially all of the statutory aggregate surplus of approximately $698 million as of December 31, 2018 is subject to dividend restrictions. Under the laws of Delaware and Massachusetts, the domiciliary states of GIAC and BLICOA, respectively, dividends in excess of unassigned funds require regulatory approval. In addition, BLICOA and GIAC must seek regulatory approval prior to paying a dividend whose fair market value together with other dividends within the preceding twelve months exceeds the greater of (i) 10% of the insurer's policyholder surplus as of the last day of December next preceding or (ii) the net gain from operations of the insurer for the twelve month period ending the last day of December next preceding. Guardian's life insurance subsidiaries, including BLICOA and GIAC, had the ability to make dividend payments up to $171 million in 2018 without obtaining prior approval from their respective state insurance departments. Guardian's individual disability income insurance line of business is written by BLICOA and Guardian is, accordingly, only able to receive income generated by this line of business through dividends received from BLICOA. For the years ended December 31, 2018, 2017 and 2016, Guardian received an aggregate of $44 million, $47 million and $12 million, respectively, in cash dividends from its subsidiaries. Guardian can make no assurance regarding the timing or amount of dividends, if any, that may be paid by these subsidiaries to Guardian in the future. GIS and FCW are not subject to dividend restrictions imposed by statutory authorities but may pay dividends up to but not exceeding any accumulated earnings. As of December 31, 2018, FCW had accumulated earnings of $105 million and would be able to pay a dividend up to $105 million in 2019. As of December 31, 2017, FCW had accumulated earnings of $71 million and would be able to pay a dividend of up to $71 million in 2018. As of December 31, 2016, FCW had accumulated earnings of $44 million and would have been able to pay a dividend up to $44 million in 2017.

Capital Resources

The NAIC has an RBC model to compare total adjusted capital with a standard design in order to reflect an insurance company's risk profile. RBC is calculated at year end for regulatory purposes, and Guardian estimates RBC on an interim basis. Although Guardian believes that there is no single appropriate means of measuring capital needs, Guardian feels that the NAIC approach to RBC measurement is reasonable and conservative, and Guardian manages its capital position with significant attention to maintaining adequate total adjusted capital relative to RBC. Guardian's total adjusted capital was well in excess of all RBC standards at December 31, 2018, 2017, and 2016. Guardian believes that it enjoys a strong capital position in light of its risks and that it is well-positioned to meet policyholder and other obligations.

Existing Surplus Notes

On October 6, 2009, the Company issued Surplus Notes ("2009 Notes") with a principal balance of $400 million, bearing interest at 7.375%, and a maturity date of September 30, 2039. Proceeds from the issuance of the 2009 Notes were $392.4 million, net of discounts and fees. The 2009 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by The Bank of New York Mellon as fiscal agent. Interest on these 2009 Notes is scheduled to be paid semiannually on March 31 and September 30 of each year. The 2009 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2009 Notes are not part of the legal liabilities of the Company. The 2009 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2009 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the "make-whole" redemption price equal to the greater of the principal amount of the 2009 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2009 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 50 basis points. On December 28, 2017 and January 9, 2018, the Company redeemed 2009 Notes with a principal balance of $166.9 million and a carrying value of $165.7 million as part of an exchange transaction (see paragraph regarding the exchange transaction below). The Company paid $17 million in interest for the years ended December 31, 2018 and $33 million in December 31, 2017, respectively.

On June 19, 2014 the Company issued Surplus Notes ("2014 Notes") with a principal balance of $450 million, bearing interest at 4.875%, and a maturity date of June 19, 2064. Proceeds from the issuance of the 2014 Notes were $444.6 million, net of discounts and fees. The 2014 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by The Bank of New York Mellon as fiscal agent. Interest on these 2014 Notes is scheduled to be paid semiannually on June 19 and December 19 of each year. The 2014 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2014 Notes are not part of the legal liabilities of the Company. The 2014 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2014 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the "make-whole" redemption price equal to the greater of the principal amount of the 2014 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2014 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 25 basis points. The Company paid $22 million in interest for the years ended December 31, 2018 and December 31, 2017, respectively.

On January 24, 2017, the Company issued a Surplus Notes ("2017 Notes") with a principal balance of $350 million, bearing interest at 4.850%, and a maturity date of January 24, 2077. Proceeds from the issuance were $343.6 million, net of discounts and fees. On December 28, 2017 and January 9, 2018, the Company issued an additional amount of the 2017 Notes with a principal balance of $229.3 million as part of an exchange transaction (see paragraph regarding the exchange transaction below). All of the 2017 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by The Bank of New York Mellon as fiscal agent. Interest on these 2017 Notes is scheduled to be paid semiannually on January 24 and July 24 of each year. The 2017 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2017 Notes are not part of the legal liabilities of the Company. The 2017 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2017 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the "make-whole" redemption price equal to the greater of the principal amount of the 2017 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2017 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 30 basis points. The Company paid $28 million in interest for the year ended December 31, 2018 and $8 million in December 31, 2017, respectively.

The Company completed an exchange transaction in which it issued additional 2017 Notes in exchange for 2009 Notes. The exchange offer was settled predominantly on December 27, 2017 with a minimal amount settling on January 8, 2018. The 2009 Notes had a principal balance of $166.9 million ($165.7 million carrying value) and the additional 2017 Notes had a principal balance of $229.3 million ($170.5 million carrying value). Of the $63.6 million discount at the time of the exchange, $4.8 million pertaining to an inducement for noteholders to exchange their notes, was recorded as expense on the transaction date along with an increase to the carrying value of 2017 Notes. The remaining $58.8 million will be charged to the Statutory Basis Statements of Operations over the life of the 2017 Notes.

Funding Agreement-Backed Notes

On April 25, 2018, the Issuer issued $300 million of FA-Backed Notes under the Program. On May 8, 2017, the Issuer issued $400 million of FA-Backed Notes under the Program. On April 26, 2016 and October 27, 2016, the Issuer issued $500 million and $300 million of FA-Backed Notes, respectively, under the Program. Pursuant to the Program, the Issuer used the proceeds from each sale of FA-Backed Notes to purchase a funding agreement from Guardian, which secure the obligations of the relevant FA-Backed Notes. The Issuer is not a subsidiary or affiliate of Guardian, or any of its subsidiaries or affiliates. While the funding agreements are unsecured obligations of Guardian, the FA-Backed Notes are not obligations of, and will not be guaranteed by, Guardian or any of its subsidiaries or affiliates. Guardian paid $31.0 million and $20.9 million in interest on the funding agreements securing the outstanding FA-Backed Notes in the years ended December 31, 2018 and 2017, respectively.

Investments

General

At December 31, 2018, Guardian had $53.1 billion of invested assets in its general account, an increase of $2.6 billion from December 31, 2017. At December 31, 2017, Guardian had $50.5 billion of invested assets in its general account, an increase of $3.6 billion from December 31, 2016. At December 31, 2016, Guardian had $46.9 billion of invested assets in its general account, an increase of $3.7 billion from December 31, 2015. Guardian manages the portfolio of invested assets to support the general account liabilities in light of liability characteristics and risk management considerations.

The following table sets forth Guardian's invested assets in the general account as of the dates indicated:

	December 31,					
	2018		2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	($ in Millions)					
Bonds:						
Public bonds	$ 25,829	48.7%	$ 25,493	50.5%	$ 24,453	52.1%
Private placement bonds	9,751	18.4%	9,236	18.3%	8,211	17.5%
CMBS	2,023	3.8%	1,946	3.9%	1,555	3.3%
Non-Agency RMBS	989	1.9%	856	1.7%	705	1.6%
Asset backed securities/CLO	769	1.4%	594	1.2%	523	1.1%
Total bonds	39,361	74.2%	38,125	75.6%	35,447	75.6%
Preferred stocks	–	0.0%	–	0.0%	40	0.1%
Common stocks—subsidiaries and affiliates	1,150	2.2%	995	2.0%	1,044	2.2%
Common stocks—unaffiliated	661	1.2%	536	1.0%	438	0.9%
Mortgage loans	4,520	8.5%	4,001	7.9%	3,472	7.4%
Policy loans	3,635	6.8%	3,520	7.0%	3,405	7.2%
Real estate	331	0.6%	345	0.7%	374	0.8%
Partnerships and LLCs	2,207	4.2%	1,962	3.9%	1,794	3.8%
Derivatives	37	0.1%	13	0.0%	41	0.1%
Other invested assets(1)	436	0.8%	404	0.8%	42	0.1%
Cash, cash equivalents and short-term investments	732	1.4%	554	1.1%	822	1,8%
Total investments	**$ 53,070**	**100%**	**$ 50,455**	**100%**	**$ 46,919**	**100%**

(1) This line item consists primarily of receivables from broker on securities sold and, in 2018 and 2017, investments in surplus note debentures of other insurance companies. Carrying value of investments is discussed in the Critical Accounting Policies section.

Impairments

Impairments during 2018, 2017 and 2016 totaled $192 million, $54 million and $46 million, respectively. Of the $192 million for 2018, $59 million relates to impairments that reduced surplus which were driven primarily by $39 million for GIS's sale of the DSO business and $14 million in bonds. The remaining $133 million relates primarily to $90 million in investment tax credit investments and $30 million for private equities. Of the $54 million for 2017, $15 million relates to impairments that reduced surplus which consisted of $11 million in bonds and $4 million in real estate. The remaining $39 million was primarily for private equities. In 2016, $46 million of impairments were taken on private equity limited partnership investments which had no impact on surplus.

Guardian's Investment Strategy

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

Guardian's portfolio managers employ a disciplined investment decision-making process, which is fundamentally based on proprietary research and analysis. Guardian avoids any overreliance on rating agencies or quantitative risk models. Additionally, Guardian's asset liability investment management process carefully integrates asset maturities in a manner consistent with its view of prudent funding of insurance liabilities. Guardian's process is designed to optimize risk/reward profiles and deliver consistent financial results, although this cannot be assured.

Bonds

Bonds consist primarily of government backed securities and high-quality marketable corporate debt securities. Guardian invests a significant portion of its investment funds in high quality publicly traded bonds in order to maintain and manage liquidity and reduce the risk of default in the portfolio.

The NAIC SVO rates investment credit risk based upon the issuer's credit profile. NAIC rating designations range from 1 to 6. An NAIC designation of 1 denotes obligations of the highest quality in which credit risk is at its lowest and the issuer's credit profile is stable; whereas an NAIC designation of 6 is assigned to obligations that are in or near default. Classes 1 and 2 are investment grade, and Classes 3, 4, 5 and 6 are non-investment grade.

The following table sets forth the SVO ratings for Guardian's bond portfolio along with what it believes are the equivalent rating agency designations.

Total Portfolio Credit Quality

		December 31,								
		2018			2017			2016		
		($ in Millions)								
NAIC Classes	Rating Agency Equivalent Designation	Carrying Value	Estimated Fair Value	% of Carrying Value	Carrying Value	Estimated Fair Value	% of Carrying Value	Carrying Value	Estimated Fair Value	% of Carrying Value
1	Aaa/Aa/A	$ 23,122	$ 23,326	58.7%	$ 21,653	$ 23,041	56.8%	$ 18,135	$ 18,866	51.2%
2	Baa	14,387	14,159	36.6%	14,685	15,374	38.5%	15,006	15,352	42.3%
3	Ba	728	697	1.9%	753	756	2.0%	1,200	1,193	3.4%
4	B	962	918	2.4%	869	865	2.3%	1,002	1,018	2.8%
5	Caa and lower	160	148	0.4%	164	164	0.4%	102	97	0.3%
6	In or near default	2	2	0.0%	1	2	0.0%	2	4	0.0%
	Total	**$ 39,361**	**$ 39,250**	**100.0%**	**$ 38,125**	**$ 40,202**	**100.0%**	**$ 35,447**	**$ 36,530**	**100.0%**

The tables below set forth the NAIC SVO ratings for Guardian's publicly traded and privately placed portfolios.

Publicly Traded Credit Quality

		December 31,								
		2018			2017			2016		
					($ in Millions)					
NAIC Classes	**Rating Agency Equivalent Designation**	**Carrying Value**	**Estimated Fair Value**	**% of Carrying Value**	**Carrying Value**	**Estimated Fair Value**	**% of Carrying Value**	**Carrying Value**	**Estimated Fair Value**	**% of Carrying Value**
1	Aaa/Aa/A	$ 20,746	$ 20,938	70.1%	$ 19,465	$ 20,795	67.4%	$ 16,340	$ 17,028	60.0%
2	Baa	7,462	7,251	25.2%	8,059	8,609	27.9%	9,109	9,380	33.4%
3	Ba.......................	355	339	1.2%	398	410	1.4%	732	742	2.7%
4	B.........................	896	859	3.0%	818	821	2.8%	968	988	3.6%
5	Caa and lower.....	149	137	0.5%	148	149	0.5%	85	80	0.3%
6	In or near default	2	2	0.0%	1	2	0.0%	2	4	0.0%
	Total	**$ 29,610**	**$ 29,526**	**100.0%**	**$ 28,889**	**$ 30,786**	**100.0%**	**$ 27,236**	**$ 28,222**	**100.0%**

Privately Placed Credit Quality

		December 31,								
		2018			2017			2016		
					($ in Millions)					
NAIC Classes	**Rating Agency Equivalent Designation**	**Carrying Value**	**Estimated Fair Value**	**% of Carrying Value**	**Carrying Value**	**Estimated Fair Value**	**% of Carrying Value**	**Carrying Value**	**Estimated Fair Value**	**% of Carrying Value**
1	Aaa/Aa/A	$ 2,376	$ 2,388	24.4%	$ 2,188	$ 2,246	23.7%	$ 1,795	$ 1,838	21.9%
2	Baa.......................	6,925	6,908	71.0%	6,627	6,765	71.7%	5,897	5,972	71.8%
3	Ba.........................	373	358	3.8%	355	346	3.8%	468	451	5.7%
4	B	66	59	0.7%	51	44	0.6%	34	30	0.4%
5	Caa and lower	11	11	0.1%	15	15	0.2%	17	17	0.2%
6	In or near default..	0	0	0.0%	0	0	0.0%	0	0	0.0%
	Total....................	**$ 9,751**	**$ 9,724**	**100.0%**	**$ 9,236**	**$ 9,416**	**100.0%**	**$ 8,211**	**$ 8,308**	**100.0%**

Guardian utilizes its investments in the privately placed portfolio to enhance the value of the overall portfolio, increase diversification, and obtain higher yields than can be earned by investing in comparable quality public market securities. To control risk when utilizing privately placed securities, Guardian relies upon broader access to management information, stronger negotiated protective covenants, call protection features, and a higher level of collateralization than can customarily be achieved in the public market. The strength of the privately placed portfolio is demonstrated by the predominance of NAIC Class 1 and 2 securities.

The following tables summarize Guardian's fixed income securities by maturity.

Fixed Income Securities By Maturity

	December 31,														
	2018					2017					2016				
	Carrying Value	**% of Total**	**Fair Value**	**% of Total**	**Gains/ (Losses)**	**Carrying Value**	**% of Total**	**Fair Value**	**% of Total**	**Gains/ (Losses)**	**Carrying Value**	**% of Total**	**Fair Value**	**% of Total**	**Gains/ (Losses)**
			($ in Millions)					($ in Millions)					($ in Millions)		
Due in one year or less	$ 406	1.0%	$ 407	1.0%	$ 1	$ 461	1.2%	$ 468	1.2%	$ 7	$ 474	1.3%	$ 492	1.4%	$ 18
Due after one year through five years	6,718	17.1%	6,697	17.1%	(21)	9,499	24.9%	9,692	24.1%	193	5,339	15.1%	5.528	15.1%	189
Due after five years through ten years......	10,494	26.7%	10,259	26.1%	(235)	9,572	25.1%	9,937	24.7%	365	9,571	27.0%	9,621	26.3%	50
Due after ten years......	15,314	38.9%	15,323	39.1%	9	12,846	33.7%	14,072	35.0%	1,226	14,169	40.0%	14,810	40.6%	641
Subtotal(1)	32,932	83.7%	32,686	83.3%	(246)	32,378	84.9%	34,169	85.0%	1,791	29,553	83.4%	30,451	83.4%	898
Sinking fund bonds, mortgage-backed securities and asset-backed securities(2)	6,429	16.3%	6,564	16.7%	135	5,747	15.1%	6,033	15.0%	286	5,894	16.6%	6,079	16.6%	185
Total	**$ 39,361**	**100.0%**	**$ 39,250**	**100.0%**	**$ (111)**	**$ 38,125**	**100.0%**	**$40,202**	**100.0%**	**$ 2,077**	**$ 35,447**	**100.0%**	**36,530**	**100.0%**	**1,083**

(1) Includes convertible bonds, public and private corporates, U.S. government/agencies, tax exempt and taxable municipals, non-U.S. bonds, and bank loans.

(2) Includes agency and non-agency RMBS pass throughs, asset-backed securities, commercial mortgage-backed securities, and CMOs.

Guardian attempts to diversify its investment portfolio across asset type, industry and issuer in order to reduce the risk of adverse events affecting a single asset type, industry or issuer from having a material negative impact on the portfolio. Additionally, Guardian does not own any Collateralized Debt Obligations ("CDOs"), Structured Investment Vehicles (“SIVs”), or Asset Backed Commercial Paper. Fixed income securities were diversified by asset category of issuer at December 31, 2018, 2017 and 2016 as set forth in the following tables.

Composition of Fixed Income Securities Portfolio

	December 31, 2018				
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)
			($ in Millions)		
U.S. Treasury securities	$ 1,818.0	4.6%	$ 1,871.5	4.8%	$ 53.5
U.S. Government Agencies	2.2	0.0%	2.2	0.0%	-
Obligations of States and Political Subdivisions	2,069.8	5.2%	2,253.3	5.7%	183.5
Debt Securities Issued by Foreign Governments	262.1	0.7%	262.5	0.7%	0.4
Corporate Securities:					
U.S. Corporate	22,866.2	58.1%	22,559.1	57.5%	(307.1)
Foreign Corporate	7,825.8	19.9%	7,793.6	19.9%	(32.2)
Residential Mortgage-Backed Securities:					
Government Agency	736.0	1.9%	728.9	1.8%	(7.1)
Non Agency RMBS	988.8	2.5%	1,026.6	2.6%	37.8
CMBS	2,023.4	5.1%	1,991.0	5.1%	(32.4)
Asset-Backed Securities	507.9	1.3%	504.9	1.3%	(3.0)
Collateralized Loan Obligations	261.3	0.7%	256.0	0.6%	(5.3)
Total	$ 39,361.5	**100.0%**	$ 39,249.6	**100.0%**	$ (111.9)

	December 31, 2017				
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)
			($ in Millions)		
U.S. Treasury securities	$ 2,469.8	6.5%	$ 2,508.4	6.2%	$ 38.6
U.S. Government Agencies	3.0	0.0%	2.9	0.0%	(0.1)
Obligations of States and Political Subdivisions	2,189.4	5.7%	2,486.8	6.2%	297.4
Debt Securities Issued by Foreign Governments	219.9	0.6%	229.0	0.6%	9.1
Corporate Securities:					
U.S. Corporate	21,917.5	57.5%	23,217.2	57.8%	1,299.7
Foreign Corporate	7,340.7	19.3%	7,717.7	19.2%	377.0
Residential Mortgage-Backed Securities:					
Government Agency	588.6	1.5%	593.5	1.5%	4.9
Non Agency RMBS	855.9	2.2%	904.9	2.3%	49.0
CMBS	1,945.7	5.1%	1,945.8	4.8%	0.1
Asset-Backed Securities	382.2	1.0%	381.4	0.9%	(0.8)
Collateralized Loan Obligations	212.0	0.6%	214.7	0.5%	2.7
Total	$ 38,124.7	**100.0%**	$ 40,202.3	**100.0%**	$ 2,077.6

	December 31, 2016				
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)
			($ in Millions)		
U.S. Treasury securities	$ 1,597.5	4.5%	$ 1,571.7	4.3%	$ (25.8)
U.S. Government Agencies	3.7	0.0%	3.6	0.0%	(0.1)
Obligations of States and Political Subdivisions	2,246.0	6.3%	2,462.4	6.8%	216.4
Debt Securities Issued by Foreign Governments	209.2	0.6%	210.5	0.6%	1.3
Corporate Securities:					
U.S. Corporate	21,114.7	59.5%	21,803.8	59.7%	689.1
Foreign Corporate	6,828.1	19.3%	7,024.1	19.2%	196.0
Residential Mortgage-Backed Securities:					
Government Agency	666.3	1.9%	672.9	1.8%	6.6
Non Agency RMBS	704.9	2.0%	715.0	2.0%	10.1

	December 31, 2016				
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)
			($ in Millions)		
CMBS	1,554.8	4.4%	1,546.1	4.2%	(8.7)
Asset-Backed Securities	339.5	1.0%	337.5	0.9%	(2.0)
Collateralized Loan Obligations	182.7	0.5%	182.6	0.5%	(0.1)
Total	$ 35,447.4	100.0%	$ 36,530.2	100.0%	$ 1,082.8

Guardian's corporate credit portfolio is well diversified. Guardian has aggregate per issuer limits to attempt to limit the maximum exposure to an issuer to a set percentage of the securities portfolio. This reduces the impact of default risk or of a single issuer having a material negative impact on the portfolio.

Mortgage-Backed and Other Asset-Backed Securities (Structured Securities)

Asset Backed, Commercial Mortgage Backed, Collateralized Loan Obligations and Residential Mortgage Backed Securities (Structured Securities) of $4.5 billion consist mainly (88.8% as of December 31, 2018) of Agency and Non-Agency RMBS as well as CMBS and CLOs of generally high quality, which are supported by well diversified collateral.

Asset Backed, Commercial Mortgage Backed, Collateralized Loan Obligations and Residential Mortgage Backed Securities (Structured Securities) of $4.0 billion consist mainly (90.4% as of December 31, 2017) of Agency and Non-Agency RMBS as well as CMBS and CLOs of generally high quality, which are supported by well diversified collateral.

Asset Backed, Commercial Mortgage Backed, Collateralized Loan Obligations and Residential Mortgage Backed Securities (Structured Securities) of $3.4 billion consist mainly (90.2% as of December 31, 2016) of Agency and Non-Agency RMBS as well as CMBS and CLO's of generally high quality, which are supported by well diversified collateral. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Results of Operations—For the Years Ended December 31, 2018, 2017 and 2016—Net Realized Capital Gains After Tax and Transfers to IMR" for additional information regarding RMBS held in Guardian's investment portfolio.

As of December 31, 2018, Guardian had no direct subprime exposure through the origination of residential mortgage loans or purchases of unsecuritized whole-loan pools. As of December 31, 2018, December 31, 2017 and December 31, 2016, Guardian had Agency (Fannie Mae or Freddie Mac) mortgage backed exposure with a carrying value of $736 million, $589 million and $666 million, respectively.

The following tables show the types of mortgage-backed and asset-backed securities held as of December 31, 2018, 2017 and 2016.

	December 31, 2018											
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Total
			($ in Millions)					Carrying Value ($ in Millions)				
Residential Mortgage-Backed Securities:												
Government Agency	$ 736.0	16.3%	$ 728.9	16.1%	$ (7.1)	$ 736.0	–	–	–	–	–	$ 736.0
Non-Agency RMBS	988.8	21.9%	1,026.6	22.8%	37.8	881.0	65.5	3.4	37.2	–	1.7	988.8
CMBS	2,023.4	44.8%	1,991.0	44.2%	(32.4)	2,023.4	–	–	–	–	–	2,023.4
Asset Backed Securities (ABS)	507.9	11.2%	504.9	11.2%	(3.0)	446.7	61.2	–	–	–	–	507.9
Collateralized Loan Obligations (CLO))	261.3	5.8%	256.0	5.7%	(5.3)	261.3	–	–	–	–	–	261.3
Total	**$ 4,517.4**	**100.0%**	**$ 4,507.4**	**100.0%**	**$ (10.0)**	**$ 4,348.4**	**$ 126.7**	**$ 3.4**	**$ 37.2**	**$ –**	**$ 1.7**	**$ 4,517.4**

	December 31, 2017											
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Total
			($ in Millions)					Carrying Value ($ in Millions)				
Residential Mortgage-Backed Securities:												
Government Agency.........	$ 588.6	14.8%	$ 593.5	14.7%	$ 4.9	$ 588.6	–	–	–	–	–	$ 588.6
Non-Agency RMBS	855.9	21.5%	904.9	22.4%	49.0	822.5	22.0	7.8	0.9	2.7	–	855.9
CMBS..................................	1,945.7	48.8%	1,945.8	48.2%	(4.7)	1,945.7	–	–	–	–	–	1,945.7
Asset Backed Securities (ABS)	382.3	9.6%	381.5	9.4%	(2.1)	322.8	58.5	1.0	–	–	–	382.3
Collateralized Loan Obligations (CLO)).........	212.0	5.3%	214.7	5.3%	(0.1)	212.0	–	–	–	–	–	212.0
Total....................................	$ 3,984.5	100.0%	$ 4,040.4	100.0%	$ (9.8)	$ 3,891.6	$ 80.5	$ 8.8	$ 0.9	$ 2.7	$ –	$ 3,984.5

	December 31, 2016											
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Total
			($ in Millions)					Carrying Value ($ in Millions)				
Residential Mortgage-Backed Securities:												
Government Agency.........	$ 666.3	19.3%	$ 672.9	19.4%	$ 6.6	$ 666.3	$ —	$ —	$ —	$ —	$ —	$ 666.3
Non-Agency RMBS	704.9	20.5%	715.0	20.7%	10.1	699.6	5.3	—	—	—	—	704.9
CMBS..................................	1,554.8	45.1%	1,546.1	44.8%	(4.7)	1,554.8	—	—	—	—	—	1,554.8
Asset Backed Securities (ABS)	339.6	9.8%	337.5	9.8%	(2.1)	290.3	49.3	—	—	—	—	339.6
Collateralized Loan Obligations (CLO)).........	182.7	5.3%	182.6	5.3%	(0.1)	182.7	—	—	—	—	—	182.7
Total....................................	$ 3,448.3	100.0%	$ 3,454.1	100.0%	$ (9.8)	$3,393.7	$ 54.6	$ —	$ —	$ —	$ —	$ 3,448.3

Bond Portfolio Surveillance and Under-Performing Investments

Generally, bonds are valued at amortized cost using the constant yield interest method. Bond transactions are recorded on a trade date basis, except for private placement bonds which are recorded on the funding date.

The fair value of bonds is based on values provided by the NAIC's SVO when available. If SVO values are not available, quoted market values provided by other third-party organizations are used. If quoted market values are unavailable, fair value is estimated by discounting expected future cash flows using current market rates applicable to yield, credit quality, and maturity of the investment or using quoted market values for comparable investments.

Guardian actively manages portfolio risks and provides a daily mark-to-market valuation for all of its public securities. Daily total rates of return are calculated on this actively managed portfolio and a performance attribution review is performed on a quarterly basis. Credit risk analysis is ongoing.

To identify underperforming investments, Guardian conducts a semi-annual management review of all bonds including those in default, not-in-good standing, or valued below 80% of cost. In addition, a credit report is provided quarterly with other investment related materials and reviewed with the Investment Committee of the Board. Guardian considers the following factors in the evaluation of whether a non-interest related decline in value is other-than-temporary: (a) the financial condition and near-term prospects of the issuer; (b) the likelihood that Guardian will be able to collect all amounts due according to the contractual terms of a debt security in effect at the date of acquisition; (c) its ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value and (d) the period and degree to which the market value has been below cost. Guardian considers the following factors in the evaluation of whether an interest related decline in value is other-than-temporary: (a) its near-term intent to sell; (b) its contractual and regulatory obligations and (c) its ability to hold the investment until anticipated recovery of the cost of the investment.

Additionally, Guardian considers qualitative and quantitative factors such as material declines in issuer revenues or margins, significant uncertainty regarding the issuer's industry, debt service coverage or cash flow ratios that fall below industry-specific thresholds, violation of financial covenants, trading of public securities at a substantial discount due to specific credit concerns, and other subjective factors that relate to the issuer.

Guardian actively reviews the bond portfolio to estimate the likelihood and amount of financial defaults or write-downs in the portfolio and to make timely decisions as to the potential sale or renegotiation of terms of specific investments.

Guardian employs a systematic methodology to evaluate declines in fair value below book value. The methodology to evaluate declines in fair value utilizes a quantitative and qualitative process ensuring that available evidence concerning the declines is evaluated in a disciplined manner. The book values of investments are written down to fair value when a decline in value is considered to be other-than-temporary. See "—Impairments."

Common Stocks

Guardian's common stocks include investments in public equities, mutual funds, and the net equity in unconsolidated subsidiaries and affiliates. Investments in insurance subsidiaries are stated at underlying statutory surplus adjusted for unamortized goodwill.

The table below details the carrying value of common stocks of Guardian's unaffiliated and affiliated companies as of the dates indicated:

	As of December 31,		
	2018	**2017**	**2016**
		($ in Millions)	
Common Stocks – Unaffiliated[1]	$ 661	$ 536	$ 438
Investment in Affiliates:			
BLICOA	$ 193	$ 189	$ 202
GIAC	455	310	260
Park Avenue Life Insurance Company	50	41	64
Other Affiliated Companies	452	455	518
Total Investment in Affiliates:	**$ 1,150**	**$ 995**	**$ 1,044**

(1) See "—Statement of Financial Position—Assets" for a discussion of the change in common stocks during 2018 as compared to 2017 and 2016.

Mortgage Loans

Mortgage loans represented 8.5% of the total investments in the general account as of December 31, 2018, 7.9% of the total investments in the general account as of December 31, 2017 and 7.4% of the total investments in the general account as of December 31, 2016. Mortgage loans consist of whole loans on commercial real estate.

Commercial Mortgage Loans

Guardian's commercial mortgage loan portfolio, which includes mezzanine loans, consisted of fixed rate loans on completed, income-producing properties.

As of December 31, 2018, 2017 and 2016, 98%, 97% and 96%, respectively, of the commercial mortgage loan portfolio consisted of bullet loans. Bullet loans are loans that do not fully amortize over their term.

Guardian had 32 bullet loans totaling $268 million scheduled to mature during 2018. As of December 31, 2018, 30 loans were paid in full for $256 million, 2 loans were extended for $12 million and 2 loans for $15 million, or 6%, was rolled over voluntarily. Past experience with regard to bullet maturities, however, is not necessarily indicative of future results. Guardian had no mortgage loans with a valuation allowance as of December 31, 2018.

The maturities of Guardian's commercial mortgage loans are well-diversified as per the table below, and Guardian carefully monitors and manages them in light of its liquidity position.

The following tables set forth the commercial mortgage loan portfolio by maturity:

Commercial Loans by Maturity

Year of Maturity	As of December 31, 2018		
	Carrying Value ($ in millions)	Number of Loans	Percent
2019	$ 32.6	9	0.7%
2020	173.2	14	3.8%
2021	244.5	26	5.4%
2022	498.4	22	11.0%
2023	513.3	20	11.4%
2024	396.5	20	8.8%
2025	943.3	43	20.9%
2026	356.0	20	7.9%
2027	763.6	45	16.9%
2028	167.9	13	3.7%
2029	227.7	6	5.0%
2030	36.8	1	0.8%
2031	114.4	6	2.5%
2034	43.3	1	1.0%
2036	8.9	1	0.2%
Total	$ 4,520.4	247	100.0%

Year of Maturity	As of December 31, 2017		
	Carrying Value ($ in millions)	Number of Loans	Percent
2018	$ 269.2	38	6.7%
2019	67.3	12	1.7%
2020	210.9	16	5.3%
2021	255.1	27	6.4%
2022	510.0	23	12.7%
2023	422.7	18	10.6%
2024	369.3	22	9.2%
2025	570.3	29	14.3%
2026	366.9	21	9.2%
2027	721.9	45	18.0%
2028	34.6	1	0.9%
2029	33.3	2	0.8%
2031	114.4	6	2.9%
2034	45.4	1	1.1%
2036	9.3	1	0.2%
Total	$ 4,000.6	262	100.0%

Year of Maturity	As of December 31, 2016		
	Carrying Value ($ in millions)	Number of Loans	Percent
2017	$ 241.8	26	7.0%
2018	349.8	47	10.1%
2019	80.3	15	2.3%
2020	255.8	19	7.4%
2021	326.2	29	9.4%
2022	411.3	22	11.8%
2023	241.3	15	7.0%
2024	280.6	19	8.1%
2025	569.0	29	16.4%
2026	364.1	21	10.5%
2027	110.0	4	3.2%
2028	35.3	1	1.0%
2029	21.8	1	0.6%

Year of Maturity	As of December 31, 2016 Carrying Value ($ in millions)	Number of Loans	Percent
2031	127.3	7	3.7%
2034	47.4	1	1.4%
2036	9.6	1	0.3%
Total	$ 3,471.6	257	100.0%

The following tables set forth the commercial mortgage loan portfolio by property type and geographic distribution:

Commercial Loans by Property Type

	December 31, 2018		2017		2016	
	Carrying Value	**% of Total**	**Carrying Value**	**% of Total**	**Carrying Value**	**% of Total**
			($ in Millions)			
Office	$ 398.5	8.8%	$ 515.3	12.9%	$ 609.5	17.6%
Apartments	2,311.8	51.1%	1,872.5	46.8%	1,463.6	42.2%
Industrial & other	595.3	13.2%	313.8	7.8%	365.9	10.5%
Retail	1,042.0	23.1%	1,122.8	28.1%	853.1	24.6%
Hotels	172.8	3.8%	176.2	4.4%	179.5	5.2%
Total	**$ 4,520.4**	**100.0%**	**$ 4,000.6**	**100.0%**	**$ 3,471.6**	**100.0%**

Commercial Loans by Geographic Distribution

	December 31, 2018		2017		2016	
	Carrying Value	**% of Total**	**Carrying Value**	**% of Total**	**Carrying Value**	**% of Total**
			($ in Millions)			
New England[(1)]	$ 299.7	6.6%	$ 269.6	6.7%	$ 190.9	5.5%
Mid Atlantic[(2)]	593.0	13.1%	530.8	13.3%	552.8	15.9%
South Atlantic[(3)]	1,180.3	26.1%	1,033.6	25.8%	836.4	24.1%
East North Central[(4)]	176.8	3.9%	126.3	3.1%	123.2	3.5%
East South Central[(5)]	117.6	2.6%	118.4	3.0%	55.6	1.6%
West North Central[(6)]	56.6	1.3%	9.3	0.2%	10.2	0.3%
West South Central[(7)]	600.9	13.3%	350.6	8.8%	227.2	6.5%
Mountain[(8)]	152.2	3.4%	171.4	4.3%	133.8	3.9%
Pacific[(9)]	1,343.3	29.7%	1,390.6	34.8%	1,341.4	38.6%
Total	**$ 4,520.4**	**100.0%**	**$ 4,000.6**	**100.0%**	**$ 3,471.6**	**100.0%**

(1) New England states are CT, MA, ME, NH, RI and VT.
(2) Mid-Atlantic states are PA, NJ and NY.
(3) South Atlantic states are DE, DC, FL, GA, MD, NC, SC, VA and WV.
(4) East North Central states are IL, IN, MI, OH and WI.
(5) East South Central states are AL, KY, MS and TN.
(6) West North Central states are IA, KS, MN, MO, NE, ND and SD.
(7) West South Central states are AR, LA, OK and TX.
(8) Mountain Region states are AZ, CO, ID, MT, NV, NM, UT and WY.
(9) Pacific Region states are AK, CA, HI, OR and WA.

Guardian’s commercial mortgage whole loan exposure to Nevada ($33 million), Arizona ($10 million), Florida ($363 million) and California ($1,055 million) totaled $1.5 billion. This represents 32.3% of the total commercial mortgage whole loan portfolio and this aggregation has an average loan-to-value (“LTV”) of 49.4% as compared to 50.4% for the entire commercial mortgage whole loan portfolio. These loans are performing well with no delinquencies.

The following tables set forth the commercial loan portfolio by LTV range, year of origination and delinquency rate:

Commercial Mortgage Loans by LTV Range(1)

	As of December 31, 2018			
	Carrying Value	Number of Loans	Average Loan Amount	Percent of Portfolio
50% LTV or below	$ 1,122.2	108	$ 10.4	24.8%
51%–60% LTV	1,843.8	82	22.5	40.8%
61%–70% LTV	1,320.6	48	27.5	29.2%
71%–75% LTV	233.8	9	26.0	5.2%
75%–80% LTV	–	–	–	–
Greater than 80% LTV	–	–	–	–
Total	**$ 4,520.4**	**247**	**$ 18.3**	**100.0%**

	As of December 31, 2017			
	Carrying Value	Number of Loans	Average Loan Amount	Percent of Portfolio
50% LTV or below	$ 1,221.8	125	$ 9.8	30.5%
51%–60% LTV	1,382.7	72	19.2	34.6%
61%–70% LTV	1,150.1	50	23.0	28.7%
71%–75% LTV	203.0	12	16.9	5.1%
75%–80% LTV	43.0	3	14.3	1.1%
Greater than 80% LTV	–	–	–	–
Total	**$ 4,000.6**	**262**	**$ 15.3**	**100.0%**

	As of December 31, 2016			
	Carrying Value	Number of Loans	Average Loan Amount	Percent of Portfolio
50% LTV or below	$ 1,116.8	125	$ 8.9	32.2%
51%–60% LTV	1,040.1	58	17.9	30.0%
61%–70% LTV	1,005.8	53	19.0	29.0%
71%–75% LTV	198.4	11	18.0	5.7%
75%–80% LTV	63.7	7	9.1	1.8%
Greater than 80% LTV	46.9	3	15.6	1.4%
Total	**$ 3,471.6**	**257**	**$ 13.5**	**100.0%**

(1) The LTV represents the year end 2018 loan balance divided by the value of the property utilizing the most recent property financial statements. The value of the property is based on the 2017 year end property net operating income divided by a market capitalization rate. 2018 financial information for such properties is not generally available until the second or third quarter of 2019.

The following tables set forth the carrying value of the commercial loan portfolio by property type and vintage:

Carrying Value of Commercial Mortgage Loans

	As of December 31, 2018									
	2010 & Prior	2011	2012	2013	2014	2015	2016	2017	2018	Total
	($ in Millions)									
Office	$ 74.2	$ 4.3	$ 17.3	$ 3.2	$ 6.7	$ 171.1	$ 35.1	$ 12.5	$ 74.1	$ 398.5
Apartments	34.3	30.1	122.1	109.1	193.2	351.6	397.1	557.3	516.9	2,311.7
Industrial	36.0	6.1	–	7.4	58.0	–	–	84.4	302.1	494.0
Retail	129.5	25.6	69.9	10.7	88.8	135.7	140.7	387.8	53.3	1,042.0
Hotels	–	–	–	–	–	72.9	99.9	–	–	172.8
Other	24.2	–	26.5	–	23.0	27.7	–	–	–	101.4
Total	**$ 298.2**	**$ 66.1**	**$ 235.8**	**$ 130.4**	**$ 369.7**	**$ 759.0**	**$ 672.8**	**$1,042.0**	**$ 946.4**	**$4,520.4**

	As of December 31, 2017									
	2009 & Prior	2010	2011	2012	2013	2014	2015	2016	2017	Total
	($ in Millions)									
Office	$ 225.7	$ 35.9	$ 4.5	$ 17.9	$ 3.4	$ 6.9	$ 172.9	$ 35.3	$ 12.8	$ 515.3
Apartments	54.4	14.3	35.4	124.1	160.2	204.9	354.3	367.6	557.3	1,872.5
Industrial	51.2	–	6.5	–	7.7	59.3	–	–	84.4	209.1
Retail	256.3	–	26.4	71.8	10.9	90.7	137.4	141.3	388.0	1,122.8
Hotels	–	–	–	–	–	–	73.5	102.7	-	176.2
Other	26.7	–	–	27.1	–	23.0	27.9	–	–	104.7
Total	**$ 614.3**	**$ 50.2**	**$ 72.8**	**$ 240.9**	**$ 182.2**	**$ 384.8**	**$ 766.0**	**$ 646.9**	**$ 1,042.5**	**$4,000.6**

	As of December 31, 2016									
	2008 & Prior	2009	2010	2011	2012	2013	2014	2015	2016	Total
	($ in Millions)									
Office	$ 335.6	$ 48.5	$ 36.7	$ 4.7	$ 34.5	$ 3.6	$ –	$ 115.5	$ 30.5	$ 609.5
Apartments	71.5	–	31.7	65.2	126.0	212.8	219.4	373.1	363.8	1,463.6
Industrial	102.1	3.8	–	6.8	4.9	7.9	60.6	–	–	186.2
Retail	354.9	–	–	27.2	73.6	11.2	92.6	139.1	154.6	853.1
Hotels	–	–	–	–	–	–	–	74.0	105.5	179.5
Other	3.3	24.9	–	–	27.7	1.7	30.0	87.0	5.1	179.7
Total	**$ 867.3**	**$ 77.2**	**$ 68.4**	**$ 104.0**	**$ 266.8**	**$ 237.1**	**$ 402.5**	**$ 788.8**	**$ 659.5**	**$3,471.6**

Residential Mortgage Loans

Guardian does not currently originate residential mortgages.

Mortgage Loan Portfolio Surveillance and Under-Performing Investments

Guardian actively monitors, manages, and directly services its commercial mortgage loan portfolio. Guardian performs or reviews all aspects of loan origination and portfolio management, including lease analysis, property transfer analysis, economic and financial reviews, tenant analysis, and management of default and bankruptcy proceedings.

Guardian's $4.5 billion commercial mortgage loan portfolio as of December 31, 2018 is well-diversified geographically and by property type. Guardian's underwriting seeks to effectively protect the company from cyclical market challenges. The portfolio's current delinquency rate is 0%. Guardian utilized what it considers to be conservative underwriting and valuation standards in originating loans and anticipates that the portfolio should continue to perform well relative to the industry. In monitoring and evaluating the portfolio, Guardian has used models and stress tests, including interest rate shock and severe recession scenarios, using CoStar Portfolio Strategy risk model, a provider of real estate market consulting services focusing on real estate market analysis and forecasting. Guardian recently stress tested the individual loan values in the $4.5 billion commercial mortgage whole loan portfolio by employing increased vacancy rates and higher capitalization rates reflective of deteriorating market conditions. Even under these stress tests, the majority of the assets that secure Guardian's mortgages continue to support the debt service, with a minimal amount of projected loss. However, given the inherent limitations and underlying assumptions of quantitative modeling, there can be no assurances of Guardian's ability to maintain sufficient liquidity under actual liquidity needs.

Guardian revalues underperforming properties each year and reinspects these properties at least every other year based on internal quality ratings. The criteria used to determine whether a current or potential problem exists includes borrower bankruptcies, major tenant bankruptcies, requests for restructuring, delinquent tax payments, late payments, loan-to-value or debt service coverage deficiencies, and overall vacancy levels.

There were no current or potential problem mortgage loans consisting of restructured mortgage loans as of December 31, 2018, 2017 and 2016. There were no commercial mortgage loans in process of foreclosure or in default as of December 31, 2018, 2017 and 2016. The AVR contains a mortgage loan component, which totaled $37 million, $32 million and $31 million as of December 31, 2018, December 31, 2017 and December 31, 2016, respectively. See “Investment Reserves.”

Real Estate

Guardian’s real estate portfolio includes real estate properties it occupies and real estate it originally acquired as investments or through foreclosure or deed in lieu of foreclosure. As of December 31, 2018, Guardian had 1 property in its portfolio that was acquired via foreclosure during 2018. As of December 31, 2017, Guardian had 2 properties in its portfolio that were acquired via foreclosure during 2017. As of December 31, 2016, Guardian did not have any foreclosed real estate.

The following tables illustrate the diversity of Guardian’s real estate portfolio by property type and geographic distribution:

Real Estate Property by Property Type (Excludes Home Office Properties)

	December 31,					
	2018		2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	($ in Millions)					
Office	$ 114.0	34.8%	$ 81.3	23.8%	$ 56.5	15.7%
Apartments	175.7	53.6%	182.8	53.6%	222.4	61.6%
Industrial & other	38.0	11.6%	76.9	22.6%	78.4	21.7%
Retail	0.0	0.0%	0.0	0.0%	3.7	1.0%
Hotels	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total	$ 327.7	100.0%	$ 341.0	100.0%	$ 361.0	100.0%

Real Estate by Geographic Distribution (Excludes Home Office Properties)

	December 31,					
	2018		2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	($ in Millions)					
New England(1)	$ 59.7	18.2%	$ 61.9	18.2%	$ 63.2	17.5%
Mid Atlantic(2)	–	0.0%	–	0.0%	–	0.0%
South Atlantic(3)	109.1	33.3%	97.1	28.4%	103.7	28.7%
East North Central(4)	26.8	8.2%	26.1	7.7%	–	0.0%
East South Central(5)	–	0.0%	–	0.0%	–	0.0%
West North Central(6)	–	0.0%	–	0.0%	–	0.0%
West South Central(7)	–	0.0%	–	0.0%	–	0.0%
Mountain(8)	–	0.0%	–	0.0%	–	0.0%
Pacific(9)	132.1	40.3%	155.9	45.7%	194.1	53.8%
Total	$ 327.7	100.0%	$ 341.0	100.0%	$ 361.0	100.0%

(1) New England states are CT, MA, ME, NH, RI and VT.
(2) Mid-Atlantic states are PA, NJ and NY.
(3) South Atlantic states are DE, DC, FL, GA, MD, NC, SC, VA and WV.
(4) East North Central states are IL, IN, MI, OH and WI.
(5) East South Central states are AL, KY, MS and TN.
(6) West North Central states are IA, KS, MN, MO, NE, ND and SD.
(7) West South Central states are AR, LA, OK and TX.
(8) Mountain Region states are AZ, CO, ID, MT, NV, NM, UT and WY.
(9) Pacific Region states are AK, CA, HI, OR and WA.

As of December 31, 2018, Guardian’s real estate portfolio consisted of 18 properties with a statement value of $331 million, of which $3 million was occupied by Guardian. As of December 31, 2017, Guardian’s real estate portfolio consisted of 21 properties with a statement value of $345 million, of which $4 million was occupied by Guardian. As of December 31, 2016, Guardian’s real estate portfolio consisted of 25 properties with a statement value of $374 million, of which $13 million was occupied by Guardian. The portfolio uses leverage to increase return, with $212 million, $270 million and $219 million in third party non-recourse debt outstanding as of December 31, 2018, 2017 and 2016, respectively.

Guardian reviews individual property valuations on an annual basis. Internal valuations are conducted by Guardian's Asset Managers. Appropriate appraisal valuation methodologies are employed on a case-by-case basis (including Income Approach, Sales Comparison Approach and Cost Approach). Guardian reviews these valuations for technical accuracy, methodology, and the appropriateness of the assumed rates of return. Generally, external valuations are conducted on an ad hoc basis as determined by management or joint venture ownership requirements. As of December 31, 2018, Guardian's real estate and other invested asset AVR totaled $399 million.

Private Equity Limited Partnership Investments by Type

	December 31,					
	2018		2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	($ in Millions)					
Private Equity Investments	$ 1,401	62.4%	$ 1,080	54.7%	$ 922	50.2%
Real Estate Investments	45	2.0	29	1.5	132	7.2
Hedge Funds	–	–	–	–	–	–
Other Alternative Investments	78	3.5	41	2.0	71	3.9
Affiliated LLCs	720	32.1	824	41.8	710	38.7
Total	**$ 2,244**	**100.0%**	**$ 1,974**	**100.0%**	**$ 1,835**	**100.0%**

Real Estate Joint Ventures by Property Type

	December 31,					
	2018		2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	($ in Millions)					
Office	$ 15.6	51.5%	$ 15.3	100.0%	$ 34.1	35.4%
Apartments	14.7	48.5%	0.0	0.0%	16.3	16.9%
Industrial & other	0.0	0.0%	0.0	0.0%	0.0	0.0%
Retail	0.0	0.0%	0.0	0.0%	46.0	47.7%
Hotels	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total	**$ 30.3**	**100.0%**	**$ 15.3**	**100.0%**	**$ 96.4**	**100.0%**

Real Estate Joint Ventures by Geographic Distribution

	December 31,					
	2018		2017		2016	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	($ in Millions)					
New England[(1)]	$ 14.7	48.5%	$ -	0.0%	$ -	0.0%
Mid Atlantic[(2)]	15.6	51.5%	15.3	100.0%	14.9	15.5%
South Atlantic[(3)]	-	0.0%	-	0.0%	46.0	47.7%
East North Central[(4)]	-	0.0%	-	0.0%	19.2	19.9%
East South Central[(5)]	-	0.0%	-	0.0%	-	0.0%
West North Central[(6)]	-	0.0%	-	0.0%	-	0.0%
West South Central[(7)]	-	0.0%	-	0.0%	4.7	4.9%
Mountain[(8)]	-	0.0%	-	0.0%	-	0.0%
Pacific[(9)]	-	0.0%	-	0.0%	11.6	12.0%
Other[(10)]	-	0.0%	-	0.0%	-	0.0%
Total	**$ 30.3**	**100.0%**	**$ 15.3**	**100.0%**	**$ 96.4**	**100.0%**

(1) New England states are CT, MA, ME, NH, RI and VT.

(2) Mid-Atlantic states are PA, NJ and NY.
(3) South Atlantic states are DE, DC, FL, GA, MD, NC, SC, VA and WV.
(4) East North Central states are IL, IN, MI, OH and WI.
(5) East South Central states are AL, KY, MS and TN.
(6) West North Central states are IA, KS, MN, MO, NE, ND and SD.
(7) West South Central states are AR, LA, OK and TX.
(8) Mountain Region states are AZ, CO, ID, MT, NV, NM, UT and WY.
(9) Pacific Region states are AK, CA, HI, OR and WA.

Note: The reduction in the 2016 real estate joint ventures in the three prior tables resulted from transfers to a wholly-owned subsidiary (GIS - $234 million in real estate joint venture assets as of December 31, 2016).

Derivatives

Derivative instruments are used to attempt to manage Guardian's exposure to fluctuations in interest rates, foreign currency risk, credit risk and equity market risk. A variety of derivative instruments are used including futures, swaps, and foreign exchange forward contracts, among others.

The following table summarizes the notional amount and estimated fair value by derivative type for the periods indicated:

Derivative Financial Instruments

	Notional Amount			Estimated Fair Value Asset/(Liability)		
	December 31,			December 31,		
	2018	2017	2016	2018	2017	2016
	($ in Millions)					
Foreign currency swaps.......	$ 1,009.8	$ 816.2	$ 435.0	$ 9.7	$ (52.7)	$ 16.9
Currency forwards..............	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Credit default swaps............	$ 0.0	$ 0.0	$ 950.0	$ 0.0	$ 0.0	$ (14.7)
Exchange traded futures[(1)] ...	$ 601.2	$ 367.9	$ 649.6			
Equity Index Options	$ 25.3	$ 10.2	$ 1.5	$ 0.1	$ 0.2	$ 0.0

(1) Futures fair value (Variation Margin) is settled daily in full.

Policy Loans

Policy loans are permitted to the extent of such policy's contractual limits. Policy loans represent loans to a policyholder on the security of the cash surrender value of the policy. As of December 31, 2018, December 31, 2017 and December 31, 2016, the policy loan balance was $3.635 billion, $3.520 billion and $3.405 billion, respectively. All policy loans are at fixed interest rates. The interest rates range from 4.0% to 8.0%, with over 95% of the loans at 8%.

Cash, Cash Equivalents and Short-term Investments

Cash includes amounts on deposit with banks. Cash equivalents are stated at amortized cost and consist of liquid investments having maturities of three months or less at time of purchase. Short-term investments, including money market funds, are stated at cost or amortized cost and consist primarily of investments having maturities greater than three months from date of purchase, but less than one year to maturity. Fair values for such investments approximate carrying value. The following table details cash, cash equivalents and short-term investments for the periods indicated.

Cash, Cash Equivalents and Short-term Investments

	December 31, 2018	December 31, 2017	December 31, 2016
	($ in Millions)		
Cash in banks	$ (41)	$ (26)	$ 6
Cash Equivalents:			
Repos and commercial paper	703	25	790
Total Cash and Cash Equivalents	662	(1)	796
Short–Term Investments:			
Money market funds and treasury bills	70	555	26
Totals	**$ 732**	**$ 554**	**$ 822**

Investment Reserves

Guardian establishes and records write-downs or investment reserves in accordance with statutory practice.

Guardian determines the fair value of bonds in accordance with principles established by the SVO using criteria that include the net worth and capital structure of the borrower, the value of the collateral, the presence of additional credit support, and its evaluation of the borrower's ability to compete in a relevant market.

In the case of real estate and commercial mortgage loans, Guardian makes borrower and property-specific assessments as well.

In compliance with regulatory requirements, Guardian maintains an AVR. The AVR is a contingency reserve to offset potential losses of stocks, real estate investments, partnerships and LLCs, as well as credit-related declines in bonds, mortgage loans and derivatives.

As of December 31, 2018, the AVR totaled $879 million, which represents a 6.1% increase from December 31, 2017. As of December 31, 2017, the AVR totaled $829 million, which represents a 2.4% increase from December 31, 2016. This increase was primarily due to the required basic contribution that is part of the AVR calculation. The AVR is currently at 98.6% of its maximum level of reserve.

Quantitative and Qualitative Information about Market Risk

All non-guaranteed separate account assets and liabilities have been excluded from the following discussion since all market risks associated with those accounts are assumed by GIAC contract holders.

Assets, such as bonds, stocks, mortgage loans on real estate, policy loans, and derivatives are financial instruments, which are subject to the risk of market volatility and potential market disruptions. These risks may reduce the value of Guardian's financial instruments or impact future cash flows and earnings from those instruments.

Guardian's primary market risk exposure is changes in interest rates, which can cause changes in the fair value, cash flows, and earnings of certain financial instruments. To manage its exposure to interest rate changes, Guardian uses what it believes to be sophisticated quantitative asset/liability management techniques designed to match the market sensitivity of assets with the liabilities they support to reduce the net economic impact to changes in interest rates. In addition, Guardian invests a significant portion of its investment allocation in high quality bonds in order to maintain and manage liquidity and reduce the risk of default in the portfolio.

See "—Hedging Programs."

GIAC stopped selling VAs with living benefit riders as of February 17, 2017. The VAs that are purchased with a living benefit rider are primarily in the form of GMWBs. The profitability of these products can vary as GIAC's obligation changes with interest rate and equity market volatility. GIAC has a reinsurance agreement with a third-party reinsurer that reinsures 90% of various GMWB riders that were written through December 2008 and introduced prior to September 2008. That reinsurer is an admitted reinsurer in New York. The financial strength ratings of this reinsurer from S&P and Moody's are AA- and Aa3, respectively. The reinsurance treaty remains in effect for any business written on these riders through December 2008. The business written on new rider forms introduced in September 2008 and after, which were not covered by the treaty, as well as the 10% of the risks on riders introduced prior to September 2008 that are not reinsured, are subject to a hedging program, as described below under "—Hedging Programs—GIAC GMWB Rider Hedging Program." While the hedging program is designed to mitigate equity risk and interest rate tail risk associated with these riders, it is not currently hedging all risks associated with such riders, such as volatility risks associated with policyholder withdrawals in equity markets subject to sustained volatility. There can be no assurance that this hedging program will reduce all the risks associated with those riders. See "Risk Factors—Risk Factors Related to Guardian—Guarantees embedded in GMWB riders sold with variable annuity contracts expose GIAC to certain risks."

The reserves on contracts with living benefit riders were $6,642 million as of December 31, 2018, $7,793 million as of December 31, 2017 and $7,304 million as of December 31, 2016.

Risks Related to Credit Markets

Credit risk is the risk that issuers of investments owned by Guardian may default or that other parties may not be able to pay amounts due to it. Guardian attempts to manage its investments to limit credit risk by diversifying its portfolio among various security types and industry sectors and limiting the exposure to issuers.

Guardian is exposed to credit-related losses in the event of non-performance by counterparties to various financial instruments. In order to reduce counterparty risk, Guardian and certain of its counterparties require collateral to be posted in the amount owed under each of these transactions, subject to thresholds and minimum transfer amounts that are functions of the rating on the counterparty's long-term, unsecured, unsubordinated debt.

Guardian regularly monitors counterparty credit ratings and exposures, investment positions and valuations, and the value of collateral posted to ensure counterparties are credit-worthy and the concentration of its exposure. Guardian monitors this exposure as part of its management of its overall credit exposures.

Hedging Programs

Macro Dynamic Hedging Program

Guardian currently maintains what it refers to as a macro dynamic hedging program which uses exchange traded futures contracts to hedge on a macro level against volatility impact on capital. The macro dynamic hedging program seeks to protect statutory capital from volatility resulting from mark-to-market assets.

The hedging program is currently using exclusively exchange traded derivatives such as equity index futures and currency futures contracts, in part to avoid individual counterparty exposure under non-cleared swaps.

While Guardian's hedging program attempts to protect capital from volatility of mark-to-market assets, various factors may adversely affect the ability of the program to achieve its goal. These factors may include operational risks associated with the execution of the program, liquidity risks in the futures market, the availability of suitable instruments to replicate the option valuation model related sensitivity calculations, model risks, basis risks between the futures and underlying indices, continuity of trading in the futures markets in periods of distress, and changes in the relevant regulatory environment at the federal and state levels and the cost of hedging. The macro dynamic hedging program effectively links Guardian's ability or tolerance to take certain capital markets risks to a desired level of maximum pre-tax loss. Therefore, following this hedging strategy, an adverse impact to Guardian's capital could result from a lack of operating earnings, credit impairments or other factors and will not be covered by this macro hedging program.

There can be no assurances that the macro dynamic hedging program will protect Guardian's capital from volatility of mark-to-market assets.

See “Financial and Accounting Matters—Critical Accounting Policies.”

GIAC GMWB Rider Hedging Program

Within GIAC, short and long positions in exchange traded futures based on Treasuries and various stock indexes are used to hedge the firm’s statutory and economic obligations associated with writing GMWB riders in connection with GIAC’s VA business. This hedging program is used only to the extent those riders are not reinsured to a third party reinsurer. GIAC has a reinsurance agreement with a third-party reinsurer that reinsures 90% of the risk under various GMWB riders that were written through December 2008 and introduced prior to September 2008. The reinsurance treaty remains in effect for any business written on these riders through December 2008. The business written on new rider forms introduced in September 2008 and after, which were not covered by the treaty, as well as the 10% of the risks on riders introduced prior to September 2008 that are not reinsured, are subject to a hedging program.

As part of this hedging program, Guardian periodically rebalances hedge positions. The hedge rebalancing is linked to the sensitivities of the liabilities being hedged to equity and interest rate risk. The sensitivities are calculated daily, based on policy by policy daily updates of in-force liabilities and current equity markets and interest rate levels. Futures positions are designed to partially offset a combination of statutory and economic liability sensitivities in accordance with the parameters of the hedging program. Equity index futures positions used in this hedging program attempt to offset the equity risk sensitivity of the liabilities. Treasury index futures are used to hedge the interest rate risk of the liabilities. Volatility risk is not hedged at the current time, but will be considered when appropriate. All risk from the riders is accordingly not hedged by this program, including risks associated with sustained volatility in equity markets and policyholder withdrawals. There can be no assurances that this hedging program will reduce the risks associated with these riders. See “Risk Factors—Risk Factors Related to Guardian—Guarantees embedded in GMWB riders sold with variable annuity contracts expose GIAC to certain risks.”

Seed Capital Hedging

In the past, as appropriate Guardian has hedged directly equity market risks associated with seed capital investments it has made in mutual funds advised by its former subsidiary, RS Investment Management Co. LLC. The hedges were executed with equity index futures.

Foreign Currency Risk Hedging Program

Within the general account of Guardian, currency derivatives are used to manage the currency risk inherent in the firm’s foreign denominated private placement transactions. Currency hedging is accomplished using currency swaps. Hedging decisions are based upon Guardian’s view of macroeconomic fundamentals across the markets in which it invests and desired tolerance for currency risk.

Credit Default Risk Hedging and Replications

Guardian employs credit default swaps to hedge credit risks in its investment portfolios as needed. Credit risk in corporate bonds is hedged using credit default swaps, when viewed as warranted by Guardian, which considers liquidity, market volatility, fundamentals, issuer exposure and other relevant factors in making this determination. In 2016, Guardian also used uncleared credit default swaps to enter into replication transactions to achieve exposure to desired market segments. Guardian uses both cleared and uncleared credit default swaps. Credit default swaps positions may involve credit exposure to derivative counterparties in bilateral uncleared transactions or to the clearing house of the central clearing counterparty involved. Guardian uses collateral arrangements with all its counterparties to manage this risk.

Interest Rate Hedging Programs

Guardian partially hedges interest rate risk with derivatives in the GIAC GMWB rider hedging program (see above). Interest rate risk exposures are also managed by matching the duration of portfolios, including fixed income assets such as treasuries and corporate bonds, to the duration of the respective liabilities to minimize interest rate risk. In the course of asset/liability management Guardian or its affiliates may also use derivatives to manage interest rate risk. In 2016, Guardian started using such an interest rate hedging program in two of its segments. In addition, Guardian hedges the interest rate risk due to timing between the accumulation of assets supporting funding agreement backed notes and the issuance of the liability as described in "—FA-Backed Notes Interest Rate Hedging" below. Guardian also has partially hedged the interest rate risk associated with the anticipated issuance of surplus notes. There is no guarantee that the employed interest rate risk hedging program will offset the interest rate risk exposure intended to be hedged.

Deferred Compensation (Company Plan) Liability Hedging

Guardian offers a non-qualified deferred compensation plan to certain individuals such as eligible employees, retirees and directors. Deferred compensation growth is linked to the performance of equity and fixed income investments with observable returns. Guardian had employed a hedging program to hedge the equity linked company liabilities associated with the deferred compensation plan. The instruments used to hedge these liabilities are equity index futures. There are no guarantees that the company plan liability hedging program will offset the equity linked company liabilities associated with its deferred compensation plan.

Replications

Guardian has used and may use derivatives to enter into replications of permitted securities such as Treasury futures to replicate Treasury Bond Interest rate exposure or CMBX to quickly gain exposure to a diversified portfolio of CMBX bonds.

FA-Backed Notes Interest Rate Hedging

In 2018, Guardian acquired the assets to support the issuance on one Note issued by the Issuer. In 2017, Guardian acquired assets to support the issuance on one Note issued by the Issuer. In 2016, Guardian acquired assets to support the issuance of two Notes issued by the Issuer. Guardian hedged the interest rate risk of those assets and Note liabilities using Treasury futures.

Index Participation Rider hedging

In 2018 Guardian used over the counter equity index options to hedge the equity risk of the associated Index Participation Rider liabilities of certain participating whole life policies.

Other Hedging Programs

Guardian has employed in the past, may be employing or may employ in the future other hedging programs not listed above such as rate lock hedging for private placements and commercial mortgages origination, hedging equity linked features of its products and other similar derivative programs under its Derivative Use Plan.

DIRECTORS AND EXECUTIVE OFFICERS OF GUARDIAN

Set forth below is information regarding the directors and executive officers of Guardian as of March 1, 2019:

Name	**Title**	**Since**[2]
John J. Brennan	Director[1]	2011
Lloyd E. Campbell............................	Director[1]	2006
Richard E. Cavanagh	Director[1]	1998
Nancy E. Cooper...............................	Director[1]	2012
Deborah L. Duncan...........................	Lead Director[1][3]	2006
William C. Freda	Director[1]	2014
Christopher T. Jenny..........................	Director[1]	2017
Deanna M. Mulligan..........................	Director	2011
	President and Chief Executive Officer	2008
Gary A. Norcross	Director[1]	2017
Vivek Sankaran	Director[1]	2018
Marc M. Costantini............................	Executive Vice President, Commercial and Government Markets	2014
Dean Del Vecchio..............................	Executive Vice President, Chief of Operations and Chief Information Officer	2013
Eric R. Dinallo……………………..	Executive Vice President and General Counsel	2017
Michael N. Ferik................................	Executive Vice President and Chief Financial Officer	2009
Andrew J. McMahon………………	Executive Vice President, Individual Markets, Enterprise Strategy and Customer Development	2017
Diana L. Scott	Executive Vice President, Chief Human Resources Officer	2018
Thomas G. Sorell, CFA	Executive Vice President and Chief Investment Officer	1994

The address of each of the directors and executive officers listed above is The Guardian Life Insurance Company of America, 7 Hanover Square, New York, New York, 10004. Guardian's main telephone number is (212) 919–8000.

(1) Independent non–employee director.
(2) First year of affiliation with Guardian.
(3) Ms. Duncan was appointed Lead Director, effective January 1, 2017.

Directors' Biographical Information

Set forth below is a description of the business positions held by the directors during at least the past five years (ages as of March 1, 2019).

John J. Brennan, age 64, is the former Chairman and Chief Executive Officer of The Vanguard Group, from which he retired in December 2009. He is also a former Chairman of FINRA. He is currently Chairman Emeritus of The Vanguard Group and Chairman of the Vanguard Charitable Endowment Program. He is Chairman of the Board of Trustees of the University of Notre Dame, and is a Director of American Express Company and Rockefeller Capital Management. Mr. Brennan is also a former director of LPL Financial.

Lloyd E. Campbell, age 61, has been a consultant with Spencer Stuart since 2008. Mr. Campbell is also Special Advisor to Aurora Management Partners LLC. He is also a former Senior Advisor of Rothschild Inc., former Director of Argyle Securities Corporation, Spartech Corporation and the Alderwoods Group, and a past Trustee of Georgetown University.

Richard E. Cavanagh, age 72, is the former President and Chief Executive Officer of The Conference Board, Inc. Mr. Cavanagh served in that position from 1995 to 2007. Previously, Mr. Cavanagh was Executive Dean of the John F. Kennedy School of Government at Harvard University, where he is currently a faculty member. Mr. Cavanagh is a Director and Independent Chairman of the BlackRock Mutual Funds family, a Director and Senior Advisor of the Fremont Group, L.L.C. He is the past National Chairman of Volunteers for America and is a former Trustee and Chairman of Educational Testing Service.

Nancy E. Cooper, age 65, is the former Chief Financial Officer and Executive Vice President of CA Technologies, Inc. Ms. Cooper served in that position from 2006–2011. She is also a former Chief Financial Officer and Senior Vice President of IMS Health, Inc., former Partner of General Atlantic and former Vice President of IBM. She is a Director of Aptiv PLC, Brunswick Corporation and The Mosaic Company, and a former Director of Teradata Corporation.

Deborah L. Duncan, age 63, is a Senior Advisor, member of the Board of Advisors, and former Executive Vice President and Chief Financial Officer of Fremont Group, L.L.C. Ms. Duncan is a Director of Fremont Investors, Inc., Director and Secretary, PIX System, LLC and Director and Chairman of the Investment Committee, S.D. Bechtel, Foundation. She is also Chair of the Board of Trustees of Smith College.

William C. Freda, age 66, is the retired Senior Partner and Vice Chairman of Deloitte, former Chairman of Global Insurance Committee at Deloitte Touche Tohmatsu Limited (DTTL), and former Managing Partner of U.S. Financial Services Industry Practice of Deloitte LLP. Mr. Freda is Chairman of Hamilton Insurance Group, a Director of State Street Corporation, and a Trustee at Bentley University. He is a former Director of DTTL, former Chairman of American Institute of Certified Public Accountants' (AICPA) Insurance Companies Committee, former Chairman of AICPA's Mutual Life Insurance Task Force, former U.S. Representative for the International Accounting Standards Committee's Insurance Steering Committee, former Chairman of Board of Trustees at Catholic Community Services, and former Chairman of Board of Trustees at United Way of Essex and West Hudson.

Christopher T. Jenny, age 63, is a former President and Senior Partner of The Parthenon Group and a former Partner of Bain & Company. Mr. Jenny is Chairman of Jennus Innovation and is a Director of CBRE Group, Inc., Mobile Virtual Player and PLT4M. Mr. Jenny also serves on the boards of the New England Baptist Hospital and the Sudbury Valley Trustees, a regional land conservation trust.

Deanna M. Mulligan, age 55, has been the President and Chief Executive Officer and a Director of Guardian since 2011. Previously, she served as the President and Chief Operating Officer of Guardian in 2010. Ms. Mulligan joined Guardian in 2008 as the Executive Vice President, Individual Life and Disability. She serves as a Director of The Vanguard Group, Inc., Trustee of the Vanguard Funds, Director of the Partnership for New York City, Trustee of the Economic Club of New York, Member of the Department of Financial Services State Insurance Advisory Board, Director of the Committee Encouraging Corporate Philanthropy, Trustee of the Bruce Museum and is a Director and the former Chair of the American Council of Life Insurers. Ms. Mulligan is also a former Director of Arch Capital Group Ltd. and a former Trustee of RS Investment Trust and RS Variable Products Trust. Ms. Mulligan is also a member of the Stanford Graduate School of Business Advisory Council, and a former member of the President's Advisory Council on Financial Capability for Young Americans. Prior to joining Guardian in 2008, Ms. Mulligan founded DMM Management Solutions LLC where she served as President from 2007 to 2008. Previously, she held several other management positions at McKinsey & Company, AXA Financial, Inc. and New York Life Insurance Company.

Gary A. Norcross, age 53, has been the President and Chief Executive Officer of FIS since 2015 and Chairman since 2018. He is also a Member of the Dean's Executive Advisory Board of the Sam M. Walton School of Business for the University of Arkansas. Mr. Norcross is a Director of Capco, Director of the YMCA of Florida's First Coast and a Director for the Knowledge is Power Program's (KIPP) Jacksonville Schools. Mr. Norcross is also a Director of Zenmonics, Inc.

Vivek Sankaran, age 56, has been the Chief Executive Officer of Frito-Lay North America ("Frito-Lay") since January 2019. Previously, he served as President and Chief Operating Officer of Frito-Lay from 2016-2018. Mr. Sankaran served as Chief Operating Officer and as Chief Commercial Officer of PepsiCo North America from

2009 to 2016. Mr. Sankaran is a Director of the Safe Water Network, a Director of the Dallas Regional Chamber and a Director of the Grocery Manufacturers Association. He is a former Partner of McKinsey & Company.

Executive Officers' Biographical Information

Set forth below is a description of the business positions held during the past five years by the executive officers (other than Ms. Mulligan whose biographical data is described above) (ages as of March 1, 2019) listed above.

Marc M. Costantini, age 49, has been the Executive Vice President, Commercial and Government Markets, of Guardian since 2017. Previously, he had been the Executive Vice President and Chief Financial Officer of Guardian from 2014 to 2017. Prior to joining Guardian, he held several senior management positions with Manulife Financial Corporation ("Manulife") and John Hancock Life Insurance Company ("John Hancock"), including Executive Vice President, Corporate Development and Strategy for Manulife from 2012 to 2014, Executive Vice President, Strategic Initiatives for John Hancock from 2011 to 2012, President, Annuities for John Hancock from 2007 to 2011 and Chief Financial Officer for John Hancock from 2005 to 2007.

Eric R. Dinallo, age 55, has been the Executive Vice President and General Counsel of Guardian since December 2017. Prior to joining Guardian, he was a Partner and Co–Head of the Insurance Group and Member of the White Collar and Regulatory Defense Group of the law firm of Debevoise & Plimpton LLP, from 2010 to 2017, where he represented financial services firms, including Guardian, on issues related to regulation, compliance, litigation and transactions. His prior experience also includes senior–level leadership positions as Superintendent of Insurance for New York State, Global Head of Regulatory Affairs at Morgan Stanley and General Counsel at Willis Holdings. Mr. Dinallo also serves as an Adjunct Professor of Business and Society at New York University Stern School of Business since 2009.

Dean Del Vecchio, age 52, has been the Executive Vice President, Chief of Operations and Chief Information Officer since March 2019, prior to which he was Executive Vice President, Chief Information Officer & Head of Enterprise Shared Services from 2016. Previously, he had been the Senior Vice President, Chief Information Officer of Guardian. Prior to joining Guardian, he was the Senior Vice President, Chief Information Officer and Head of IT Shared Services at News Corp. Dow Jones from 2005 to 2013.

Michael N. Ferik, age 46, has been the Executive Vice President and Chief Financial Officer of Guardian since 2017. Previously, he had been the Executive Vice President, Individual Markets, of Guardian from 2016 to 2017, and the Senior Vice President, Life Insurance and Wealth Management, of Guardian from 2009 to 2016. Prior to joining Guardian, he held a senior management position with AXA Equitable, Life Products and Annuities and an engagement management position with McKinsey & Company. Mr. Ferik also held a Vice President & Actuary position with Manulife (Singapore).

Andrew J. McMahon, age 51, has been the Executive Vice President, Individual Markets, Enterprise Strategy and Customer Development, of Guardian since March 2019. Previously, he had been the Executive Vice President, Strategy & Customer Development of Guardian from December 2017 through February 2019. Prior to joining Guardian, he was the Chief Executive Officer and Founder of Vitae Advisors, LLC from 2014 to 2017, and he served in multiple roles at AXA Financial from 2005 to 2014, including Head of Strategic Initiatives Group, Chairman/COO of AXA Advisors, and, ultimately, as the President of AXA Financial.

Diana L. Scott, age 59, has been the Executive Vice President and Chief Human Resources Officer of Guardian since September 2018. Prior to joining Guardian, Ms. Scott served as Chief Human Resources Officer for the global logistics and REIT company Prologis, Inc. from 2013 to 2018. Previously, Ms. Scott spent 15 years at John Hancock Financial, the U.S. division of Toronto-based Manulife Financial Corporation, where she held a variety of management positions, including Senior Vice President of Human Resources, General Manager of the John Hancock Freedom 529 college savings plan and General Manager of the Group Insurance Division.

Thomas G. Sorell, CFA, age 63, has been the Executive Vice President and Chief Investment Officer of Guardian and certain other Guardian subsidiaries since 2003. Previously, Mr. Sorell was a Senior Managing

Director, Head of Guardian’s Fixed Income Department, and Co–Portfolio Manager of a number of Guardian–sponsored fixed income funds.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Except as described below, there are no potential conflicts of interest between the duties to Guardian of any of the members of the Board of Directors and their respective private interests or other duties.

In the ordinary course of its insurance operations, Guardian and its insurance subsidiaries have from time to time provided insurance coverage to a number of corporations of which the directors of Guardian are or were officers or directors. However, such coverage is primarily the result of sales efforts and is not tied to the membership on Guardian's Board of Directors of any one or more individuals or to a relative or spouse of such individual.

Some of the directors carry one or more life insurance policies issued by Guardian and its insurance subsidiaries. These policies give owners voting rights as prescribed by the New York Insurance Law, but in the aggregate such directors and officers who are policyholders hold an insignificant percentage of the aggregate voting rights in Guardian.

DESCRIPTION OF THE NOTES

This section provides an overview of the material provisions of the Notes, the Indenture, and the form of an indenture to be entered into between the Issuer and the Indenture Trustee in connection with each issuance of Notes under the Program (each, a "Series Indenture"). It does not purport to be complete and is subject to the applicable Issue Terms and to the detailed provisions of the Notes, the Indenture and each applicable Series Indenture, copies of which will be available as provided under "Documents Available." Capitalized terms used and not otherwise defined herein have the same meanings as those used in the Indenture. The terms and conditions of the Notes described in this section will apply to the Notes of each Series, except that the Issuer will add the specific terms of the Notes of a Series in each applicable Issue Terms. Prospective purchasers should consider the information contained in this Offering Memorandum, the Indenture, the applicable Series Indenture and each applicable Issue Terms in making their investment decision.

General

Series and Tranches of Notes

The Notes will be issued in one or more series. Each Series of Notes may be comprised of one or more Tranches issued on different issue dates within six months from the issue date of the first Tranche of the applicable Series of Notes. The Issuer may only issue a Tranche of Notes if Guardian has issued or will simultaneously issue one or more Funding Agreements to the Issuer, which will constitute an asset of the applicable Series of the Issuer and will become a part of the applicable Series Collateral. The Notes of a Series will all be subject to identical terms, except that the issue date, the issue price, the amount and date of the first payment of interest and denomination size may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects.

Indenture and Series Indenture

Each Series of Notes will be issued under, subject to and entitled to the benefits of the Indenture and a separate Series Indenture by and between the Issuer and the Indenture Trustee. Each Series Indenture will incorporate the Indenture which shall provide the terms that govern each separate Series Indenture thereunder, unless any such Series Indenture specifies otherwise. The Notes issued under a Series Indenture will constitute a single Series, together with any Notes issued in the future under such Series Indenture that are designated by the Issuer as being part of such Series. The aggregate principal amount of Notes that may be authenticated and delivered under the Indenture is unlimited.

Neither the Indenture nor any Series Indenture will be governed by, interpreted by reference to or otherwise incorporate any term corresponding to any provision of the Trust Indenture Act of 1939, as amended.

Security; Limited Recourse

The obligations of the Issuer under each Series of Notes will be secured by a first priority perfected security interest in favor of the Indenture Trustee in the "Series Collateral" which will consist of:

- each Funding Agreement related to the applicable Series;
- all proceeds of each Funding Agreement related to the applicable Series;
- all books and records of the Issuer pertaining to the foregoing; and
- all benefits, rights, privileges and options of the Issuer pertaining to the foregoing.

The Issuer will be organized in series, as permitted by Sections 3804(a) and 3806(b)(2) of the Trust Act. In connection with the issuance of each Series of Notes, the Issuer will create a separate Series of the Issuer. The applicable Series of Notes and the related debts, liabilities, obligations and expenses will be incurred, contracted for or otherwise existing with respect to such Series of the Issuer, and will be enforceable only against the assets of such Series of the Issuer and not against the assets of the Issuer generally or the assets of any other Series of the Issuer. The individual Series of the Issuer are not separate legal entities.

The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Guardian or any of its subsidiaries or affiliates.

Ranking

The Notes of a Series will be direct, unconditional, secured and unsubordinated non-recourse obligations incurred by the Issuer with respect to the relevant Series of the Issuer and will rank equally among themselves without any preference.

Since Guardian will be the sole obligor under the Funding Agreements, the ability of the Issuer to meet its obligations, and the ability of the Holders of Notes to receive payments from the Issuer, with respect to a particular Series of Notes, will be principally dependent upon Guardian's ability to perform its obligations under each applicable Funding Agreement securing the Notes of the relevant Series. Despite this, Holders of Notes will have no direct contractual rights against Guardian under any such Funding Agreement. Pursuant to the terms of each Funding Agreement, recourse rights to Guardian will belong to the Issuer, its successors and its permitted assignees (which will include the Indenture Trustee to the extent of its first priority perfected security interest in the Series Collateral), but only with respect to the relevant Series of the Issuer. In connection with the offering and sale of a Series of Notes, the Issuer will pledge, collaterally assign and grant a security interest in the Series Collateral for such Series of Notes to the Indenture Trustee on behalf of the Holders of Notes and any other person for whose benefit the Indenture Trustee is or will be holding the applicable Series Collateral. Accordingly, recourse to Guardian under each such Funding Agreement will be enforceable only by the Indenture Trustee as a secured party for the benefit of the Holders of such Series of Notes and any other person for whose benefit the Indenture Trustee is or will be holding the applicable Series Collateral.

The obligations of Guardian under the Funding Agreements will not be obligations of, and will not be guaranteed by, any other person.

Issue Terms

The specific terms of each Tranche of Notes will be set forth in the applicable Issue Terms.

Pricing Options

Notes that bear interest will either be Fixed Rate Notes or Floating Rate Notes, as specified in the applicable Issue Terms. The Issuer may also issue Discount Notes and Amortizing Notes (each as defined below).

Interest rates offered on the Notes may differ depending upon, among other factors, the aggregate principal amount of Notes purchased in any single transaction as well as market conditions. The Issuer may change interest rates or formulas and other terms of Notes from time to time, but no change of terms will affect any Note the Issuer has previously issued or as to which it has accepted an offer to purchase.

Maturities

The Notes of each Series will mature on a day 90 days or more from its date of issue (the "Stated Maturity Date"), as specified in the applicable Issue Terms, unless their principal (or, any installment of its principal) becomes due and payable prior to the Stated Maturity Date, whether, as applicable, by the declaration of acceleration of maturity or otherwise. The Stated Maturity Date or any date prior to the Stated Maturity Date on which the Notes of a particular Series become due and payable, as the case may be, is referred to herein as the "Maturity Date" with respect to the principal of the Notes of such Series repayable on that date.

Denominations

Subject to the provisions of the applicable Issue Terms or as otherwise provided below, the Notes of a Series will be issued, with respect to U.S. dollar-denominated Notes, in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. Any Notes listed on the GEM or offered to the public in any Member

States of the EEA, in circumstances which would otherwise require the publication of a prospectus under Directive 2003/71/EC (as amended) (the "Prospectus Directive") will be issued in minimum denominations of €100,000 (or the equivalent thereof in another currency at the time of issue) and integral multiples of €1,000 (or the equivalent thereof in another currency at the time of issue) in excess thereof. Any Notes in respect of which the issue proceeds are received by the Issuer in the United Kingdom or the activity of issuing such Notes is carried on from an establishment maintained by the Issuer in the United Kingdom and which have a maturity of less than one year must (i) (a) have a minimum denomination of £100,000 (or its equivalent in other currencies), and (b) be issued only to persons (1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or (2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances that do not constitute a contravention of Section 19 of the FSMA by the Issuer.

Listing

This document has been approved by Euronext Dublin as an Offering Memorandum. Application will be made to Euronext Dublin for Notes issued under the Program during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List and trading on the GEM. However, Notes may also be (i) listed on a regulated market, (ii) listed on a securities exchange which is not a regulated market, or (iii) not listed on any regulated market or any other securities exchange. Any Notes admitted to the Official List or trading on the GEM or on any regulated market will be issued in minimum denominations of €100,000 or greater (or the equivalent thereof in another currency at the time of issue) and integral multiples of €1,000 (or the equivalent thereof in another currency at the time of issue) in excess thereof. Notes with a maturity of less than 12 months will not be listed.

Reopenings

The Issuer may, within six months from the issue date of the first Tranche of a Series of Notes, without the consent of any holder of the Notes of such Series, issue one or more additional Tranches of Notes having the same terms as previously issued Notes (other than the issue date, the issue price, the amount and date of the first payment of interest, the denomination size and any other different terms specified in the applicable Issue Terms(s), all of which may vary) that will form a single Series with the previously issued Notes of such Series. The Issuer may only issue a Tranche of Notes if Guardian has issued or will simultaneously issue one or more Funding Agreements to the Issuer, which will constitute an asset of the applicable Series of the Issuer and will become a part of the applicable Series Collateral.

Currency

Subject to the provisions of the applicable Issue Terms, the Notes of a Series will be denominated in, and payments of principal of and any premium and interest on the Notes of such Series will be made in, U.S. dollars. The Notes of each Series also may be denominated in, and payments of principal of and any premium and interest on the Notes of such Series may be made in, Euro or one or more other currencies. The currency in which the Notes of a particular Series are denominated (or, if such currency is no longer legal tender for the payment of public and private debts in the country issuing such currency or, in the case of Euro, in the Member States of the EU that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union (the "Treaty"), such currency which is then such legal tender) is herein referred to as the "Specified Currency" with respect to such Series of Notes. References herein to "United States dollars", "U.S. dollars" or "$" are to the lawful currency of the United States, and references herein to "Euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to such Treaty, as amended.

Redenomination

If so specified in the applicable Issue Terms, the Issuer may redenominate Notes issued in the currency of a country that subsequently participates in the third stage of the European economic and monetary union, or otherwise participates in the European economic and monetary union in a manner with similar effect to such third stage, into Euro. The provisions relating to any such redenomination will be contained in the applicable Issue Terms.

Business Day; London Banking Day; Principal Financial Center

"Business Day" means, subject to the provisions of the applicable Issue Terms, any day (other than a Saturday, Sunday or legal holiday) on which commercial banks are open for business and foreign exchange markets settle payments in the Principal Financial Center in respect of the applicable Series of Notes, or, in relation to Notes payable in Euro, a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer ("TARGET") System is operating and, in either case, a day (other than a Saturday, Sunday or legal holiday) on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Issue Terms.

"London Banking Day" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets settle payments in the LIBOR Currency in London.

"Principal Financial Center" means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of "Business Day", as the same may be amended, modified, restated, supplemented and/or replaced from time to time in the relevant Issue Terms.

Business Day Convention

"Business Day Convention" means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Issue Terms in relation to any date applicable to any Notes, shall have the following meanings:

(i) "Following Business Day Convention" means that such date shall be postponed to the first following day that is a Business Day;

(ii) "Modified Following Business Day Convention" or "Modified Business Day Convention" means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;

(iii) "Preceding Business Day Convention" means that such date shall be brought forward to the first preceding day that is a Business Day; and

(iv) "FRN Convention" or "Eurodollar Convention" means, for each relevant date, the date which numerically corresponds to the preceding relevant date in the calendar month which is the number of months specified in the Issue Terms after the calendar month in which the preceding relevant date occurred, provided that:

  (a) if there is no such numerically corresponding day in the calendar month in which any relevant date should occur, then the date will be the last day which is a Business Day in that calendar month;

  (b) if the date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

  (c) if the preceding relevant date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding relevant date occurred.

Day Count Fraction

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time ("Calculation Period"), one of the following day count fractions, which will be specified in the Issue Terms:

(i) "Actual/365" or "Actual/Actual (Historical)": the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) "Actual/365 (Fixed)": the actual number of days in the Calculation Period divided by 365;

(iii) "Actual/360": the actual number of days in the Calculation Period divided by 360;

(iv) "30/360": the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"Dl" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case Dl will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and Dl is greater than 29, in which case D2 will be 30;

(v) "30E/360" or "Eurobond Basis": the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Yl" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"Dl" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(vi) "Actual/Actual (Bond)" if the Interest Payment Dates all fall at regular intervals between the Issue Date and the Maturity Date: the number of days in the Calculation Period divided by the product of (a) the number of days in the Interest Period in which the Calculation Period falls and (b) the number of Interest Periods in any period of one year.

Holder

The term "Holder" means the person in whose name a Note is registered on the note register.

Form of Notes and Clearance

The Issuer and the Purchasing Agent(s) will agree on the form of Notes to be issued in respect of any Series of Notes. The form of Notes to be issued in relation to any Series of Notes will be specified in the applicable Issue Terms. Each Note will be represented by a security certificate containing the applicable terms (a "Note Certificate").

The Notes may be offered and sold in the United States only, outside the United States only or in and outside the United States simultaneously as part of a global offering. Notes sold pursuant to an offering made in the United States only will initially be represented by one or more Global Notes deposited with the Custodian for, and registered in the name of a nominee of, DTC as depositary (each Global Note so deposited and registered being referred to herein as a "DTC Global Note").

Notes sold outside of the United States in accordance with Regulation S will initially be represented by one or more temporary Global Notes (each, a "Temporary Global Note"). Upon the expiration of the applicable Distribution Compliance Period, beneficial interests in a Temporary Global Note will be exchangeable for equivalent beneficial interests in one or more permanent Global Notes (each a "Permanent Global Note"), as and to the extent provided in the applicable Temporary Global Note.

Notes sold pursuant to an offering made outside the United States only will initially be represented by one or more Temporary Global Notes, as described above, and upon exchange therefor will be represented by one or more Permanent Global Notes deposited with a common depositary (the "Depositary") for, and (i) in the case of U.S. dollar denominated Notes, registered in the name of a nominee of, DTC and (ii) in the case of non-U.S. dollar denominated Notes, registered in the name of a nominee of, Euroclear and/or Clearstream, Luxembourg, as applicable.

References to Euroclear and/or Clearstream, Luxembourg in this Offering Memorandum shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing systems as may be specified in any applicable Issue Terms.

Subject to the Notes sold outside of the United States in accordance with Regulation S initially being represented by one or more Temporary Global Notes and the subsequent exchange of beneficial interests in each such Temporary Global Note for beneficial interests in one or more Permanent Global Notes, as described above, Notes sold pursuant to an offering made in and outside the United States simultaneously as part of a global offering may be represented (i) solely by one or more DTC Global Notes (a "Single Global Note Issue") or, (ii) alternatively, (a) by one or more DTC Global Notes in respect of Notes sold in the United States and (b) by one or more separate Global Notes deposited with the Depositary as common depositary for, and (1) in the case of U.S. dollar denominated Notes, registered in the name of a nominee of, DTC and (2) in the case of non-U.S. dollar denominated Notes, registered in the name of a nominee of, Euroclear and/or Clearstream, Luxembourg, as applicable, in respect of Notes sold outside the United States (a "Dual Global Note Issue").

Except as described below, owners of beneficial interests (each, a "Beneficial Note Owner") in a Global Note will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form (each, a "Definitive Note") and will not be considered the owners or Holders thereof under the Indenture. Beneficial interests in Global Notes will be represented, and transfers thereof will be effected, only through book-entry accounts of financial institutions acting on behalf of the Beneficial Note Owners, as direct or indirect participants in the relevant clearing system.

Investors in a global offering may elect to hold beneficial interests in a Global Note through any of DTC or Euroclear or Clearstream, Luxembourg if they are participants in such systems, or indirectly through organizations that are participants in such systems. If the Notes sold pursuant to a global offering are part of a Single Global Note Issue, Euroclear and Clearstream, Luxembourg will hold beneficial interests on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream, Luxembourg's names on the books of the Depositary, which in turn will hold such beneficial interests in customers' securities accounts in the Depositary's name on the books of DTC.

Citibank, N.A. will serve initially as registrar (in such capacity, and together with any successor registrar, the "Registrar") for the Notes. In such capacity, with respect to the Notes of each Series, Citibank, N.A. will cause to be kept at its Corporate Trust Office a register (each, a "Note Register"), in which, subject to such reasonable regulations as it may prescribe, Citibank, N.A. will provide for the registration of the Notes of such Series and of transfers thereof.

Subject to applicable law and the terms of the Indenture, the applicable Series Indenture and the Notes of a Series, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee shall deem and treat the Holder or Holders of any Note of such Series as the absolute owner or owners of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of, any premium on, and, subject to the provisions of the Indenture and the applicable Series Indenture, any interest on such Note and for all other purposes, and neither the Issuer nor the Indenture Trustee nor any agent of the Issuer or the Indenture Trustee shall be affected by any notice to the contrary. All such payments so made to such Holder or Holders will be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for funds payable upon any such Note. So long as DTC, its nominee, a nominee of Euroclear and/or Clearstream, Luxembourg or a successor of such clearing system or any such nominee is the Holder of a Global Note, such clearing system, such nominee or such successor of such clearing system or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by such Global Note for all purposes under the Indenture. Accordingly, any Beneficial Note Owner must rely on the procedures of DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, and, if such person is not a participant in any such clearing system, on the procedures of the participant therein through which such person owns its beneficial interest, to exercise any rights of a Holder of Notes. The Issuer understands that, under existing industry practices, in the event that the Issuer requests any action of Holders or that Beneficial Note Owners desire to give or take any action which a Holder is entitled to give or take under the Indenture, DTC, its nominee or a successor of DTC or its nominee, as the Holder of the DTC Global Note, would authorize the participants through which the relevant beneficial interests are held (or persons holding beneficial interests in the Notes through participants) to give or take such action, and such participants would authorize Beneficial Note Owners owning through such participants (or such persons holding beneficial interests in the Notes through participants) to give or take such action and would otherwise act upon the instructions given to such participants (or such persons) by such Beneficial Note Owners.

DTC may grant proxies or otherwise authorize its participants (or persons holding beneficial interests in the Notes through its participants) to exercise any rights of a Holder of Notes or take any other actions which a Holder is entitled to take under the Indenture or in respect of the Notes. Euroclear or Clearstream, Luxembourg, as the case may be, will take any action permitted to be taken by a Holder under the Indenture or the Notes on behalf of a Euroclear participant or a Clearstream, Luxembourg participant only in accordance with its relevant rules and procedures and, with respect to beneficial interests in a DTC Global Note, subject to the Depositary's ability to effect such actions on its behalf through DTC. Because DTC can act only on behalf of its participants, who in turn act on behalf of indirect participants, the ability of a Beneficial Note Owner to pledge its interest in the Notes to persons or entities that do not participate in the DTC system or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate of such interest. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a DTC Global Note.

Ownership positions within each clearing system will be determined in accordance with the normal conventions observed by such system. The Indenture Trustee will initially act as the Issuer's paying agent for the Notes pursuant to the Indenture. Payments with respect to a Global Note will be made to DTC, its nominee or a nominee of Euroclear and/or Clearstream, Luxembourg, as the case may be (or to any successor to such clearing system or any such nominee) as the Holder of the Notes represented by such Global Note. Neither the Issuer nor the Indenture Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Upon receipt of any payment of principal of, any premium and interest on a DTC Global Note, DTC will credit its participants' accounts with payment in amounts proportionate to their respective beneficial interests in the principal amount of such DTC Global Note as shown on the records of DTC. Payments by such participants to owners of beneficial interests in the DTC Global Note held through such participants will be the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name." Distributions with respect to Notes held through Euroclear and/or Clearstream, Luxembourg will be credited to the cash accounts of Euroclear participants and/or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures to the extent received by the Depositary.

Interests in a Global Note will be exchangeable in whole, but not in part, for Definitive Notes only if such exchange is permitted by applicable law (including, without limitation, Regulation S) and (i) any clearing corporation with which any Global Note is deposited and which is or whose nominee is the Holder of such Global Note shall have notified the Issuer that it or its nominee is unwilling or unable to continue as the depositary and Holder of such Global Note and a successor clearing corporation or nominee, as applicable, is not appointed within 90 days; (ii) an Event of Default shall have occurred and the maturity of the Notes of such Series shall have been accelerated in accordance with the terms of the Indenture, the applicable Series Indenture and the Notes of such Series; or (iii) the Issuer shall have decided in its sole discretion that the Notes of such Series should no longer be evidenced solely by one or more Global Notes. An exchange for a Definitive Note will be made at no charge to the holders of the beneficial interests in the Global Note being exchanged. The Definitive Notes issued in exchange for beneficial interests in any such Global Note shall be of like tenor and of an equal aggregate principal amount, in authorized denominations. Such Definitive Notes shall be registered in the name or names of such person or persons as the relevant clearing system shall instruct the Registrar. It is expected that such instructions may be based upon directions received by DTC from DTC participants with respect to ownership of beneficial interests in the DTC Global Notes. Except as provided above, owners of beneficial interests in a Global Note will not be entitled to receive physical delivery of Definitive Notes and will not be considered the registered Holders of such Notes for any purpose.

Upon surrender of a Note Certificate for registration of transfer of any Notes represented thereby, together with the form of transfer endorsed thereon duly completed and executed, at the designated office of the Registrar or of any applicable transfer agent, each as provided in an applicable Note Certificate or Series Indenture, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Note Certificates representing an aggregate principal amount of Notes equal to the aggregate principal amount of the Notes represented by such Note Certificate surrendered for registration of transfer.

Subject to the provisions of the applicable Issue Terms, payments of principal of, and any premium on, Definitive Notes shall be made as provided in or pursuant to the Indenture against presentation and surrender of the applicable Note Certificate or Note Certificates at the designated office of the Registrar or of any applicable transfer agent, each as provided in the applicable Issue Terms. Subject to the provisions of the applicable Issue Terms, payments of interest on Definitive Notes shall be paid to the person shown on the applicable Note Register at the close of business on the applicable Regular Interest Record Date set as provided in or pursuant to the Indenture and the applicable Series Indenture on the due date for payment thereof. Payments of interest on each Definitive Note shall be made in the currency in which such payments are due. Such payment of interest will be made by transfer to an account in the relevant currency maintained by the payee with a bank in the Principal Financial Center of the country of that currency or, in the case of Definitive Notes denominated in euro, in a city in which banks have access to the TARGET System. "Regular Interest Record Date" means the date(s) specified in the relevant Issue Terms, before the due date for such payment.

Global Clearance and Settlement

General

Notes issued pursuant to the Program may be held through one or more international and domestic clearing systems, principally the book-entry systems operated by DTC in the United States, and Euroclear and Clearstream, Luxembourg in Europe. Electronic securities and payment transfer, processing, depositary and custodial links have been established among these systems and others, either directly or through custodians and depositaries, which enable Notes to be issued, held and transferred among the clearing systems through these links. Each Paying Agent will have direct electronic links with DTC, Euroclear and Clearstream, Luxembourg. Special procedures have been established among these clearing systems and the Indenture Trustee to facilitate clearance and settlement of certain Notes traded across borders in the secondary market. Cross-market transfers of Notes in respect of which payments will be made in U.S. dollars and which will be issued in global form may be cleared and settled using these procedures on a delivery against payment basis. Cross-market transfers of Notes in other than global form may be cleared and settled in accordance with other procedures established among the Indenture Trustee and the clearing systems concerned for this purpose.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the procedures described below in order to facilitate transfers of Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. Neither the Issuer nor the Indenture Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of the respective obligations under the rules and procedures governing their operations.

The Clearing Systems

The clearing systems have advised the Issuer as follows:

DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("direct participants") deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The DTC Rules applicable to its Participants are on file with the SEC.

Euroclear. Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Notes clearance accounts and cash accounts with Euroclear are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Euroclear Terms and Conditions"). The Euroclear Terms and Conditions govern transfers of securities and cash with Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding-through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Depositary.

Clearstream, Luxembourg. Clearstream, Luxembourg is a company with limited liability under Luxembourg law (a *société anonyme*). Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including U.S. dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, which supervises Luxembourg banks. Clearstream, Luxembourg's customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers, and banks. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

Distributions with respect to Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the Depositary.

Other Clearing Systems. Any other clearing system which the Issuer, the Indenture Trustee, the relevant Paying Agents and each relevant Purchasing Agent agree shall be available for a particular issuance of Notes, including the clearance and settlement procedures for such clearing system, will be described in the applicable Issue Terms.

Primary Distribution

Notes will be distributed through one or more of the clearing systems described above or any other clearing system specified in the applicable Issue Terms. Payment for Notes will be made on a delivery versus payment or free delivery basis, as more fully described in the applicable Issue Terms.

Notes. The Issuer and each relevant Purchasing Agent shall agree that either global clearance and settlement procedures or specific clearance and settlement procedures should be available for the Notes of any Series, as specified in the applicable Issue Terms. Clearance and settlement procedures may vary from one Series of Notes to another according to the Specified Currency of the Notes of such Series. Customary clearance and settlement procedures are described under the specific clearance and settlement procedures below. Application will be made to the relevant clearing system(s) for the Notes of the relevant Series to be accepted for clearing and settlement and the applicable security identification numbers will be specified in the applicable Issue Terms.

Clearance and Settlement Procedures—DTC. DTC participants holding Notes through DTC on behalf of investors will follow the settlement practices applicable to United States corporate debt obligations in DTC's Same-

Day Funds Settlement System. Notes will be credited to the securities custody accounts of such DTC participants against payment in same-day funds on the settlement date.

Clearance and Settlement Procedures—Euroclear and Clearstream, Luxembourg. Investors electing to hold their Notes through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg participants on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Trading between DTC participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules and will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is made in U.S. dollars, or free of payment if payment is made in a currency other than U.S. dollars. In the latter case, separate payment arrangements outside of the DTC system are required to be made between DTC participants.

Trading between Euroclear and/or Clearstream, Luxembourg participants. Secondary market trading between Euroclear and/or Clearstream, Luxembourg participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using procedures applicable to conventional Eurobonds in registered form.

Trading between DTC seller and Euroclear or Clearstream, Luxembourg purchaser

Single Global Note Issues. When Notes represented by a DTC Global Note are to be transferred from the account of a DTC participant (other than the Depositary) to the account of a Euroclear participant or Clearstream, Luxembourg participant, the purchaser must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct the Depositary to receive the Notes against payment or free of payment, as the case may be. After settlement has been completed, the Notes will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the account of the relevant Euroclear or Clearstream, Luxembourg participant. Credit for the Notes will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Notes will accrue from, the value date (which would be the preceding day, when settlement occurs in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream, Luxembourg participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, participants may take on credit exposure to Euroclear or Clearstream, Luxembourg until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg participants purchasing Notes would incur overdraft charges for one day, assuming they cleared the overdraft when the Notes were credited to their accounts. However, interest on the Notes would accrue from the value date. Therefore, in many cases, the investment income on Notes earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Because the settlement will take place during New York business hours, DTC participants can employ their usual procedures for delivering Notes to the Depositary for the benefit of Euroclear participants or Clearstream, Luxembourg participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participants, a cross-market transaction will settle no differently than a trade between two DTC participants.

Dual Global Note Issues. When Notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg participant, the DTC participant will deliver the Notes free of payment to the appropriate account of the Custodian at DTC by 11:00 A.M. (New York time) on the settlement date together with instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg participant. Separate payment arrangements are required to be made between the Euroclear or Clearstream, Luxembourg participant and the DTC participant. The Custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of DTC and represented by the DTC Global Note and (ii) increase the amount of Notes registered in the name of the nominee of Euroclear or Clearstream, Luxembourg and represented by the Global Note. The Depositary will deliver such Notes free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant participant in such clearing system on the business day following the settlement date.

Trading between a Euroclear or Clearstream, Luxembourg seller and a DTC purchaser

Single Global Note Issues. Due to time zone differences in their favor, Euroclear participants or Clearstream, Luxembourg participants may employ their customary procedures for transactions in which Notes represented by a DTC Global Note are to be transferred by the respective clearing system through the Depositary to another DTC participant. The seller must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream, Luxembourg will instruct the Depositary to credit the Notes to the DTC participant's account against payment. The payment will then be reflected in the account of the Euroclear participant or Clearstream, Luxembourg participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account will be back-valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear participant or Clearstream, Luxembourg participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account would instead be valued as of the actual settlement date.

As is the case with sales of Notes represented by a DTC Global Note by a DTC participant to a Euroclear or Clearstream, Luxembourg participant, participants in Euroclear and Clearstream, Luxembourg will have their accounts credited the day after their settlement date.

Dual Global Note Issues. When Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg participant to the account of a DTC participant, the relevant Euroclear or Clearstream, Luxembourg participant must provide settlement instructions for delivery of the Notes free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, by 7:45 P.M. (Brussels or Luxembourg time) one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn provide appropriate settlement instructions to the Depositary for delivery to the DTC participant. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the Custodian will deliver the Notes free of payment to the appropriate DTC account of the DTC participant and will instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee for Euroclear and Clearstream, Luxembourg and represented by the Global Note and (ii) increase the amount of Notes registered in the name of the nominee of DTC and represented by the DTC Global Note.

Payments

Principal

The principal amount of the Notes of any Series will be payable at par on their Maturity Dates, subject to the provisions of the applicable Issue Terms.

Interest

Subject to the provisions of the applicable Issue Terms, each Series of interest-bearing Notes will bear interest from its date of issue at the rate per annum, in the case of a Fixed Rate Note, or pursuant to the interest rate formula, in the case of a Floating Rate Note, in each case as specified in the applicable Issue Terms, until the principal thereof is paid or duly made available for payment. See also "—Pricing Options—Discount Notes" and "—Pricing Options—Amortizing Notes." Accrued but unpaid interest, if any, on the principal amount of the Notes of any Series will be payable on the Maturity Dates, subject to the provisions of the applicable Issue Terms.

Interest Periods

Subject to the provisions of the applicable Issue Terms, interest payable with respect to a Series of interest-bearing Notes on each Interest Payment Date (as defined therein) will be the interest accrued from and including the later of (i) the issue date and (ii) the immediately preceding Interest Payment Date with respect to which interest on such Series of Notes has been fully paid or duly provided for, to but excluding such Interest Payment Date ("Interest Period"). For any Series of Floating Rate Notes listed on Euronext Dublin, at a time no later than the commencement of each Interest Period, the relevant Paying Agent shall provide a notice to Euronext Dublin stating the rate of interest, the amount of interest payable for a specific denomination and the Interest Period, if applicable.

Payment Procedures

Subject to the provisions of the applicable Issue Terms, the Issuer will discharge each of its payment obligations under such Series of Notes and the Indenture by causing the payment amount to be tendered to the Holder or Holders of such Series of Notes. All amounts payable to any Holder of any Note will be paid to such account at such bank or other financial institution as the Holder of such Note shall notify in accordance with the terms of the Indenture.

Unavailability of Specified Currency

If the principal of and any premium or interest on any Note is payable in a Specified Currency other than U.S. dollars which is not available due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, the Issuer will be entitled to satisfy its obligations to Holders of the Notes by making such payment in U.S. dollars on the basis of the most recently available bid quotation determined on the applicable determination date related to such payment from a leading foreign exchange bank in London or New York City selected by the applicable Paying Agent, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all Holders of Notes denominated other than in U.S. dollars scheduled to receive U.S. dollar payments. Any payment made under such circumstances in U.S. dollars where the required payment is other than in U.S. dollars will not constitute an "Event of Default" under the Notes.

Tax, Fiscal or Other Law or Regulation

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable thereto. The Issuer shall not be required to make any payment to any Holder of a Note with respect to any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein ("Taxes"). In the event that any amount due with respect to a Funding Agreement is subject to withholding or deduction for or on account of any present or future Taxes, the Issuer will be deemed for all purposes to have received cash in an amount equal to such withholding or deduction, and each Holder of a Note of the related Series will be deemed for all purposes to have received cash in an amount equal to the portion of such withholding or deduction that is attributable to such Holder's interest in such Note as equitably determined by the Issuer and any such withholding or deduction will not give rise to an Event of Default or any independent right or obligation to redeem the Notes of such Series.

Redemption and Repurchase of Notes

Subject to the provisions of the applicable Issue Terms, and except as provided with respect to a tax redemption under "—Tax Redemption", the Notes of a Series will not be redeemable, except at the applicable Maturity Date, when all Notes of such Series will be redeemed. The parties to the Indenture have also agreed that, except as provided below under "—Tax Redemption", no opinion of Counsel (as defined in the Indenture), certificate of the Issuer or any other document or instrument shall be requested to be provided in connection with any purchase of Notes under "—Repurchase of Notes."

Tax Redemption

If (a) Guardian is obligated to withhold or deduct any Taxes with respect to any payment made under a Funding Agreement or any related contract between Guardian and the Issuer, or (b) in the opinion of independent counsel selected by Guardian, as a result of any change in, or amendment to, United States tax laws (or any regulations or rulings thereunder) or any change in position of the IRS regarding the application or interpretation thereof (including, but not limited to, Guardian's receipt of a written adjustment from the IRS in connection with an audit) there is a material probability that (i) Guardian will become obligated to withhold or deduct any Taxes with respect to any payment made under a Funding Agreement or any related contract between Guardian and the Issuer or (ii) the Issuer is, or will be within 90 days of the date hereof, subject to more than a *de minimis* amount of Taxes, then Guardian may terminate, with respect to (a) and (b)(i), the applicable Funding Agreement, and, with respect to (b)(ii), any Funding Agreement, by giving not less than 30 and no more than 75 days prior written notice to the Issuer and by paying to the Issuer on the date specified in such notice the Redemption Amount as specified in the Account Specification Appendix of such Funding Agreement, *provided* that in the case of clause (b)(i) no such notice of termination may be given earlier than 90 days prior to the earliest day when Guardian would become obligated to withhold or deduct any such Taxes, assuming a payment in respect of such Funding Agreement or such contract were then due. The Issuer is required to redeem the Notes of a Series if Guardian exercises its right to terminate the Funding Agreement(s) related to such Series.

Repurchase of Notes

The Issuer may purchase some or all Notes of any Series in the open market or otherwise at any time, and from time to time, with the prior written consent of Guardian as to both the making of such purchase and the purchase price to be paid for such Notes. If Guardian, in its sole discretion, consents to such purchase of Notes by the Issuer, then the Issuer and the Indenture Trustee agree to take such actions as may be necessary or desirable to effect the prepayment of such portion, or the entirety, of the current balance of the Funding Account under each applicable Funding Agreement as may be necessary to provide for the payment of the purchase price for such Notes. Upon such payment, the balance of the Funding Account shall be reduced (i) with respect to any purchase of Fixed Rate Notes or Floating Rate Notes, by an amount equal to the aggregate principal amount and accrued and unpaid interest of the Notes as purchased (or the portion thereof applicable to such Funding Agreement) and (ii) with respect to any purchase of Notes other than Fixed Rate Notes or Floating Rate Notes, by an amount to be agreed between the Issuer and Guardian to reflect such prepayment under the Funding Agreement.

Cancellation of Redeemed and Purchased Notes

All unmatured Notes redeemed or purchased, otherwise than in the ordinary course of business of dealing in securities or as a nominee in accordance with "—Redemption and Repurchase of Notes," will be cancelled forthwith and may not be reissued or resold.

Replacement of Notes

At the expense of the applicable Holder or Holders, the Issuer will replace any Note Certificate that becomes mutilated, destroyed, lost or stolen or is apparently destroyed, lost or stolen. Each mutilated Note Certificate must be surrendered to the Indenture Trustee or the Issuer, or the Indenture Trustee and the Issuer must receive evidence to their satisfaction of the destruction, loss or theft of each applicable Note Certificate, and there must be delivered to the Issuer and the Indenture Trustee such security or indemnity as may be required by them to save each of them harmless and the Issuer or the Indenture Trustee must not have received notice that such Note Certificate, has been acquired by a protected purchaser (as defined in the UCC as currently in effect).

Prescription

Any funds deposited with or paid to the Indenture Trustee or any Paying Agent for the payment of the principal of, any premium or interest on, or any other amounts payable with respect to, any Note of any Series and not applied but remaining unclaimed for three years after the date upon which such principal, premium, interest, or any other amount shall have become due and payable, shall, upon the written request of the Issuer and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Issuer by the Indenture Trustee or such Paying Agent, and the Holder of any such Note of such Series shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Issuer for any payment which such Holder may be entitled to collect, and all liability of the Indenture Trustee or any Paying Agent with respect to such funds shall thereupon cease.

Other Terms

From time to time, the Issuer may issue Notes with additional terms to be described at the time of issuance in the applicable Issue Terms, including the ability to extend the maturity date of such Notes, redeem the Notes at the Issuer's option or provide Holders with the option to have the Issuer repay the Notes.

Pricing Options

Fixed Rate Notes

Interest Payment Dates. Subject to the provisions of the applicable Issue Terms, interest on the Fixed Rate Notes of a Series will be payable semiannually each year on such date or dates as may be specified in the applicable Issue Terms (each, an "Interest Payment Date" with respect to such Series of Fixed Rate Notes) and on the Maturity Date.

Payment Date Not a Business Day. Subject to the provisions of the applicable Issue Terms, if the date on which any principal, premium, interest, or other payment obligation with respect to the Fixed Rate Notes of a Series is due, including any Interest Payment Date, falls on a day that is not a Business Day, the Issuer will have until the next succeeding Business Day to satisfy its payment obligation and any such payment shall be given the same force and effect as if made on the date on which such principal, premium, interest, or other payment obligation was due and no additional interest shall accrue as a result of payment on such succeeding Business Day.

Method of Calculating Interest. Subject to the provisions of the applicable Issue Terms, interest on the Fixed Rate Notes of a Series will be computed on the basis of a 360-day year of twelve 30-day months and in the case of an incomplete month, the actual number of days elapsed.

Floating Rate Notes

Generally. Interest on a Series of Floating Rate Notes will be determined by reference to one or more of the CMT Rate, the Commercial Paper Rate, EURIBOR, the Federal Funds Rate, LIBOR, the Prime Rate, SOFR, Compounded Daily SONIA, the Treasury Rate (each, an "Interest Rate Basis").

The applicable Issue Terms will specify certain terms of a Series of Floating Rate Notes, including: whether such Series of Floating Rate Notes is a Series of "Regular Floating Rate Notes" or "Floating Rate/Fixed Rate Notes", the Fixed Rate Commencement Date, if applicable, Fixed Interest Rate, if applicable, Interest Rate Basis or Bases, Initial Interest Rate, if any, the first Interest Reset Date, Interest Reset Dates, Interest Payment Dates, Index Maturity, Maximum Interest Rate and/or Minimum Interest Rate, if any, and Spread and/or Spread Multiplier, if any, as such terms are defined below. If one or more of the Interest Rate Bases for any Series of Floating Rate Notes is LIBOR or the CMT Rate, the applicable Issue Terms will also specify the LIBOR Currency and LIBOR Page or the CMT Maturity Index and CMT Reuters Page, respectively, as such terms are defined below.

The rate at which a Series of Floating Rate Notes will bear interest will be determined as follows:

Unless such Series of Floating Rate Notes is designated as a Series of "Floating Rate/Fixed Rate Notes" or a Series of "Inverse Floating Rate Notes", or as having an Addendum attached or having "Other/Additional Provisions" apply, in each case relating to a different interest rate formula, such Series of Floating Rate Notes will be designated as a Series of "Regular Floating Rate Notes" and, except as described below or in the applicable Issue Terms, will bear interest at the rate determined by reference to the Interest Rate Basis or Bases for such Series (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date, the rate at which interest on such Regular Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; *provided, however,* that the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the Initial Interest Rate.

If such Series of Floating Rate Notes is designated as a Series of "Floating Rate/Fixed Rate Notes", then, except as described below, such Series of Floating Rate Notes will bear interest at the rate determined by reference to the Interest Rate Basis or Bases for such Series (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date, the rate at which interest on such Series of Floating Rate/Fixed Rate Notes shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (a) the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the Initial Interest Rate and (b) the interest rate in effect (the "Fixed Interest Rate") for the period commencing on the date specified therefor in the applicable Issue Terms (the "Fixed Rate Commencement Date") to the Stated Maturity Date shall be the interest rate so specified in such applicable Issue Terms or, if no such rate is specified, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date. For the period during which the Fixed Interest Rate is in effect, interest shall be calculated and paid as specified above under "Fixed Rate Notes."

The "Spread" for a Series of Floating Rate Notes is the number of basis points to be added to or subtracted from the related Interest Rate Basis or Bases applicable to such Series of Floating Rate Notes. The "Spread Multiplier" is the percentage of the related Interest Rate Basis or Bases applicable to such Series of Floating Rate Notes by which such Interest Rate Basis or Bases will be multiplied to determine the applicable interest rate on such Series of Floating Rate Notes. The "Index Maturity" is the period to maturity of the instrument or obligation with respect to which the related Interest Rate Basis or Bases will be calculated.

Subject to the provisions of the applicable Issue Terms, the interest rate with respect to each Interest Rate Basis for a Series of Floating Rate Notes will be determined in accordance with the applicable provisions below. Subject to the provisions of the applicable Issue Terms and except as set forth above, the interest rate in effect on each day shall be (i) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding such Interest Reset Date or (ii) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date.

The applicable Issue Terms will specify the dates on which the rate of interest on a Series of Floating Rate Notes will be reset daily, weekly, monthly, quarterly, semiannually or annually or on such other specified basis (each, an "Interest Reset Period") and the dates on which such rate of interest will be reset (each, an "Interest Reset Date"). Subject to the provisions of the applicable Issue Terms, the Interest Reset Dates will be, in the case of a Series of Floating Rate Notes which reset:

- daily, each Business Day;
- weekly, the Wednesday of each week (with the exception of weekly reset Floating Rate Notes as to which the Treasury Rate is an applicable Interest Rate Basis, which will reset the Tuesday of each week);
- monthly, the third Wednesday of each month;
- quarterly, the third Wednesday of March, June, September and December of each year;
- semiannually the third Wednesday of the two months specified in the applicable Issue Terms; and
- annually, the third Wednesday of the month specified in the applicable Issue Terms;

provided, however, that, with respect to each Series of Floating Rate/Fixed Rate Notes, the rate of interest thereon will not reset after the applicable Fixed Rate Commencement Date. If any Interest Reset Date for any Series of Floating Rate Notes would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding Business Day, except that in the case of a Series of Floating Rate Notes as to which LIBOR is an applicable Interest Rate Basis and such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

Interest Determination Date. The interest rate applicable to an Interest Reset Period commencing on the related Interest Reset Date will be the rate determined by the Calculation Agent (as hereinafter defined) as of the applicable Interest Determination Date and calculated on or prior to the Calculation Date (as hereinafter defined), except with respect to LIBOR and EURIBOR, which will be calculated on such Interest Determination Date. The "Interest Determination Date" with respect to the Commercial Paper Rate, the Federal Funds Rate and the Prime Rate will be the Business Day immediately preceding the related Interest Reset Date; the "Interest Determination Date" with respect to the CMT Rate will be the second Business Day immediately preceding the applicable Interest Reset Date; the "Interest Determination Date" with respect to EURIBOR will be the second day on which the Trans-European Automated Real Time Gross Settlement Express Transfer ("TARGET") System is open (the "TARGET Settlement Date") immediately preceding each Interest Reset Date and the "Interest Determination Date" with respect to LIBOR will be the second London Banking Day immediately preceding the applicable Interest Reset Date, unless the LIBOR Currency is British pounds sterling, in which case the "Interest Determination Date" will be the applicable Interest Reset Date. With respect to SOFR and Compounded Daily SONIA, the "Interest Determination Date" will be as specified in the Issuer Terms. With respect to the Treasury Rate, the "Interest Determination Date" will be the day in the week in which the applicable Interest Reset Date falls on which day Treasury Bills (as hereinafter defined) are normally auctioned (Treasury Bills are normally sold at an auction held on Monday of each week, unless such Monday is a legal holiday, in which case the auction is normally held on the immediately succeeding Tuesday although such auction may be held on the preceding Friday); *provided, however*, that if an auction is held on the Friday of the week preceding the applicable Interest Reset Date, the "Interest Determination Date" will be such preceding Friday. The "Interest Determination Date" pertaining to any Series of Floating Rate Notes the interest rate of which is determined by reference to two or more Interest Rate Bases will be the most recent Business Day which is at least two Business Days prior to the applicable Interest Reset Date for such Series of Floating Rate Notes on which each Interest Rate Basis is determinable. Each Interest Rate Basis will be determined as of such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

Notwithstanding the foregoing, any Series of Floating Rate Notes may also have either or both of the following: (i) a Maximum Interest Rate, or ceiling, that may accrue during any Interest Period and (ii) a Minimum Interest Rate, or floor, that may accrue during any Interest Period, which in no event shall be less than zero. In addition to any Maximum Interest Rate that may apply to any Series of Floating Rate Notes, the interest rate on such Series of Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Interest Payment Dates. Subject to the provisions of the applicable Issue Terms and except as provided below, the date(s) on which interest on a Series of Floating Rate Notes is payable (each, an "Interest Payment Date" with respect to such Series of Floating Rate Notes) will be the Maturity Date and, in the case of a Series of Floating Rate Notes which reset:

- daily, weekly or monthly, the third Wednesday of March, June, September and December of each year, as specified in the applicable Issue Terms;
- quarterly, the third Wednesday of March, June, September and December of each year;
- semiannually, the third Wednesday of the two months of each year specified in the applicable Issue Terms; and
- annually, the third Wednesday of the month of each year specified in the applicable Issue Terms.

Payment Date not a Business Day. Subject to the provisions of the applicable Issue Terms, if any Interest Payment Date other than the Maturity Date for a Series of Floating Rate Notes would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding Business Day, except that in the case of a Series of Floating Rate Notes as to which LIBOR is an applicable Interest Rate Basis and such Business

Day falls in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date of any Series of Floating Rate Notes falls on a day that is not a Business Day, the required payment of principal and any premium and interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue in respect of such payment made on that next succeeding Business Day.

Calculations. All percentages resulting from any calculation on any Series of Floating Rate Notes will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards (*e.g.*, 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655)), and all amounts used in or resulting from such calculation on such Series of Floating Rate Notes will be rounded, in the case of U.S. dollars, to the nearest cent or, in the case of Euro or other currency, to the nearest unit (with one-half cent or unit being rounded upwards).

With respect to each Series of Floating Rate Notes, accrued interest is calculated by multiplying its principal amount by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the applicable Interest Period. Subject to the provisions of the applicable Issue Terms, the interest factor for each such day will be computed by dividing the interest rate applicable to such day by 360, in the case of any Series of Floating Rate Notes for which an applicable Interest Rate Basis is the Commercial Paper Rate, EURIBOR, the Federal Funds Rate, LIBOR, the Prime Rate, SOFR or Compounded Daily SONIA, or by the actual number of days in the year in the case of any Series of Floating Rate Notes for which an applicable Interest Rate Basis is the CMT Rate or the Treasury Rate.

The applicable Issue Terms will specify the "Calculation Agent" for a Series of Floating Rate Notes. Upon request of the Holder of any Floating Rate Note, the Calculation Agent will disclose the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding Interest Reset Date with respect to such Floating Rate Note. Subject to the provisions of the applicable Issue Terms, the "Calculation Date", if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day immediately preceding the applicable Interest Payment Date or the Maturity Date, as the case may be.

Subject to the provisions of the applicable Issue Terms, with respect to each Series of Floating Rate Notes, the Calculation Agent shall determine each Interest Rate Basis in accordance with the following provisions:

"H.15 Daily Update" means the daily update of H.15, available through the internet site of the Board of Governors of the Federal Reserve System at http://www.federalreserve.gov/releases/h15/update/, or any successor site or publication.

"H.15" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

CMT Rate. "CMT Rate" means:

(i) If CMT Reuters Page FRBCMT is specified in the applicable Issue Terms:

(a) the percentage equal to the yield for United States Treasury securities at "constant maturity" having the Index Maturity specified in the applicable Issue Terms as the yield is displayed on Reuters, Inc. (or any successor service) on page FRBCMT (or any other page as may replace the specified page on that service under the caption "Treasury Constant Maturities") ("Reuters Page FRBCMT") for the particular Interest Determination Date, or

(b) if the rate referred to in clause (a) does not so appear on Reuters Page FRBCMT, the percentage equal to the yield for United States Treasury securities at "constant maturity" having the particular Index Maturity and for the particular Interest Determination Date as published in H.15 under the caption “Treasury Constant Maturities”, or

(c) if the rate referred to in clause (b) does not so appear in H.15(519), the rate on the particular Interest Determination Date for the period of the particular Index Maturity as may then be published by either the Federal Reserve System Board of Governors or the Treasury Department that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15, or

(d) if the rate referred to in clause (c) is not so published, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that Interest Determination Date of three leading primary United States government securities dealers in the United States of America (which may include the Purchasing Agents or their affiliates) (each, a “Reference Dealer”), selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Index Maturity, a remaining term to maturity no more than one year shorter than that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time,

(e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Index Maturity, a remaining term to maturity closest to that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated, or

(h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on the particular Interest Determination Date.

(ii) If Reuters Page FEDCMT is specified in the applicable Issue Terms:

(a) the percentage equal to the one-week or one-month, as specified in the applicable Issue Terms, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified in the applicable Issue Terms as the yield is displayed on Reuters, Inc. (or any successor service) on Page FEDCMT (or any other page as may replace the specified page on that service) (“Reuters Page FEDCMT”), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the particular Interest Determination Date falls, or

(b) if the rate referred to in clause (a) does not so appear on Reuters Page FEDCMT, the percentage equal to the one-week or one-month, as specified in the applicable Issue Terms, average yield for United States Treasury securities at "constant maturity" having the particular Index Maturity and for the week or month, as applicable, preceding the particular Interest Determination Date as published in H.15 opposite the caption "Treasury Constant Maturities", or

(c) if the rate referred to in clause (b) does not so appear in H.15, the one-week or one-month, as specified in the applicable Issue Terms, average yield for United States Treasury securities at "constant maturity" having the particular Index Maturity as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the particular Interest Determination Date falls, or

(d) if the rate referred to in clause (c) is not so published, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Index Maturity, a remaining term to maturity no more than one year shorter than that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Index Maturity, a remaining term to maturity closest to that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at the time, or

(g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest or the lowest of the quotations will be eliminated, or

(h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on that Interest Determination Date.

If two United States Treasury securities with an original maturity greater than the Index Maturity specified in the applicable Issue Terms have remaining terms to maturity equally close to the particular Index Maturity, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

Commercial Paper Rate. "Commercial Paper Rate" means, with respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined with reference to the Commercial Paper Rate (a "Commercial Paper Rate Interest Determination Date"), the Money Market Yield (as hereinafter defined) on such date of the rate for commercial paper having the Index Maturity specified in the applicable Issue Terms as published in H.15 under the caption "Commercial Paper-Nonfinancial" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Commercial Paper Rate Interest Determination Date for commercial paper having the Index Maturity specified in the applicable Issue Terms as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Commercial Paper-Nonfinancial." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of United States dollar commercial paper in the United States of America (which may include the Purchasing Agents or their affiliates) selected by the Calculation Agent for commercial paper having the Index Maturity specified in the applicable Issue Terms placed for industrial issuers whose bond rating is "Aa", or the equivalent, from a nationally recognized statistical rating organization; *provided, however*, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable *per annum* rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the applicable Interest Reset Period.

EURIBOR. EURIBOR Notes will bear interest at the rates (calculated with reference to the European inter-bank offered rate for deposits in Euro, or "EURIBOR", and the Spread and/or Spread Multiplier, if any) specified in such EURIBOR Note and any applicable Issue Terms.

"EURIBOR" means, with respect to any Interest Determination Date relating to a Series of EURIBOR Notes or a Series of Floating Rate Notes for which the interest rate is determined with reference to EURIBOR (a "EURIBOR Interest Determination Date"), the rate for deposits in Euros as sponsored, calculated and published jointly by the European Banking Federation and ACI—The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing those rates, having the Index Maturity specified in the applicable Issue Terms, commencing on the applicable Interest Reset Date, as that rate appears on Reuters, Inc., or any successor service, on page EURIBOR01 (or any other page as may replace that specified page on that service) ("Reuters Page EURIBOR01") as of 11:00 A.M., Brussels time, on the applicable EURIBOR Interest Determination Date. If such rate does not appear on Reuters Page EURIBOR01, or is not so published by 11:00 A.M., Brussels time, on the applicable EURIBOR Interest Determination Date, such rate will be calculated by the Calculation Agent and will be the arithmetic mean of at least two quotations obtained by the Calculation Agent after requesting the principal Euro-zone (as defined below) offices of four major banks in the Euro-zone interbank market to provide the Calculation Agent with its offered quotation for deposits in Euros for the period of the Index Maturity specified in the applicable Issue Terms, commencing on the applicable Interest Reset Date, to prime banks in the Euro-zone interbank market at approximately 11:00 A.M., Brussels time, on the applicable EURIBOR Interest Determination Date and in a principal amount not less than the equivalent of $1 million in Euros that is representative for a single transaction in Euro in that market at that time. If fewer than two such quotations are so provided, the rate on the applicable EURIBOR Interest Determination Date will be calculated by the Calculation

Agent and will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., Brussels time, on such EURIBOR Interest Determination Date by four major banks in the Euro-zone for loans in Euro to leading European banks, having the Index Maturity specified in the applicable Issue Terms commencing on the applicable Interest Reset Date and in a principal amount not less than the equivalent of $1 million in Euros that is representative for a single transaction in Euros in that market at that time. If the banks so selected by the Calculation Agent are not quoting as mentioned above, EURIBOR will be EURIBOR in effect on the applicable EURIBOR Interest Determination Date.

"Euro-zone" means the region comprised of Member States of the EU that have adopted the single currency in accordance with the treaty establishing the European Community, as amended by the treaty on European Union.

Notwithstanding the provisions above, if the Issuer and Guardian determine that a Benchmark Event (as defined below) has occurred, then the provisions under "Benchmark Replacement" below shall apply and the Issuer and Guardian shall use their reasonable endeavors to appoint and consult with an Independent Adviser (as defined below) as soon as reasonably practicable, with a view to the Issuer and Guardian determining (in each case acting in good faith and in a commercially reasonable manner) a Successor Rate (as defined below), failing which an Alternative Rate (as defined below) and, in either case, an Adjustment Spread (as defined below), if any, and Benchmark Amendments (as defined below), if any.

Federal Funds Rate. "Federal Funds Rate" means, with respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined with reference to the Federal Funds Rate (a "Federal Funds Rate Interest Determination Date"), the rate on such date for United States dollar Federal funds as published in H.15 under the heading "Federal Funds (Effective)", as such rate is displayed on Reuters, Inc. (or any successor service) on page FEDFUNDS1 (or any other page as may replace such page on such service) ("Reuters Page FEDFUNDS1"), or, if such rate does not appear on Reuters Page FEDFUNDS1 or is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Federal Funds Rate Interest Determination Date for United States dollar Federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)." If such rate does not appear on Reuters Page FEDFUNDS1 or is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal funds arranged by three leading brokers of United States dollar Federal funds transactions in The City of New York (which may include the Purchasing Agents or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; *provided, however*, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

LIBOR. "LIBOR" means the rate determined in accordance with the following provisions:

(i) With respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined with reference to LIBOR (a "LIBOR Interest Determination Date"), LIBOR will be the rate for deposits in the LIBOR Currency (as defined below) having the Index Maturity specified in such applicable Issue Terms, commencing on such Interest Reset Date, that appears on the LIBOR Page (as defined below) as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If fewer than two such offered rates so appear, or if no such rate so appears, as the case may be, LIBOR on such LIBOR Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks (which may include affiliates of the Purchasing Agents) in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the

LIBOR Currency for the period of the Index Maturity specified in the applicable Issue Terms, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks (which may include affiliates of the Purchasing Agents) in such Principal Financial Center selected by the Calculation Agent for loans in the LIBOR Currency to leading European banks, having the Index Maturity specified in the applicable Issue Terms and in a principal amount that is representative for a single transaction in the LIBOR Currency in such market at such time; *provided, however*, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"LIBOR Currency" means, with respect to a Series of Floating Rate Notes as to which LIBOR shall be calculated, the currency specified in the applicable Issue Terms or, if no such currency is specified in the applicable Issue Terms, United States dollars.

"LIBOR Page" means, with respect to a Series of Floating Rate Notes as to which LIBOR shall be calculated, the display on Reuters Monitor Money Rates Service (or any successor service) on Reuters page LIBOR01 or as otherwise specified in such applicable Issue Terms (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the LIBOR Currency.

Notwithstanding the provisions above, if the Issuer and Guardian determine that a Benchmark Event (as defined below) has occurred, then the provisions under "Benchmark Replacement" below shall apply and the Issuer and Guardian shall use their reasonable endeavors to appoint and consult with an Independent Adviser (as defined below) as soon as reasonably practicable, with a view to the Issuer and Guardian determining (in each case acting in good faith and in a commercially reasonable manner) a Successor Rate (as defined below), failing which an Alternative Rate (as defined below) and, in either case, an Adjustment Spread (as defined below), if any, and Benchmark Amendments (as defined below), if any.

Prime Rate. "Prime Rate" means, with respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined with reference to the Prime Rate (a "Prime Rate Interest Determination Date"), the rate on such date as such rate is published in H.15 under the caption "Bank Prime Loan" or, if not published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Prime Rate Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Bank Prime Loan." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME1 Page (as hereinafter defined) as such bank's prime rate or base lending rate as of 11:00 A.M., New York City time, on such Prime Rate Interest Determination Date. If fewer than four such rates so appear on the Reuters Screen US PRIME1 Page for such Prime Rate Interest Determination Date, then the Prime Rate shall be the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by three major banks (which may include affiliates of the Purchasing Agents) in The City of New York selected by the Calculation Agent; *provided, however*, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen US PRIME1 Page" means the display on the Reuters Money 3000 Service (or any successor service) on the "US PRIME1" page (or such other page as may replace the US PRIME1 page on such service) for the purpose of displaying prime rates or base lending rates of major United States banks.

SOFR. "SOFR" means, with respect to any Interest Reset Date:

(i) the Secured Overnight Financing Rate in respect of the U.S. Government Securities Business Day immediately preceding such Interest Reset Date as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or a successor administrator) on the Federal Reserve Bank of New York's Website at 5:00 p.m. (New York time) on such Interest Reset Date; or

(ii) if the Secured Overnight Financing Rate does not appear on such Interest Reset Date as specified in paragraph (a) above, unless both a SOFR Index Cessation Event and SOFR Index Cessation Effective Date have occurred, the Secured Overnight Financing Rate in respect of the last U.S. Government Securities Business Day on which the Secured Overnight Financing Rate was published on the Federal Reserve Bank of New York's Website; or

(iii) if a SOFR Index Cessation Event and a SOFR Index Cessation Effective Date have occurred, the rate that was recommended as the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator, and which rate may include any adjustments or spreads); *provided* that if no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event, then the rate for each Interest Reset Date occurring on or after the SOFR Index Cessation Effective Date will be determined as if (i) references to SOFR were references to OBFR, (ii) references to U.S. Government Securities Business Day were references to New York City Banking Day, (iii) references to SOFR Index Cessation Event were references to OBFR Index Cessation Event and (iv) references to SOFR Index Cessation Effective Date were references to OBFR Index Cessation Effective Date; and *provided further*, that, if no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event and an OBFR Index Cessation Event has occurred, then the rate for each Interest Reset Date occurring on or after the SOFR Index Cessation Effective Date will be determined as if (x) references to SOFR were references to FOMC Target Rate, (y) references to U.S. Government Securities Business Day were references to New York City Banking Day and (z) references to the Federal Reserve Bank of New York's Website were references to the Federal Reserve's Website.

The following definitions apply to the preceding definition of "SOFR":

"Federal Reserve Bank of New York's Website" means the website of the Federal Reserve Bank of New York, currently at http://www.newyorkfed.org, or any successor website of the Federal Reserve Bank of New York.

"Federal Reserve's Website" means the website of the Board of Governors of the Federal Reserve System currently at http://www.federalreserve.gov, or any or any successor website of the Board of Governors of the Federal Reserve System.

"FOMC Target Rate" means, the short-term interest rate target set by the Federal Open Market Committee and published on the Federal Reserve's Website or, if the Federal Open Market Committee does not target a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve's Website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range).

"New York City Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

"OBFR" means, with respect to any Interest Reset Date, the daily Overnight Bank Funding Rate in respect of the New York City Banking Day immediately preceding such Interest Reset Date as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or a successor administrator), on the Federal Reserve Bank of New York's Website at 5:00 p.m. (New York time) on such Interest Reset Date.

“OBFR Index Cessation Effective Date” means, in respect of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of OBFR), ceases to publish the OBFR, or the date as of which the OBFR may no longer be used.

“OBFR Index Cessation Event” means the occurrence of one or more of the following events:

(i) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the OBFR) announcing that it has ceased or will cease to publish or provide the OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the OBFR;

(ii) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the OBFR) has ceased or will cease to provide the OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the OBFR.

“Secured Overnight Financing Rate” means the reference rate provided by the Federal Reserve Bank of New York, as the administrator of such reference rate (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“SIFMA” means the Securities Industry and Financial Markets Association.

“SOFR Index Cessation Effective Date” means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate), ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used.

“SOFR Index Cessation Event” means the occurrence of one or more of the following events:

(i) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased or will cease to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate;

(ii) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate.

“U.S. Government Securities Business Day” means any day except for a Saturday, Sunday or a day on which SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. Government Securities.

Compounded Daily SONIA. “Compounded Daily SONIA” means, with respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined by reference to Compounded Daily SONIA, the rate determined by the Calculation Agent on the following basis:

(i) with respect to an Interest Period, the Calculation Agent will calculate the rate of return (“Compounded Daily SONIA”) of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated on the relevant Interest Determination Date in accordance with the following formula):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SONIA_{i-pLBD}\ \times\ n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"d" is the number of calendar days in the relevant Interest Period;

"d_o" is the number of London Banking Days in the relevant Interest Period;

"i" is a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Period to (but excluding) the last London Banking Day in the relevant Interest Period;

"n_i", for any London Banking Day "i", means the number of calendar days from (and including) such London Banking Day "i" up to (but excluding) the following London Banking Day;

"Observation Period" means the period from (and including) the date falling "*p*" London Banking Days prior to the first day of the relevant Interest Period to (but excluding) the date falling "*p*" London Banking Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Period) the date on which the relevant payment of interest falls due;

"*p*" is the number of London Banking Days by which an Observation Period precedes the corresponding Interest Period, being the number of London Banking Days specified as the "SONIA Lag Period (*p*)" in the relevant Issuer Terms (or, if no such number is so specified, five London Banking Days);

the "SONIA reference rate", in respect of any London Banking Day ("LBD_x"), is a reference rate equal to the daily SONIA rate for such LBD_x as provided by the administrator of SONIA to authorized distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorized distributors) on the London Banking Day immediately following LBD_x; and

"$SONIA_{i\text{-}pLBD}$" means the SONIA reference rate for the London Banking Day (being a London Banking Day falling in the relevant Observation Period) falling "*p*" London Banking Days prior to the relevant London Banking Day "i"; and

(ii) if, in respect of any London Banking Day in the relevant Observation Period, the applicable SONIA reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorized distributors, then the SONIA reference rate in respect of such London Banking Day shall be: (A) the Bank of England's Bank Rate (the "Bank Rate") prevailing at 5:00 p.m. (or, if earlier, close of business) on such London Banking Day; plus (B) the arithmetic mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads), and the interest rate for such Interest Period shall be the rate so determined (i) plus or minus the applicable spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any; *provided however*, that if the Calculation Agent is unable to determine a rate in accordance with the above provisions in relation to any Interest Period, the interest rate applicable to the Series of Floating Rate Notes during such Interest Period will be the rate last determined in relation to such Series of Floating Rate Notes in respect of the last preceding Interest Period (i) plus or minus the applicable spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier.

Treasury Rate. "Treasury Rate" means, with respect to any Interest Determination Date relating to a Series of Floating Rate Notes for which the interest rate is determined by reference to the Treasury Rate (a "Treasury Rate Interest Determination Date"), the rate from the auction held on such Treasury Rate Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified in the applicable Issue Terms under the caption "INVEST RATE" on the display on Reuters (or any successor service) on page USAUCTION10 (or any other page as may replace such page on such service) or page USAUCTION11 (or any other page as may replace such page on such service) or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond Equivalent Yield (as hereinafter defined) of the rate for such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S Government Securities/Treasury Bills/Auction High" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond Equivalent Yield of the auction rate of such Treasury Bills as announced by the U.S. Department of the Treasury. In the event that the auction rate of Treasury Bills having the Index Maturity specified in the applicable Issue Terms is not so announced by the U.S. Department of the Treasury, or if no such Auction is held, then the Treasury Rate will be the Bond Equivalent Yield of the rate on such Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity specified in the applicable Issue Terms as published in H.15 under the caption "U.S. Government Securities/Treasury Bills/Secondary Market" or, if not yet published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Treasury Rate Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source, then the Treasury Rate will be calculated by the Calculation Agent and will be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three primary United States government securities dealers (which may include the Purchasing Agents or their affiliates) selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Issue Terms; *provided, however,* that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury R-ate Interest Determination Date.

"Bond Equivalent Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Benchmark Replacement

If the Issuer and Guardian, following consultation with the Independent Adviser, to the extent practicable, and acting in good faith and in a commercially reasonable manner, determine:

(1) that there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided below) subsequently be used in place of EURIBOR or LIBOR to determine the interest rate (or the relevant component part thereof) for a Series of Floating Rate Notes as to which EURIBOR or LIBOR, as the case may be, shall be calculated, for all future payments of interest on such Series of Floating Rate Notes; or

(2) that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided below) subsequently be used in place of EURIBOR or LIBOR to determine the interest rate (or the relevant component part thereof) for a Series of Floating Rate Notes as to which EURIBOR or LIBOR, as the case may be, shall be calculated, for all future payments of interest on such Series of Floating Rate Notes;

provided however, that if the Issuer, following consultation with the Independent Advisor, is unable to determine a Successor Rate or an Alternative Rate prior to a EURIBOR Interest Determination Date or LIBOR Interest Determination Date, as the case may be, in accordance with (1) and (2) above, then the interest rate on such EURIBOR Interest Determination Date or LIBOR Interest Determination Date will be calculated using EURIBOR or LIBOR, respectively, in effect with respect to the immediately preceding EURIBOR Interest Determination Date or LIBOR Interest Determination Date, as the case may be.

If the Issuer determines any Successor Rate or Alternative Rate in accordance with the provisions of this subsection fewer than five business days prior to the relevant EURIBOR Interest Determination Date or LIBOR Interest Determination Date, as the case may be, then the interest rate on such EURIBOR Interest Determination Date or LIBOR Interest Determination Date will be calculated using EURIBOR or LIBOR, respectively, in effect with respect to the immediately preceding EURIBOR Interest Determination Date or LIBOR Interest Determination Date, as the case may be. For subsequent interest periods, the interest rate will be calculated using the Successor Rate or, if there is no Successor Rate, an Alternative Rate (subject to adjustment as provided below).

If the Issuer, following consultation with the Independent Adviser, to the extent practicable, and acting in good faith, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate, as applicable, will apply without an Adjustment Spread.

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with the provisions of this subsection and the Issuer, following consultation with the Independent Adviser, to the extent practicable, and acting in good faith, determines (i) that amendments to any terms and conditions of a Series of Floating Rate Notes, including the Successor Rate or Alternative Rate, as applicable, or, in each case, the Adjustment Spread, as well as the day count fraction, business day convention, the definitions of Business Day, London Business Day, EURIBOR Interest Determination Date, LIBOR Interest Determination Date, Interest Period, Interest Payment Date or Principal Financial Center, and any related provisions and definitions, are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "Benchmark Amendments") and (ii) the terms and conditions of such Benchmark Amendments, then the Issuer may, without any requirement for the consent or approval of holders of such Series of Floating Rate Notes, amend the terms and conditions of such Series of Floating Rate Notes to give effect to such Benchmark Amendments with effect from the date specified in a notice given to the Indenture Trustee.

Upon receipt of satisfactory documentation, the Indenture Trustee and the Calculation Agent shall, at the written direction and expense of the Issuer, effect such amendments as may be required in order to give effect to this subsection pursuant to an amendment to the Indenture, or amendment to the Calculation Agency Agreement, or issuances and authentication of new global or definitive notes in respect of such Series of Floating Rate Notes, and the Indenture Trustee shall not be liable to any party for any consequences thereof, save as provided in the Indenture and such Series of Floating Rate Notes. No consent of holders of such Series of Floating Rate Notes will be solicited or required in connection with effecting the Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments, as applicable, including for the execution of any documents, amendments to the Indenture, Calculation Agency Agreement or Notes or other steps by the Issuer, the Indenture Trustee, the Calculation Agent or any paying agent (if required).

The Issuer will, promptly following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments, as applicable, give notice thereof, which shall specify the effective date(s) for such Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments, as applicable, and of any changes to the terms and conditions of the Series of Floating Rate Notes to the Indenture Trustee, the Calculation Agent, any paying agent and DTC or the holders of such Series of Floating Rate Notes, as applicable; *provided* that failure to provide such notice will have no impact on the effectiveness of, or otherwise invalidate, any such determination. In effecting any consequential amendments to the terms of a Series of Floating Rate Notes as may be directed by the Issuer in accordance with this section, neither the Indenture Trustee nor the Calculation Agent shall be required to effect any amendments that affects its respective own rights, duties or immunities in their respective capacities as Indenture Trustee or Calculation Agent under the Indenture, the Calculation Agency Agreement or otherwise.

By its acquisition of a Series of Floating Rate Notes as to which EURIBOR or LIBOR, as the case may be, shall be calculated, each holder and beneficial owner of such Series of Floating Rate Notes and each subsequent holder and beneficial owner acknowledges, accepts, agrees to be bound by, and consents to, the Issuer's determination of the Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments, as applicable, as contemplated by this subsection, and to any amendment or alteration of the terms and conditions of such Series of Floating Rate Notes, including an amendment of the amount of interest due on such Series of Floating Rate Notes, as may be required in order to give effect to this subsection. The Indenture Trustee shall be entitled to rely on this deemed consent in connection with any amendment which may be necessary to effect the Successor Rate, the Alternative Rate, the Adjustment Spread or the Benchmark Amendments, as applicable.

By its acquisition of a Series of Floating Rate Notes as to which EURIBOR or LIBOR, as the case may be, shall be calculated, each holder and beneficial owner of such Notes and each subsequent holder and beneficial owner waives any and all claims in law and/or equity against the Indenture Trustee, the Calculation Agent and any paying agent for, and agrees not to initiate a suit against the Indenture Trustee, the Calculation Agent and any paying agent in respect of, and agrees that neither the Indenture Trustee, the Calculation Agent or any paying agent will be liable for, any action that the Indenture Trustee, the Calculation Agent or any paying agent, as the case may be, takes, or abstains from taking, in each case in accordance with this subsection or any losses suffered in connection therewith.

By its acquisition of a Series of Floating Rate Notes as to which EURIBOR or LIBOR, as the case may be, shall be calculated, each holder and beneficial owner of such Series of Floating Rate Notes and each subsequent holder and beneficial owner agrees that neither the Indenture Trustee, the Calculation Agent or any paying agent will have any obligation to determine any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments, as applicable, including in the event of any failure by the Issuer to determine any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments, as applicable.

An Independent Adviser appointed pursuant to this subsection will act in good faith and in a commercially reasonable manner and (in the absence of bad faith, gross negligence or willful misconduct) shall have no liability whatsoever to the Issuer, the Indenture Trustee, the Calculation Agent, any paying agent or the holders of a Series of Floating Rate Notes for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this subsection.

"Adjustment Spread" means either a spread (which may be positive or negative) or a formula or methodology for calculating a spread, which the Issuer and Guardian, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determine should be applied to the relevant Successor Rate or the relevant Alternative Rate (as applicable), as a result of the replacement of the relevant reference rate with the relevant Successor Rate or the relevant Alternative Rate (as applicable), and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is recommended or formally provided as an option for parties to adopt, in relation to the replacement of the reference rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made, or option provided, or in the case of an Alternative Rate, the spread, formula or methodology which the Issuer and Guardian, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determine to be appropriate in order to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to holders of a Series of Floating Rate Notes as a result of the replacement of the reference rate with the Successor Rate or Alternative Rate (as applicable).

"Alternative Rate" means an alternative benchmark or screen rate which the Issuer determines in accordance with this subsection has replaced EURIBOR or LIBOR, as the case may be, in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for the same interest period and in U.S. dollars.

"Benchmark Event" means:

(i) EURIBOR or LIBOR, as the case may be, ceasing to be published for a period of at least five business days or ceasing to exist;

(ii) a public statement by the administrator of EURIBOR or LIBOR, as the case may be, that it will, by a specified date within the following six months, cease publishing EURIBOR or LIBOR, as the case may be, permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of EURIBOR or LIBOR, as the case may be);

(iii) a public statement by the supervisor of the administrator of EURIBOR or LIBOR, as the case may be that EURIBOR or LIBOR, as the case may be has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of EURIBOR or LIBOR, as the case may be that means EURIBOR or LIBOR, as the case may be will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or

(v) it has become unlawful for any paying agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any holder of a Series of Floating Rate Notes as to which EURIBOR or LIBOR, as the case may be shall be calculated, using EURIBOR or LIBOR, respectively.

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer.

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the U.S. dollar, or any central bank or other supervisory authority which is responsible for supervising the administrator of EURIBOR or LIBOR, as the case may be; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the U.S. dollar, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of EURIBOR or LIBOR, as the case may be, (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"Successor Rate" means a successor to or replacement of EURIBOR or LIBOR, as the case may be which is formally recommended by any Relevant Nominating Body.

Discount Notes

The Issuer may issue one or more Series of Notes that have an Issue Price (as specified in the applicable Issue Terms) that is less than 100% of the principal amount thereof (*i.e.* par) by more than a percentage equal to the product of 0.25% and the number of full years to the Stated Maturity Date ("Discount Notes"). A Series of Discount Notes may not bear any interest currently or may bear interest at a rate that is below market rates at the time of issuance. The difference between the Issue Price of a Series of Discount Notes and par is referred to as the "Discount." In the event of redemption, repayment or acceleration of maturity of a Series of Discount Notes, the amount payable to the Holders of such Discount Notes will be equal to the sum of:

- the Issue Price (increased by any accruals of Discount) and, in the event of any redemption of such Series of Discount Notes, if applicable, multiplied by the Initial Redemption Percentage (as adjusted by the Annual Redemption Percentage Reduction, if applicable); and
- any unpaid interest accrued on such Series of Discount Notes to the date of the redemption, repayment or acceleration of maturity, as the case may be.

For purposes of any Series of Discount Notes, "Initial Redemption Percentage" and "Annual Redemption Percentage Reduction" shall have the meaning as described in the applicable Issue Terms.

For purposes of determining the amount of Discount that has accrued as of any date on which a redemption, repayment or acceleration of maturity occurs for a Series of Discount Notes, a Discount will be accrued using a constant yield method. The constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the Initial Period (as defined below), corresponds to the shortest period between Interest Payment Dates for the applicable Series of Discount Notes (with ratable accruals within a compounding period), a coupon rate equal to the initial coupon rate applicable to the applicable Series of Discount Notes and an assumption that the maturity of such Series of Discount Notes will not be accelerated. If the period from the date of issue to the first Interest Payment Date for a Series of Discount Notes (the "Initial Period") is shorter than the compounding period for such Series of Discount Notes, a proportionate amount of the yield for an entire compounding period will be accrued. If the Initial Period is longer than the compounding period, then the period will be divided into a regular compounding period and a short period with the short period being treated as provided in the preceding sentence. The accrual of the applicable Discount may differ from the accrual of original issue discount for purposes of the Code, certain Series of Discount Notes may not be treated as having original issue discount within the meaning of the Code, and certain Series of Notes other than Discount Notes may be treated as issued with original issue discount for federal income tax purposes. See "U.S. Federal Income Tax Considerations."

Amortizing Notes

The Issuer may issue one or more Series of Notes with the amount of principal thereof and interest thereon payable in installments over their terms ("Amortizing Notes"). Subject to the provisions of the applicable Issue Terms, interest on each Series of Amortizing Notes will be computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to a Series of Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof.

Covenants

Under the Indenture, the Issuer has made certain covenants regarding payment of principal, any premium and interest, maintenance of offices or agencies, holding of trust money for Note payments, protection of the Series Collateral and delivery of an annual statement as to compliance with conditions, performance of obligations and adherence to covenants under the Indenture. Among other covenants, the Issuer has agreed that it will not, so long as any Notes of a Series are Outstanding (as defined in the Indenture):

- sell, transfer, exchange, assign, lease, convey or otherwise dispose of any of its assets generally or assets of the relevant Series of the Issuer (whenever acquired), including, without limitation, any portion of the Series Collateral securing its obligations with respect to the Notes of such Series, except as otherwise permitted by the Indenture, the relevant Series Indenture, the Trust Agreement or the relevant Series Trust Agreement;
- engage in any business or activity other than in connection with, or relating to the execution and delivery of, and the performance of its obligations under, the Trust Agreement, any Series Trust Agreement, the Indenture, any Series Indenture, the Purchase Agreement, any Terms Agreement, the Support Agreement and any Funding Agreement; the issuance and sale of any Notes pursuant to the Indenture and any Series Indenture; holding the Contribution (as defined in the Trust Agreement); and the transactions contemplated by, and the activities necessary or incidental to, any of the foregoing, except as otherwise permitted by the Indenture, any Series Indenture, the Trust Agreement, any Series Trust Agreement or any Funding Agreement;
- incur or otherwise become liable for, directly or indirectly, any debt except for the Notes or as otherwise contemplated under the Indenture, any Series Indenture, the other transaction documents, the Trust Agreement or any Series Trust Agreement;
- permit the validity or effectiveness of the Indenture, the relevant Series Indenture, or the security interest in or assignment for collateral purposes of the applicable Series Collateral to be impaired, or permit such security interest to be amended, hypothecated, subordinated, terminated or discharged; permit any person to be released from any covenants or obligations under any relevant Funding Agreement securing the Notes of

any Series, except as expressly permitted by the Indenture, the relevant Series Indenture, the Trust Agreement, the relevant Series Trust Agreement or any relevant Funding Agreement; create, incur, assume, or permit any lien or other encumbrance (other than a lien with respect to the Series Collateral securing the Notes of any Series) on any of its properties or assets owned on the date of the relevant Series Indenture or thereafter acquired, or any interest therein or the proceeds thereof; or permit a lien with respect to the applicable Series Collateral not to constitute a valid first priority perfected security interest in the Series Collateral securing the Notes of such Series;

- amend, modify or fail to comply with any material provision of the Trust Agreement or the relevant Series Trust Agreement except for any amendment or modification of the Trust Agreement or the relevant Series Trust Agreement permitted thereunder or under the Indenture, or the relevant Series Indenture;
- own any subsidiary or lend or advance any funds to, or make any investment in, any person, except for the investment of any of its funds held by the Indenture Trustee, a Paying Agent or the Administrative Trustee as provided in the Indenture, any Series Indenture, the Trust Agreement or any Series Trust Agreement;
- directly or indirectly declare or pay a distribution or make any distribution or other payment to the Trust Beneficial Owner or the Series Beneficial Owner, or redeem or otherwise acquire or retire for value any debt other than the Notes; *provided* that the Issuer may:

  - declare or pay a distribution or make any distribution or other payment to the Trust Beneficial Owner or the Series Beneficial Owner in compliance with the Trust Agreement or any Series Trust Agreement if the Issuer has paid or made provision for the payment of all amounts due to be paid on the Notes of such Series prior to the next scheduled payment under the relevant Funding Agreement(s); and

  - pay all of its debt, liabilities, obligations and expenses, the payment of which is provided for under the Support Agreement, the other transaction documents or as required by law;

- become required to register as an "investment company" under, and as such term is defined in, the Investment Company Act;
- enter into any transaction of merger or consolidation, or liquidate or dissolve itself (or, to the fullest extent permitted by law, suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of, any other person, except as otherwise permitted by the Indenture, any Series Indenture, the Trust Agreement, or any Series Trust Agreement;
- take any action that would cause the Issuer or any Series of the Issuer to not be either ignored or treated as a grantor trust (assuming the Issuer or such Series were not ignored) for U.S. federal income tax purposes;
- issue any Notes unless:

  - the Issuer has purchased or will simultaneously purchase one or more Funding Agreement from Guardian;

  - Guardian has affirmed in writing to the Issuer that it has made, or will simultaneously make, changes to its books and records to reflect the grant by the Issuer of a security interest in, and an assignment for collateral purposes by the Issuer of, the relevant Funding Agreement by the Issuer to the Indenture Trustee in accordance with the terms of such Funding Agreement; and

  - the Issuer has taken or will simultaneously take such other steps as may be necessary to cause the Indenture Trustee's security interest in, or assignment to the Indenture Trustee for collateral purposes of, the relevant Series Collateral to be perfected for purposes of the UCC (as defined below), subject to no prior lien, encumbrance or claim or effective against the Issuer's creditors and subsequent purchasers of such Series Collateral pursuant to insurance or other state laws;

- have any employees or agents other than the Administrative Trustee or any other persons necessary to conduct its business and enter into transactions contemplated under the Indenture, any Series Indenture, the Trust Agreement, any Series Trust Agreement, the Purchase Agreement, any Terms Agreement, the Support Agreement or any Funding Agreement;

- have an interest in any bank account other than:

    - the accounts required under or permitted by the Indenture, any Series Indenture, the Trust Agreement, any Series Trust Agreement, the Purchase Agreement, any Terms Agreement or any Funding Agreement; and

    - other accounts expressly permitted by the Indenture Trustee; provided that any such further accounts or such interest of the Series of the Issuer therein shall be charged or otherwise secured in favor of the Indenture Trustee on terms acceptable to the Indenture Trustee;

- permit any affiliate, employee or officer of Guardian or any Purchasing Agent to be a trustee of the Issuer; or
- commingle the assets of any Series of the Issuer with its assets generally, any assets of any other Series of the Issuer or any assets of any of the Issuer's affiliates, or guarantee any obligation of any of the Issuer's affiliates.

"UCC" means, with respect to any applicable jurisdiction, the Uniform Commercial Code as in effect from time to time in the applicable jurisdiction.

Events of Default

Each of the following events which shall have occurred and be continuing will be Events of Default under the Notes of a particular Series (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- default in the payment when due and payable of the principal of, or any premium on, any Note of such Series and continuance of such default for a period of three Business Days;
- default in the payment when due and payable of any interest on any Note of such Series and continuance of such default for a period of five Business Days;
- any "Event of Default", as such term is defined in any Funding Agreement securing the Notes of such Series, by Guardian under such Funding Agreement;
- failure by the Issuer to observe or perform any covenant contained in the Notes of such Series, in the Indenture or in the applicable Series Indenture (other than a covenant, default in performance, or a breach, of which is specifically addressed elsewhere in this section) for a period of 30 days (or such other time period as specifically set forth in the Indenture or an applicable Note Certificate or Series Indenture) after the date on which written notice specifying such failure, stating that such notice is a "Notice of Default" thereunder and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer by the Indenture Trustee, or to the Issuer and the Indenture Trustee by the Holder or Holders of at least 25% of the aggregate principal amount of the Notes of all Series affected thereby at the time Outstanding;
- the Indenture or the applicable Series Indenture for any reason shall cease to be in full force and effect or shall be declared null and void, or the Indenture Trustee shall fail to have or maintain a validly created and first priority perfected security interest (or the equivalent thereof) in the Series Collateral required to secure the Notes of such Series, except as expressly permitted by the Indenture or the applicable Series Indenture; or any person shall successfully claim, as finally determined by a court of competent jurisdiction, that any lien for the benefit of the Holder or Holders of the Notes of such Series and any other person for whose benefit the Indenture Trustee is or will be holding the applicable Series Collateral is void, junior to any other lien or that the enforcement thereof is materially limited because of any preference, fraudulent transfer, conveyance or similar law;
- an involuntary case or other proceeding shall be commenced against the Issuer seeking liquidation, reorganization or other relief with respect to the Issuer or its debts under any bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Issuer or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60

days; or an order for relief shall be entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect;

- the Issuer shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, shall admit in writing any of the foregoing, or shall take any trust action to authorize any of the foregoing; or
- any other Event of Default provided in any supplemental indenture or the applicable Series Indenture.

Neither the adoption of a plan of reorganization nor the implementation of such a plan pursuant to Article 73 of the New York Insurance Law (or any successor provision) by Guardian shall constitute an Event of Default.

If one or more Events of Default shall have occurred and be continuing with respect to the Notes of such Series, then, and in every such event, unless the principal of all of the Notes of such Series shall have already become due and payable, either the Indenture Trustee or the Holder or Holders of not less than 25% of the aggregate principal amount of the Notes of such Series then Outstanding (each such Series voting as a separate class) by notice in writing to the Issuer (and to the Indenture Trustee if given by such Holder or Holders), may declare the entire principal and premium (if any) of all the Notes of such Series and any interest accrued thereon, and any other amounts payable with respect thereto, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable; *provided* that, if any Event of Default specified in the sixth or seventh bullets above occurs with respect to the Issuer, or if any Event of Default specified in the third bullet above that would cause any Funding Agreement securing the Notes of a Series to become automatically and immediately due and payable occurs with respect to Guardian, then without any notice to the Issuer (or the Indenture Trustee) or any other act by the Indenture Trustee or any Holder of any Notes of such Series, the entire principal and premium (if any) of all the Notes of such Series and any interest accrued thereon and any other amounts payable with respect thereto, shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by the Issuer under the Indenture; and *provided further* that, if any Event of Default specified in the third or fifth bullets above shall have occurred and be continuing with respect to all Series of Notes then Outstanding, either the Indenture Trustee or the Holder or Holders of not less than 25% of the aggregate principal amount of the Notes of all Series then Outstanding (treated as a single class) by notice in writing to the Issuer (and to the Indenture Trustee if given by such Holder or Holders), may declare the entire principal and premium (if any) of all the Notes of all Series, any interest accrued thereon, and any other amounts payable with respect thereto to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

Notwithstanding the preceding paragraph, if at any time after the principal and premium (if any) of the Notes of such Series, any interest accrued and any other amounts payable with respect thereto (or all the Notes of all Series if the second proviso of the preceding paragraph is applicable) shall have been so declared due and payable and before any judgment or decree for the payment of the funds due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Indenture Trustee a sum sufficient to pay all due and payable interest on, and any other amounts payable with respect thereto, all the Notes of such Series (or all the Notes of all Series if the second proviso of the preceding paragraph is applicable) and the principal and premium (if any) of any and all Notes of such Series (or all the Notes of all Series if the second proviso of the preceding paragraph is applicable) which shall have become due and payable otherwise than by acceleration pursuant to the preceding paragraph (with interest on such principal and, to the extent that payment of such interest is enforceable under applicable law, on any overdue interest and any other amounts payable on the Notes, at the same rate as the rate of interest specified in the Note Certificates representing the Notes of such Series (or all the Notes of all Series if the second proviso of the preceding paragraph is applicable) to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of gross negligence or willful misconduct, and if any and all Events of Default under the Indenture or any applicable Series Indenture, other than the non-payment of the principal of, and any premium on, the Notes of such Series (or all the

Notes of all Series if the second proviso of the preceding paragraph is applicable) which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the Holder or Holders of a majority of the aggregate principal amount of the Notes of such Series then Outstanding (or all the Notes of all Series, all voting as a single class, if the second proviso of the preceding paragraph is applicable) by written notice to the Issuer and to the Indenture Trustee, may waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

Any funds collected by the Indenture Trustee following an Event of Default, and any funds that may then be held or thereafter received by the Indenture Trustee as security with respect to the Notes of any Series will be applied first to the payment of Priority Payments before any payment of the amounts then due and unpaid on the Notes of such Series. See "Risk Factors—Risk Factors Relating to the Notes—Following an Event of Default under the relevant Series of Notes, payment of certain expenses will precede payments under the relevant Series of Notes."

Certain Rights of Holders

Except as otherwise described below, the Holder or Holders of a majority of the aggregate principal amount of the Notes of any Series at the time Outstanding (with each Series voting as a separate class) shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee by the Indenture or the applicable Series Indenture, *provided* that:

- such direction shall not be otherwise than in accordance with applicable law and the provisions of the Indenture or the applicable Series Indenture; and
- subject to the applicable provisions of the Indenture, the Indenture Trustee shall have the right to decline to follow any such direction if the Indenture Trustee (i) does not receive indemnity and/or security and/or pre-funding reasonably satisfactory to it against all cost, liability or expense to be incurred in compliance with such direction or (ii) being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Indenture Trustee in good faith by its board of directors, the executive committee, or a trust committee of directors or responsible officers of the Indenture Trustee shall determine that the action or proceedings so directed would involve the Indenture Trustee in personal liability or if the Indenture Trustee in good faith shall so determine that the actions or forbearances specified in or pursuant to such direction shall be unduly prejudicial to the interests of any Holder of any Note of a Series so affected not joining in the giving of such direction, it being understood that subject to the applicable provisions of the Indenture, the Indenture Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such holder.

Nothing in the Indenture or any Series Indenture shall impair the right of the Indenture Trustee in its discretion to take any action deemed proper by the Indenture Trustee and which is not inconsistent with such direction by the Holder or Holders of Notes.

No Holder of the Notes of a Series shall have any right by virtue or by availing of any provision of the Indenture or applicable Series Indenture, to institute any action or proceeding at law or equity or in bankruptcy or otherwise, upon or under or with respect to the Indenture, the applicable Series Indenture or any agreement or instrument included in the applicable Series Collateral or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy under the Indenture, unless:

- such Holder has previously given written notice to the Indenture Trustee of a continuing Event of Default with respect to such Series of Notes;
- the Holder or Holders of Notes representing not less than 25% of the aggregate principal amount of the Notes of such Series then Outstanding shall have made written request to the Indenture Trustee to institute proceedings in respect of such Event of Default in its own name as the Indenture Trustee and shall have offered to the Indenture Trustee indemnity or security satisfactory to it against all costs, expenses and liabilities to be incurred in compliance with such request;

- such Holder or Holders have offered to the Indenture Trustee indemnity or security satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;
- the Indenture Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the Indenture Trustee during such 60-day period by the Holder or Holders of Notes representing at least $66^2/_3$% of the aggregate principal amount of the Outstanding Notes of such Series;

it being understood and intended that no Holder or Holders of Notes of such Series shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture or the applicable Series Indenture to affect, disturb or prejudice the rights of any other Holder of any Note of such Series or to obtain or to seek to obtain priority or preference over any other Holder of the relevant Series to enforce any right under the Indenture or the applicable Series Indenture, except in the manner provided in the Indenture or the applicable Series Indenture and for the equal and ratable benefit of all the Holders of the Notes of the relevant Series.

Application of Funds Collected Under the Indenture

Any funds collected by the Indenture Trustee upon the occurrence and during the continuation of an Event of Default under the Indenture and the applicable Series Indenture will be applied in the following order at the date or dates fixed by the Indenture Trustee and, in case of the distribution of such funds on account of principal and any premium and interest, upon presentation of the Note Certificate or Note Certificates representing the Notes of such Series and the notation thereon of the payment if only partially paid or upon the surrender thereof if fully paid:

- *first*: to the payment of costs and expenses, including reasonable compensation to the Indenture Trustee, Administrative Trustee and Custodian, each Agent and any of their predecessors and their respective agents and attorneys and of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except those adjudicated in a court of competent jurisdiction to be the result of any such Indenture Trustee's gross negligence or willful misconduct;
- *second*: to the payment of principal, any premium and interest, and any other amounts then due and owing on the Notes of such Series, ratably, without preference or priority of any kind, according to the aggregate principal amounts due and payable on such Notes;
- *third*: to the payment of any other obligations then due and owing with respect to such Series of Notes, ratably, without preference or priority of any kind; and
- *fourth*: to the payment of any remaining balance to the Issuer for distribution by the Administrative Trustee in accordance with the Trust Agreement and the applicable Series Trust Agreement.

If no Event of Default has occurred and is continuing, any funds collected by the Indenture Trustee under the Indenture and the applicable Series Indenture in respect of the Notes of a Series shall be applied in the following order at the date or dates fixed by the Indenture Trustee and, in case of the distribution of such funds on account of principal, any premium and interest upon presentation of the Note Certificate or Note Certificates representing the Notes of such Series and the notation thereon of the payment if only partially paid or upon the surrender thereof if fully paid:

- *first*: to the payment of principal, any premium and interest and any other amounts then due and owing on the Notes of such Series, ratably, without preference or priority of any kind, according to the aggregate principal amounts due and payable on such Notes;
- *second*: to the payment of any other Obligations (as defined in the Indenture) then due and owing with respect to such Series of Notes, ratably, without preference or priority of any kind, including reasonable compensation and indemnification to each of the Indenture Trustee, Administrative Trustee and Custodian, each Agent and any of their predecessors and their respective agents and attorneys and of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as those adjudicated in a court of competent jurisdiction to be the result of any such Indenture Trustee's gross negligence or willful misconduct; and
- *third*: to the payment of any remaining balance to the Issuer for distribution by the Administrative Trustee in accordance with the Trust Agreement and the applicable Series Trust Agreement.

The Indenture Trustee may make distributions in cash or in kind or, on a ratable basis, in any combination thereof.

Modifications and Amendments of the Indenture

Modifications and Amendments Without Consent of Holders

The Issuer and the Indenture Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture, or the Indenture together with the applicable Series Indenture, for one or more of the following purposes without the consent of any Holders:

- for the Issuer to convey, transfer, assign, mortgage or pledge to the Indenture Trustee as security for the Notes of one or more Series any property or assets;
- to add to covenants of the Issuer such further covenants, restrictions, conditions or provisions as the Issuer and the Indenture Trustee shall consider to be for the protection of each holder, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Indenture or the applicable Series Indenture; provided, that, in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Indenture Trustee upon such an Event of Default or may limit the right of the Holder or Holders of a majority of the aggregate principal amount of the Notes of such Series to waive such an Event of Default;
- to cure any ambiguity or to correct or supplement any provision contained in the Indenture, any supplemental indenture, any applicable Series Indenture or any Note Certificate which may be defective or inconsistent with any other provision contained in the Indenture, any supplemental indenture, any applicable Series Indenture or any Note Certificate; or to make such other provisions in regard to matters or questions arising under the Indenture, any supplemental indenture, any applicable Series Indenture or any Note Certificate as the Issuer and the Indenture Trustee may deem necessary or desirable and which shall not adversely affect the interests of the Holders of the Notes in any material respect;
- to add additional Events of Default;
- to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee with respect to the Notes of one or more Series and to add to or change any of the provisions of the Indenture and any Series Indenture as shall be necessary to provide for or facilitate the administration of the trusts under the Indenture and any Series Indenture by more than one trustee pursuant to the applicable requirements of the Indenture;
- to change or eliminate any of the provisions of the Indenture; provided, however, that any such change or elimination shall become effective only when there is no Note Outstanding of any Series created prior to the execution of such supplemental indenture which is entitled to the benefit of or bound by such provisions; or
- to effect any amendment or alteration of the terms and conditions of a Floating Rate Note contemplated under "—Benchmark Replacement," including an amendment of the amount of interest due on such Floating Rate Note.

The Issuer will not enter into any indenture or indentures supplemental to the Indenture, or the Indenture together with the applicable Series Indenture, that would cause the Issuer or any Series of the Issuer to not be either ignored or treated as a grantor trust (assuming the Issuer or such Series were not ignored) for U.S. federal income tax purposes.

Modifications and Amendments With Consent of Holders

With the consent of the Holder or Holders of not less than $66^{2}/_{3}$% in aggregate principal amount of the Notes at the time Outstanding of all Series affected by such supplemental indenture (voting as a single class), the Issuer and the Indenture Trustee may, from time to time and at any time, enter into a supplemental indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture, any supplemental indenture, any Series Indenture or any Note Certificate or of modifying in any manner the rights of the Holders of Notes of each such Series; *provided*, that no such supplemental indenture shall:

- change the applicable Stated Maturity Date or reduce the principal thereof, or reduce the rate or extend the time of payment of interest or any amount payable thereon, or impair the right of any Holder of Notes to institute suit for the payment thereof without the consent of the Holder of each Note so affected or modify any redemption or repayment provisions applicable to such Series of Notes;
- reduce the aforesaid percentage of Notes of any Series, the consent of which is required for any such supplemental indenture, without the consent of the Holder of each Note so affected;
- permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture or the applicable Series Indenture with respect to any part of the applicable Series Collateral or terminate the lien of the Indenture and the applicable Series Indenture on any of the applicable Series Collateral or deprive the Holder of any Note of such Series of the applicable Security Interest; or
- modify or alter the provisions of the definition of the term "Outstanding."

The Issuer will not enter into any indenture or indentures supplemental to the Indenture, or the Indenture together with the applicable Series Indenture, that would cause the Issuer or any Series of the Issuer to not be either ignored or treated as a grantor trust (assuming the Issuer or such Series were not ignored) for U.S. federal income tax purposes.

Indenture Trustee

Under the Indenture and each Series Indenture, if an Event of Default with respect to any Series of Notes has occurred and is continuing, the Indenture Trustee is obligated to exercise such of the rights and powers vested in it by the Indenture and the applicable Series Indenture, and to use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

Except if an Event of Default with respect to the Notes of any Series has occurred and is continuing (and has not been cured or waived), the Indenture Trustee has undertaken to perform such duties and only such duties with respect to such Series of Notes as are specifically set forth in the Indenture and the applicable Series Indenture. No implied covenants or obligations shall be read into the Indenture or the applicable Series Indenture against the Indenture Trustee.

No provision of the Indenture or any Series Indenture shall be construed to relieve the Indenture Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its willful misconduct, except that:

- this paragraph shall not be construed to limit the effect of the immediately preceding paragraph;
- in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of the Indenture and the applicable Series Indenture, but in the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Indenture Trustee, the Indenture Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein);
- the Indenture Trustee shall not be liable for any error of judgment made in good faith by any responsible officer of the Indenture Trustee, unless it shall be proved that the Indenture Trustee was grossly negligent in ascertaining the pertinent facts;
- the Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holder or Holders of not less than a majority of the aggregate principal amount of the Outstanding Notes of any affected Series relating to the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred upon the Indenture Trustee, under the Indenture or the applicable Series Indenture with respect to the Notes of such Series;

- no provision of the Indenture or any Series Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity or security against such liability is not reasonably assured to it; and
- the Indenture Trustee shall not be liable for the acts or omissions of its delegates, custodians, nominees, agents or attorneys appointed by it without gross negligence and in good faith; provided, however, that the foregoing shall not be construed to relieve the Indenture Trustee from liability hereunder for its own actions or omissions in serving as an Agent, if and to the extent it shall also serve as an Agent.

The Indenture Trustee may resign at any time with respect to one or more or all Series of Notes by giving not less than 90 days' prior written notice (which may be given in a supplemental indenture) thereof to the Issuer and to the Holders of such Notes as provided in the Indenture and each applicable Series Indenture. Upon receiving such notice of resignation, the Issuer shall promptly cause a successor indenture trustee with respect to the applicable Series to be appointed by written instrument in duplicate, executed by the Issuer, one copy of which instrument shall be delivered to the resigning Indenture Trustee and one copy to the successor indenture trustee of such Series. If no successor indenture trustee shall have been so appointed with respect to any Series and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Indenture Trustee may petition any court of competent jurisdiction for the appointment of a successor indenture trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor indenture trustee.

If at any time:

- the Indenture Trustee shall cease to be eligible to serve as Indenture Trustee under the requirements of the Indenture or the applicable Series Indenture and shall fail to resign with respect to the Notes of each applicable Series pursuant to the applicable provisions of the Indenture or after written request by the Issuer or any Holder of Notes, or
- the Indenture Trustee shall become incapable of acting with respect to the Notes of the applicable Series of Notes or shall be adjudged as bankrupt or insolvent, or a receiver or liquidator of the Indenture Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, except during the existence of an Event of Default, the Issuer may remove the Indenture Trustee with respect to the applicable Series and appoint a successor indenture trustee with respect to the applicable Series of Notes by written instrument, in duplicate, one copy of which instrument shall be delivered to the Indenture Trustee so removed and one copy to the successor indenture trustee. If an instrument of acceptance by a successor indenture trustee shall not have been delivered to the Indenture Trustee within 30 days after the giving of such notice of removal, the Indenture Trustee being removed may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor indenture trustee with respect to the Notes.

In addition to the right of petition given to the resigning Indenture Trustee and the right of removal given to the Issuer pursuant to the two preceding paragraphs, any Holder who has been a Holder of Notes for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor indenture trustee or the removal of the Indenture Trustee and the appointment of a successor indenture trustee, as the case may be. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor indenture trustee or remove the Indenture Trustee and appoint a successor indenture trustee, as the case may be.

The Holder or Holders of a majority of the aggregate principal amount of the Notes of each Series at the time Outstanding may at any time remove the Indenture Trustee with respect to the Notes of such Series and appoint a successor indenture trustee with respect to the Notes of such Series by delivering to the Indenture Trustee so removed, to the successor indenture trustee so appointed and to the Issuer the evidence required for such action by the Indenture and the applicable Series Indenture.

Any resignation or removal of the Indenture Trustee with respect to any Series and any appointment of a successor indenture trustee with respect to such Series shall become effective upon acceptance of appointment by the successor indenture trustee all in accordance with the applicable provisions of the Indenture.

The Issuer shall advise all rating agencies that are then rating the program or the Notes of any Series of any change in the identity of the Indenture Trustee.

The Indenture Trustee and each successor indenture trustee must be a United States person within the meaning of Section 7701(a)(30) of the Code.

Meetings of Holders

A meeting of Holders of Notes of any Series may be called at any time and from time to time pursuant to the Indenture and any applicable Note Certificate or Series Indenture to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture or the applicable Series Indenture to be made, given or taken by such Holders of Notes of such Series.

Unless otherwise provided in a Note Certificate representing the Notes of a particular Series or the applicable Series Indenture, the Indenture Trustee may at any time call a meeting of Holders of Notes of any Series for any purpose specified in the preceding paragraph, to be held at such time and at such place in the City of New York or the city in which the Corporate Trust Office is located. Notice of every meeting of such Holders of Notes of any Series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, must be given not less than 21 days nor more than 180 days prior to the date fixed for the meeting.

Any resolution passed or decision taken at any meeting of Holders of Notes of a Series duly held in accordance with the Indenture and the applicable Series Indenture will be binding on all of the Holders of Notes of such Series, whether or not such Holders were present or represented at the meeting.

Non-Recourse Enforcement

Notwithstanding anything to the contrary contained in the Indenture, any supplemental indenture, any Series Indenture, any Issue Terms or any Note Certificate, other than as described below, none of Guardian or any of its officers, directors, affiliates, employees or agents or any of the Administrative Trustee, the Trust Beneficial Owner, the Series Beneficial Owner or any Purchasing Agent, or any of their respective officers, directors, affiliates, employees or agents (the "Non-Recourse Parties"), will be personally liable for the payment of any principal, premium, interest or any other amounts at any time owing under the terms of any Notes. If any Event of Default shall occur with respect to any Notes of any Series, the right of the Holder or Holders of Notes of such Series and the Indenture Trustee on behalf of such Holder or Holders, in connection with a claim on the Notes of such Series shall be limited solely to a proceeding against the relevant Series Collateral.

Neither such Holder or Holders nor the Indenture Trustee on behalf of such Holder or Holders will have the right to proceed against the Non-Recourse Parties or the assets of any other Series of the Issuer to enforce the Notes (except that to the extent they exercise their rights, if any, to seize the relevant Funding Agreement(s), they may enforce the relevant Funding Agreement(s) against Guardian) or for any deficiency judgment remaining after foreclosure of any property included in the relevant Series Collateral.

Nothing contained in this section "—Non-Recourse Enforcement" shall in any manner or way constitute or be deemed a release of the debt or other obligations evidenced by the Notes of any Series or otherwise affect or impair the enforceability against the assets of the relevant Series of the Issuer of the liens, assignments, rights and Security Interests created by or pursuant to the Indenture, the applicable Series Indenture, the relevant Series Collateral or any other instrument or agreement evidencing, securing or relating to the indebtedness or the obligations evidenced by the Notes of a Series. Nothing in this section "—Non-Recourse Enforcement" shall preclude the Holders from foreclosing upon any property included in the relevant Series Collateral or any other rights or remedies in law or in equity against the assets of the Issuer with respect to the relevant Series of the Issuer.

Holders may not seek to enforce rights with respect to any Notes (i) by commencing any recovery or enforcement proceedings against the Issuer generally or with respect to the relevant Series of the Issuer, (ii) by applying to wind up the Issuer, (iii) otherwise than through the Indenture Trustee in exercise of powers, appointing a receiver or administrative trustee to the Issuer or any of the assets of the Issuer generally or with respect to the relevant Series of the Issuer, (iv) by making any statutory demand upon the Issuer generally or with respect to the relevant Series of the Issuer under applicable law, or (v) in any other manner except as may be provided in the Indenture, and any applicable Note Certificate or Series Indenture.

Notices

All notices regarding Notes of a Series will be mailed to the registered Holders thereof as their names appear in the applicable Note Register maintained by the Registrar.

All notices shall be deemed to have been given upon (i) in the case of Holders, the mailing by first class mail, postage prepaid, of such notices to each Holder entitled thereto at such Holder's registered address as recorded in the applicable Note Register and publication in a leading daily newspaper having general circulation in Ireland (which is expected to be the *Irish Times*), (ii)(a) so long as the Notes of a Series are admitted to the Official List and trading on the regulated market of Euronext Dublin, publication of such notice to each Holder of the Notes of such Series in the English language on the website of Euronext Dublin at www.ise.ie via the Companies Announcement Service or (b) so long as the Notes of a Series are listed on a securities exchange other than Euronext Dublin or if the publication required in (iii)(a) is not practicable, in one other leading English language daily newspaper with general circulation in Europe and in the Principal Financial Center with the greatest nexus to such other securities exchange, if such Series is so listed.

Neither the failure to give notice, nor any defect in any notice given, to any particular Holder of a Note will affect the sufficiency of any notice with respect to any other Holder of any Note.

Any such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Notes of a Series shall be filed with the Indenture Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Governing Law; Submission to Jurisdiction

Pursuant to Section 5-1401 of the General Obligations Law of the State of New York, the Indenture, each Series Indenture and the Notes of each Series shall be governed by, and construed in accordance with, the laws of the State of New York, except as required by mandatory provisions of law and except to the extent that the validity or perfection of the ownership of, and the security interest in, each applicable Funding Agreement constituting an asset of the relevant Series of the Issuer or remedies under the Indenture or the applicable Series Indenture in respect thereof may be governed by the laws of a jurisdiction other than the State of New York.

All judicial proceedings brought against the Issuer or the Indenture Trustee arising out of or relating to the Indenture, any Series Indenture, any Note or any assets of the Issuer generally or the applicable Series of the Issuer may be brought in a United States Federal court located in the City of New York, the Borough of Manhattan; *provided* that the Issue Terms for any Series of Notes may specify other jurisdictions as to which the Issuer and the Indenture Trustee may consent to the nonexclusive jurisdiction of its courts with respect to such Series of Notes. Under the terms of the Indenture and each relevant Series Indenture, the Issuer and the Indenture Trustee will each accept generally and unconditionally the nonexclusive jurisdiction of such court, waive any defense of *forum non conveniens* and irrevocably agree to be bound by any judgment rendered thereby in connection with the Indenture, the applicable relevant Series Indenture, any Note or any portion of the relevant Series Collateral.

DESCRIPTION OF CERTAIN TERMS AND CONDITIONS OF THE FUNDING AGREEMENTS

This section provides an overview of certain terms and conditions of the Funding Agreements. This overview is not complete and investors should read the detailed provisions of the Funding Agreements. Capitalized terms used in this overview have the same meanings as those used in the Funding Agreements unless the context otherwise requires.

General

Funding Agreements are unsecured obligations of Guardian. In connection with each Series of Notes, the Issuer will purchase from Guardian, and will take delivery from Guardian of, one or more Funding Agreements, as specified in each applicable Issue Terms. In connection with the offering and sale of a Series of Notes, the Issuer will pledge, collaterally assign and grant a security interest in the applicable Series Collateral, including each applicable Funding Agreement, to the Indenture Trustee as collateral to secure the Issuer's obligations under the applicable Series of Notes.

The Issuer will purchase one or more Funding Agreements that are supported solely by the general account of Guardian, and not by any separate account (each, a "Funding Agreement"). Under the terms of a Funding Agreement, Guardian will deposit the proceeds received from the Issuer for the purchase of the agreement into its general investment account, or the general account.

Amounts held in the general account are pooled and invested by Guardian in accordance with applicable insurance laws. In the aggregate general account assets support Guardian's obligations under all of its general account insurance contracts, and are not segregated for the exclusive benefit of any particular policy or obligation. General account assets are also available to Guardian for the conduct of routine business activities, such as the payment of dividends and business expenses.

Insolvency of Guardian

In the event of Guardian's insolvency, Funding Agreements will be subject to the provisions of the Liquidation Act, which establish the priority of distributions from the estate of an insolvent New York life insurance company. Debevoise & Plimpton LLP, special counsel for Guardian, has opined that in any rehabilitation, liquidation, conservation, dissolution or reorganization relating to Guardian, under New York law as in effect on the date of this Offering Memorandum, the claims under each Funding Agreement with respect to payments of principal and interest would be accorded a priority equal to that of policyholders of Guardian (*i.e.*, would rank *pari passu* with the claims of policyholders of Guardian) and superior to the claims of general creditors of Guardian.

Such opinion of counsel is based upon certain facts, assumptions and qualifications (as set forth therein), is only an opinion and does not constitute a guarantee, and is not binding upon any court, including without limitation a court presiding over any rehabilitation, liquidation, conservation, dissolution or reorganization of Guardian under the Liquidation Act. The obligations of Guardian under the Funding Agreements are not guaranteed by any other persons, including, but not limited to, any of its subsidiaries or affiliates.

In the event of Guardian's insolvency, claims under Funding Agreements will be subject to the Liquidation Act, which establishes the priority of distributions from the estate of an insolvent insurance company domiciled in New York. In the opinion of Debevoise & Plimpton LLP, special counsel for Guardian, in the event of a liquidation or dissolution of Guardian pursuant to New York insurance laws, assuming a claim of the holder of a Funding Agreement for the payment of principal or interest thereunder is timely filed in the proper manner, such claim will be (i) accorded a Class 4 priority with respect to Guardian's general assets as provided in Section 7435 of the New York Insurance Law and (ii) treated *pari passu* with claims under insurance and annuity policies or contracts of Guardian, except for certain specified claims which are excluded from Class 4 priority pursuant to Section 7435 of the New York Insurance Law, and ahead of Guardian's unsecured debt obligations.

Payments

The terms of each Funding Agreement securing the obligations of the Issuer under a Series of Notes will be structured so that Guardian will be obligated to make payments at such times and in such amounts as shall permit the Issuer to meet its scheduled obligations with respect to payments of interest, premium, if any, principal and any other amounts due under the applicable Series of Notes.

Tax, Fiscal or Other Law or Regulation

Each Funding Agreement is subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable thereto. Guardian shall not be required to make any payment to the Issuer with respect to any Taxes.

Tax Redemption

If (a) Guardian is obligated to withhold or deduct any Taxes with respect to any payment made under a Funding Agreement or any related contract between Guardian and the Issuer, or (b) in the opinion of independent counsel selected by Guardian, as a result of any change in, or amendment to, United States tax laws (or any regulations or rulings thereunder) or any change in position of the IRS regarding the application or interpretation thereof (including, but not limited to, Guardian's receipt of a written adjustment from the IRS in connection with an audit), there is a material probability that (i) Guardian will become obligated to withhold or deduct any Taxes with respect to any payment made under a Funding Agreement or any related contract between Guardian and the Issuer or (ii) the Issuer is, or will be within 90 days of the date hereof, subject to more than a *de minimis* amount of Taxes, then Guardian may terminate the applicable, with respect to (a) and (b)(i), the applicable Funding Agreement, and, with respect to (b)(ii), any Funding Agreement by giving not less than 30 and no more than 75 days prior written notice to the Issuer and by paying to the Issuer on the date specified in such notice the Redemption Amount as specified in the Account Specification Appendix of such Funding Agreement, *provided* that in the case of clause (b)(i) no such notice of termination may be given earlier than 90 days prior to the earliest day when Guardian would become obligated to withhold or deduct any such Taxes, assuming a payment in respect of such Funding Agreement or such contract were then due.

Other Terms

From time to time, the Issuer may purchase from Guardian Funding Agreements with other terms, including the ability to extend the maturity date, redeem the applicable Funding Agreement at Guardian's option or provide the Issuer with the option to have Guardian prepay the applicable Funding Agreement.

Events of Default

Each Funding Agreement will provide that an Event of Default (as used therein) will occur upon the occurrence of one or any combination of the following:

- if Guardian fails to make a payment of interest and such failure continues for a period of five Business Days (as defined in the relevant Funding Agreement);
- if Guardian fails to make a payment of principal in accordance with the relevant Funding Agreement and such failure continues for a period of three Business Days; or
- if Guardian is dissolved or has a resolution passed or proceeding instituted for its winding-up, liquidation, rehabilitation or similar arrangement (other than pursuant to a consolidation, amalgamation or merger).

Without limiting the foregoing, neither the adoption of a plan of reorganization nor the implementation of such a plan pursuant to Article 73 of the New York Insurance Law (or any successor provision) by Guardian shall constitute an Event of Default.

Representations and Warranties of Guardian and the Holder

Under each Funding Agreement, each of Guardian and the holder of the Funding Agreement will represent to the other party that:

- it has the power to enter into the relevant Funding Agreement and to consummate the transactions contemplated thereby;
- the Funding Agreement has been duly authorized, executed and delivered. The Funding Agreement constitutes a legal, valid and binding obligation. The Funding Agreement is enforceable in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights, and subject as to enforceability of general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; and
- the execution and delivery of the Funding Agreement and the performance of obligations thereunder do not and will not constitute or result in a default, breach, violation, or the creation of any lien or encumbrance on any of its property under its certificate, articles or charter of incorporation, by-laws, or any agreement, instrument, judgment, injunction or order by which it is bound, or by which its respective properties may be bound or affected.

Restrictions on Transfer

Each Funding Agreement will contain provisions prohibiting the holder thereof from transferring or assigning the Funding Agreement or any right to receive payments under the Funding Agreement to any other person without the express written consent of Guardian and the written affirmation of Guardian that it has changed its books and records to reflect the transfer or assignment or right to receive payments under the Funding Agreement.

The following additional conditions must be satisfied in order to effectuate any assignment of any Funding Agreement: (i) the Funding Agreement may only be transferred through a book entry system maintained by Guardian within the meaning of Treasury Regulations Section 1.871-14 (c)(1)(i) and (ii) Guardian shall have received from the proposed assignee such representations, certificates, documentation and opinions as Guardian may deem necessary and appropriate.

Supplemental Agreements

Within six months of the date of issue of the initial Funding Agreement securing the Notes of a Series, Guardian may issue to the initial holder of the Funding Agreement one or more additional Funding Agreements and may provide in any such additional Funding Agreement that such additional Funding Agreement shall constitute part of the same obligation of Guardian as the initial Funding Agreement (any such additional Funding Agreement, a "Supplemental Agreement"), and such Supplemental Agreement shall be subject to the same terms and conditions as the initial Funding Agreement (including those set forth in the Account Specification Appendix to the applicable Funding Agreement), except that the Effective Date, the Deposit Amount, the Net Deposit Amount, the amount of the first interest payment, if any, and any other different terms specified in each applicable Funding Agreement may be different with respect to such Supplemental Agreement; provided that the issuance of such Supplemental Agreement satisfies the conditions of Treasury Regulation Section 1.1275-2(k)(2)(ii) and constitutes a "Qualified Reopening" under Treasury Regulation Section 1.1275-2(k)(3)(ii) or (iii) (in each case without regard to subparagraph (A) thereof).

Governing Law

Each Funding Agreement will be governed by, and construed in accordance with, the laws of the State of New York.

Collateral Custodian

Each Funding Agreement relating to a Series of Notes will be held in a custodial account for the Indenture Trustee in the State of Delaware by the Collateral Custodian or by such other party as may be specified in the applicable Issue Terms.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes by U.S. Holders and Non-U.S. Holders (each as defined below) that purchase the Notes at their issue price (generally the first price at which a substantial amount of the Notes of the applicable Series is sold, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) pursuant to this offering and hold such Notes as capital assets. This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific Holders (as defined below) in light of their particular circumstances (including Holders that are directly or indirectly related to Guardian) or to Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, dealers in securities or other Holders that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens or residents of the United States, Holders that hold a Note as part of a straddle, hedge, conversion or other integrated transaction or U.S. Holders that have a "functional currency" other than the U.S. dollar). This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations.

This discussion is based on the Code, U.S. Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This discussion does not describe the U.S. federal income tax considerations relating to the purchase, ownership or disposition of an "equity-linked instrument" (as defined under applicable Treasury Regulations), a "contingent payment debt instrument" (as defined under applicable Treasury Regulations), certain "variable rate debt instruments" (as defined below), a Note with a maturity later than 30 years from its date of issuance, a Note that does not obligate the Issuer to repay an amount equal to at least the issue price of the Note or a Note with an extendable maturity. A general discussion of any materially different U.S. federal income tax considerations relating to any particular Series of Notes will be included in the applicable Issue Terms, if applicable to such Series.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of a Note that, for U.S. federal income tax purposes, is (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (y) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person.

As used in this discussion, the term "Non-U.S. Holder" means a beneficial owner of a Note that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes and the term "Holder" means a U.S. Holder or a Non-U.S. Holder.

If an entity treated as a partnership for U.S. federal income tax purposes invests in a Note, the U.S. federal income tax considerations relating to such investment will depend in part upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners relating to the purchase, ownership and disposition of a Note.

EACH PERSON CONSIDERING AN INVESTMENT IN THE NOTES SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES.

Tax Treatment of the Issuer and the Notes

In the opinion of Debevoise & Plimpton LLP, special U.S. tax counsel to Guardian, under current law and assuming full compliance with the terms of the Certificate of Trust, the Trust Agreement, each Series Trust Agreement, the Indenture and each Series Indenture, neither the Issuer nor any Series of the Issuer will be classified as an association (or publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes. Such opinion is not binding on the IRS or the courts.

No statutory, judicial or administrative authority directly addresses the U.S. federal income tax treatment of securities similar to the Notes. The Issuer, Guardian, the Trust Beneficial Owner and the Series Beneficial Owner agree, and by acceptance of a beneficial interest in a Note, each beneficial owner of such Note agrees, for U.S. federal, state and local income and franchise tax purposes, to treat the Notes as representing debt of Guardian. The remainder of this discussion assumes that the Notes represent debt of Guardian. The IRS might assert that the Notes related to a Series of the Issuer should be treated as debt of such Series of the Issuer. In such case, the U.S. federal income tax considerations to Holders would not be materially different than those described below. No rulings will be sought from the IRS.

Certain Accrual Method Holders

Pursuant to the Tax Cuts and Jobs Act enacted in December 2017, a Holder that computes its taxable income under an accrual method of accounting for U.S. federal income tax purposes and maintains an applicable financial statement may be required to include certain items (such as original issue discount, including *de minimis* original issue discount) in income no later than when such items are taken into account as revenue in an applicable financial statement of such Holder. Accordingly, the U.S. federal income tax considerations relating to such Holder's investment in the Notes may be different from those discussed below. Each such Holder should consult its own tax advisor regarding the applicability of this legislation to its investment in the Notes.

U.S. Holders

Stated Interest and Original Issue Discount

In general, interest payable on a Note that is "qualified stated interest" will be taxable to a U.S. Holder as ordinary interest income when it is received or accrued, in accordance with such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. "Qualified stated interest" is stated interest that is unconditionally payable at least annually at a single fixed rate over the entire term of a Note or, in the case of a variable rate debt instrument (as described below), at a single qualified floating rate or a single objective rate (as described below).

If the "stated redemption price at maturity" of a Note (generally the aggregate amount of payments, other than qualified stated interest, on the Note) exceeds the issue price of the Note by more than a *de minimis* amount, the Note will be treated as having been issued with original issue discount ("OID") for U.S. federal income tax purposes in the amount of such excess. In general, the *de minimis* amount is equal to ¼ of 1 percent of the stated redemption price at maturity multiplied by the weighted average number of complete years to maturity from the issue date of such Note (or in the case of a Note providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the weighted average maturity of the Note). A U.S. Holder generally will be required to include OID in gross income as ordinary interest income for U.S. federal income tax purposes as it accrues, before such U.S. Holder receives any cash payment attributable to such income and regardless of such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. Any amount not treated as OID because it is *de minimis* generally must be included in income (generally as gain from the sale of such Note) as principal payments are received on such Note in the proportion that each such payment bears to the original principal amount of such Note. Special rules apply to Notes with a fixed maturity of one year or less. See below under "Short-Term Notes."

A U.S. Holder generally will be required to include in gross income for U.S. federal income tax purposes an amount equal to the sum of the "daily portions" of the OID with respect to a Note for all days during the taxable year on which such U.S. Holder holds such Note. The "daily portions" of OID with respect to a Note will be determined by allocating to each day during the taxable year on which the U.S. Holder holds such Note a *pro rata* portion of the OID on such Note that is attributable to the "accrual period" in which such day is included.

The amount of the OID with respect to a Note attributable to an "accrual period" generally will be the excess of (A) the product of (i) the "adjusted issue price" of such Note at the beginning of such accrual period and (ii) the "yield to maturity" of such Note (stated in a manner appropriately taking into account the length of such accrual period) over (B) any qualified stated interest on the Note allocable to such accrual period. The "accrual period" for a Note may be of any length and may vary in length over the term of the Note, *provided* that each accrual period is no longer than one year and that each scheduled payment of interest or principal occurs on the first or final day of an accrual period. The "adjusted issue price" of a Note at the beginning of an accrual period generally is the issue price of such Note plus the aggregate amount of OID that accrued on such Note in all prior accrual periods, less any payments on such Note (other than payments of qualified stated interest). The "yield to maturity" of a Note is the discount rate that, when used in computing the present value of all payments required to be made under such Note, produces an amount equal to the issue price of such Note.

In the case of a variable rate debt instrument (as described below), the amount of qualified stated interest and the amount of OID, if any, that accrues during an accrual period is generally determined assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the debt instrument, and the qualified stated interest (or, if there is no qualified stated interest, OID) allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to clause (i) or (ii), as applicable. Special rules apply to a variable rate debt instrument that provides for stated interest at a fixed rate or at a rate other than a single qualified floating rate or a single objective rate.

A "variable rate debt instrument" is a debt instrument that (i) has an issue price that does not exceed the total principal payments by more than an amount equal to the lesser of (a) 0.015 multiplied by the product of such total principal payments and the number of complete years to maturity of the instrument (or, in the case of a Note providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the weighted average maturity of the Note) or (b) 15 percent of the total principal payments, (ii) provides for stated interest (compounded or paid at least annually) at the current value of (A) one or more "qualified floating rates," (B) a single fixed rate and one or more qualified floating rates, (C) a single "objective rate" or (D) a single fixed rate and a single objective rate that is a "qualified inverse floating rate," and (iii) does not provide for any principal payments that are contingent. The current value of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A "qualified floating rate" is generally a floating rate under which variations in the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which a debt instrument is denominated. A multiple of a qualified floating rate is not a qualified floating rate unless the relevant multiplier is (i) fixed at a number that is greater than 0.65 but not more than 1.35 or (ii) fixed at a number that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. A variable rate is not considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (*i.e.*, a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the debt instrument to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor, governor or similar restriction that is fixed throughout the term of the debt instrument).

An "objective rate" is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information, provided, however, that an objective rate will not include a rate based on information that is within the control of the issuer (or certain related parties of the issuer) or that is unique to the circumstances of the issuer (or certain related parties of the issuer), such as dividends, profits or the value of the issuer's stock. A "qualified inverse floating rate" is an objective rate (i) that is equal to a fixed rate minus a qualified floating rate and (ii) the variations in which can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate). Notwithstanding the first sentence of this paragraph, a rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the debt instrument's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the debt instrument's term. The IRS may designate rates other than those specified above that will be treated as objective rates. As of the date of this Offering Memorandum, no other rates have been designated.

If interest on a Note is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. A fixed rate and a variable rate will be conclusively presumed to meet the requirements of the preceding sentence if the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 0.25 percentage points (25 basis points).

If a Floating Rate Note does not qualify as a variable rate debt instrument or otherwise provides for contingent payments, or if a Fixed Rate Note provides for contingent payments, such Note may constitute a "contingent payment debt instrument." Interest payable on a contingent payment debt instrument is not treated as qualified stated interest. If applicable to any Note, the special rules applicable to contingent payment debt instruments will be described in the applicable Issue Terms.

In general, the following rules apply if (i) a Note provides for one or more alternative payment schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and (ii) either a single payment schedule is significantly more likely than not to occur or the Note provides the Issuer or the holder with an unconditional option or options exercisable on one or more dates during the term of the Note. If, based on all the facts and circumstances as of the issue date, a single payment schedule for a debt instrument, including the stated payment schedule, is significantly more likely than not to occur, then, in general, the yield and maturity of the Note are computed based on this payment schedule. If the Issuer or the holder has an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then (i) in the case of an option or options exercisable by the Issuer, the Issuer will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on the Note and (ii) in the case of an option or options exercisable by the holder, the holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on the Note. Notes subject to the above rules will not be treated as contingent payment debt instruments as a result of the contingencies described above. If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a "Change in Circumstances"), then, except to the extent that a portion of the Note is repaid as a result of a Change in Circumstances and solely for purposes of the accrual of OID, the Note is treated as retired and then reissued on the date of the Change in Circumstances for an amount equal to the Note's adjusted issue price on that date.

A U.S. Holder may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. The election must be made for the taxable year in which a U.S. Holder acquires a Note, and may not be revoked without the consent of the IRS.

Premium on the Notes

If the amount paid by a U.S. Holder for a Note exceeds the stated redemption price at maturity of such Note, such U.S. Holder generally will be considered to have purchased such Note at a premium equal in amount to such excess. In this event, such U.S. Holder may elect to amortize such premium, based generally on a constant-yield basis, as an offset to interest income over the remaining term of such Note. In the case of a Note that may be redeemed prior to maturity, the premium amortization and redemption date are calculated assuming that Guardian and the U.S. Holder will exercise or not exercise redemption rights in a manner that maximizes the U.S. Holder's yield. It is unclear how premium amortization is calculated when the redemption date or the amount of any redemption premium is uncertain. The election to amortize bond premium, once made, will apply to all debt obligations held or subsequently acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Short-Term Notes

Notes that have a fixed maturity of one year or less ("Short-Term Notes") will be treated as issued with OID. In general, an individual or other U.S. Holder that uses the cash method of accounting is not required to accrue such OID unless such U.S. Holder elects to do so. If such an election is not made, any gain recognized by such U.S. Holder on the sale, exchange, redemption or other disposition of a Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale, exchange, redemption or other disposition, and a portion of the deduction otherwise allowable to such U.S. Holder for interest on borrowings allocable to the Short-Term Note will be deferred until a corresponding amount of income on such Short-Term Note is realized. U.S. Holders who report income for U.S. federal income tax purposes under the accrual method of accounting and certain other U.S. Holders are required to accrue OID related to a Short-Term Note as ordinary income on a straight-line basis unless an election is made to accrue the OID under a constant yield method (based on daily compounding).

Sale, Exchange, Retirement or Other Disposition of the Notes

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference between the amount realized on such sale, exchange, retirement or other disposition (other than any amount attributable to accrued qualified stated interest, which, if not previously included in such U.S. Holder's income, will be taxable as interest income to such U.S. Holder) and such U.S. Holder's "adjusted tax basis" in such Note. A U.S. Holder's adjusted tax basis in a Note generally is the amount such U.S. Holder paid for such Note, increased by the amount of any OID previously included in income (including in the year of disposition) with respect to such Note by such U.S. Holder and decreased by any amortized premium and the aggregate amount of payments (other than qualified stated interest) on such Note previously made to such U.S. Holder. Subject to the rules described below under "Foreign Currency Notes," any gain or loss so recognized generally will be capital gain or loss and will be long-term capital gain or loss if such U.S. Holder has held such Note for more than one year at the time of such sale, exchange, retirement or other disposition. Net long-term capital gain of certain non-corporate U.S. Holders generally is subject to preferential rates of tax. The deductibility of capital losses is subject to limitations.

Foreign Currency Notes

The following discussion generally describes special rules that apply, in addition to the rules described above, to Notes that are denominated in, or provide for payments determined by reference to, non-U.S. currency ("Foreign Currency Notes"). The amount of qualified stated interest paid with respect to a Foreign Currency Note that is includible in income by a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes is the U.S. dollar value of the amount paid, as determined on the date of actual or constructive receipt by such U.S. Holder, using the spot rate of exchange on such date. In the case of qualified stated interest on a Foreign Currency Note held by a U.S. Holder that uses the accrual method of accounting, and in the case of OID (other than OID on a Short-Term Note that is not required to be accrued) for every U.S. Holder, such U.S. Holder is required to include the U.S. dollar value of the amount of such interest income or OID (which is determined in the non-U.S. currency) that accrued during the accrual period. The U.S. dollar value of such accrued interest income or OID generally is determined by translating such income at the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate of exchange for the partial period within the taxable year). Alternatively, such U.S. Holder may elect to translate such income at the spot rate of exchange on the last day of the accrual period (or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange in effect on the last day of the taxable year). If the last day of the accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made such election may translate accrued interest using the spot rate of exchange in effect on the date of receipt. The above election will apply to all debt obligations held by such U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder will recognize, as ordinary income or loss, foreign currency gain or loss with respect to such accrued interest income or OID on the date the interest or OID is actually or constructively received, reflecting fluctuations in currency exchange rates between the spot rate of exchange used to determine the accrued interest income or OID for the relevant accrual period and the spot rate of exchange on the date such interest or OID is actually or constructively received.

A U.S. Holder will calculate the amortization of bond premium for a Foreign Currency Note in the applicable non-U.S. currency. Amortization deductions attributable to a period will reduce interest payments in respect of that period, and therefore are translated into U.S. dollars at the spot rate of exchange used for those interest payments. Foreign currency gain or loss will be realized with respect to amortized premium on a Foreign

Currency Note based on the difference between the spot rate of exchange at which the amortization deductions were translated into U.S. dollars and the spot rate of exchange on the date such U.S. Holder acquired the Foreign Currency Note.

The amount realized with respect to a sale, exchange, redemption or other disposition of a Foreign Currency Note generally will be the U.S. dollar value of the payment received, determined on the date of disposition of such Foreign Currency Note (using the spot rate of exchange on such date). However, with respect to Foreign Currency Notes that are treated as traded on an established securities market, such amount realized will be determined using the spot rate of exchange on the settlement date in the case of (i) a U.S. Holder that is a cash method taxpayer or (ii) a U.S. Holder that is an accrual method taxpayer that elects such treatment. This election may not be changed without the consent of the IRS. Gain or loss that is recognized generally will be ordinary income or loss to the extent it is attributable to fluctuations in currency exchange rates between the date of purchase and the date of sale, exchange, redemption or other disposition. Such foreign currency gain or loss, together with any foreign currency gain or loss realized on such disposition in respect of accrued interest or OID, will be recognized only to the extent of the total gain or loss realized by such U.S. Holder on the sale, exchange, redemption or other disposition of the Foreign Currency Note. Any gain or loss realized by a U.S. Holder not treated as foreign currency gain or loss generally will be capital gain or loss (subject to the discussion above regarding Short-Term Notes).

A U.S. Holder that determines its amount realized in connection with the sale, exchange, redemption or other disposition of a Foreign Currency Note by reference to the spot rate of exchange on the date of such sale, exchange, redemption or other disposition (rather than on the settlement date) may recognize additional foreign currency gain or loss upon receipt of non-U.S. currency from such sale, exchange, redemption or other disposition.

A U.S. Holder will recognize an amount of foreign currency gain or loss on a sale or other disposition of any non-U.S. currency equal to the difference between (i) the amount of U.S. dollars, or the fair market value in U.S. dollars of any other property, received in such sale or other disposition and (ii) the tax basis of such non-U.S. currency. A U.S. Holder generally will have a tax basis in non-U.S. currency received from a sale, exchange, redemption or other disposition of a Foreign Currency Note equal to the U.S. dollar value of such non-U.S. currency on the date of receipt.

A Note that provides for payments in more than one currency generally will be treated as a “contingent payment debt instrument,” and the special rules applicable to such instruments will be described in the applicable Issue Terms.

Aggregation Rules

The Treasury Regulations relating to OID contain special aggregation rules stating in general that, subject to certain exceptions, debt instruments issued in the same transaction or related transactions to a single purchaser may be treated as a single debt instrument with a single issue price, maturity date, yield to maturity and stated redemption price at maturity for purposes of the OID rules. Under certain circumstances, these provisions could apply to a U.S. Holder that purchases Notes from more than one Series of Notes.

Medicare Tax

In addition to regular U.S. federal income tax, certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their “net investment income,” which may include all or a portion of their interest income (including accrued OID) on a Note and net gain from the sale, exchange, retirement or other disposition of a Note.

Disclosure Requirements for Reportable Transactions

A U.S. Holder that participates in any "reportable transaction" (as defined in the Treasury Regulations) must attach to its U.S. federal income tax return a disclosure statement on IRS Form 8886. Each U.S. Holder should consult its own tax advisor regarding the possible obligation to file IRS Form 8886 reporting foreign currency loss arising from the Notes or any amounts received with respect to the Notes.

Information Reporting and Backup Withholding

Information reporting generally will apply to payments to a U.S. Holder of interest (and accruals of OID) on, or proceeds from the sale, exchange, retirement or other disposition of, a Note, unless such U.S. Holder is an entity that is exempt from information reporting and, when required, demonstrates this fact. Any such payment to a U.S. Holder that is subject to information reporting generally will also be subject to backup withholding, unless such U.S. Holder provides the appropriate documentation (generally, IRS Form W-9) to the applicable withholding agent certifying that, among other things, its taxpayer identification number is correct, or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by such U.S. Holder on a timely basis to the IRS.

Non-U.S. Holders

General

Subject to the discussion below under "—Information Reporting and Backup Withholding" and "—FATCA Withholding":

(a) payments of principal, interest and premium with respect to a Note owned by a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax; *provided* that, in the case of amounts treated as payments of interest (which term, for purposes of this discussion of the tax consequences to Non-U.S. Holders, also includes any payment to the extent of any OID that accrued on such Note while held by such Non-U.S. Holder and that has not been previously taken into account for this purpose), (i) such amounts are not effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder; (ii) such Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of Guardian or the applicable Series Beneficial Owner stock entitled to vote; (iii) such Non-U.S. Holder is not a controlled foreign corporation described in section 957(a) of the Code that is related to Guardian or the applicable Series Beneficial Owner through stock ownership; (iv) such Non-U.S. Holder is not a bank whose receipt of such amounts is described in section 881(c)(3)(A) of the Code; (v) interest on the Note is not described in section 871(h)(4)(A) of the Code; and (vi) the certification requirements described below are satisfied; and

(b) a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain recognized on the sale, exchange, retirement or other disposition of a Note, unless (i) such gain is effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder, in which event such gain generally will be subject to U.S. federal income tax in the manner described below, or (ii) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of such sale, exchange, retirement or other disposition and certain other conditions are met, in which event such gain (net of certain U.S. source losses) generally will be subject to U.S. federal income tax at a rate of 30% (except as provided by an applicable tax treaty).

The certification requirements referred to in clause (a)(vi) above generally will be satisfied if the Non-U.S. Holder provides the applicable withholding agent with a statement (generally on IRS Form W-8BEN or W-8BEN-E), signed under penalties of perjury, stating, among other things, that such Non-U.S. Holder is not a U.S. person. U.S. Treasury regulations provide additional rules for a Note held through one or more intermediaries or pass-through entities.

If the requirements set forth in clause (a) above are not satisfied with respect to a Non-U.S. Holder, payments with respect to a Note (including proceeds from the sale, exchange, retirement or other disposition thereof) generally will be subject to U.S. federal income tax in an amount equal to 30% of the interest and OID that accrued on such Note while held by such Non-U.S. Holder and that has not been taken into account previously for U.S. federal income tax purposes, unless another exemption is applicable. Such tax generally will be imposed by way of withholding in the case of payments on a Note (including payments from the retirement of such Note) or directly on the Non-U.S. Holder in the case of any other sale, exchange or other disposition of a Note. An applicable tax treaty may reduce or eliminate this tax.

If a Non-U.S. Holder is engaged in the conduct of a trade or business in the United States, and if amounts treated as interest on a Note or gain recognized on the sale, exchange, retirement or other disposition of a Note are effectively connected with such trade or business, such Non-U.S. Holder generally will not be subject to U.S. federal withholding tax on such interest or gain; *provided* that, in the case of amounts treated as interest, such Non-U.S. Holder provides the appropriate documentation (generally, IRS Form W-8ECI) to the applicable withholding agent. Instead, such Non-U.S. Holder generally will be subject to U.S. federal income tax (but not the Medicare Tax described above) on such interest or gain in substantially the same manner as a U.S. Holder (except as provided by an applicable tax treaty). In addition, a Non-U.S. Holder that is treated as a corporation for U.S. federal income tax purposes may be subject to a branch profits tax at a rate of 30% (or a lower rate if provided by an applicable tax treaty) on its effectively connected income for the taxable year, subject to certain adjustments.

Information Reporting and Backup Withholding

Amounts treated as payments of interest on a Note to a Non-U.S. Holder and the amount of any U.S. federal tax withheld from such payments generally must be reported annually to the IRS and to such Non-U.S. Holder by the applicable withholding agent.

The information reporting and backup withholding rules that apply to payments of interest (and accruals of OID) to certain U.S. Holders generally will not apply to amounts treated as payments of interest to a Non-U.S. Holder if such Non-U.S. Holder certifies under penalties of perjury that it is not a U.S. person (generally by providing an IRS Form W-8BEN or W-8BEN-E to the applicable withholding agent) or otherwise establishes an exemption.

Proceeds from the sale, exchange, retirement or other disposition of a Note by a Non-U.S. Holder effected outside the United States through a non-U.S. office of a non-U.S. broker generally will not be subject to the information reporting and backup withholding rules that apply to payments to certain U.S. persons; *provided* that the proceeds are paid to the Non-U.S. Holder outside the United States. However, proceeds from the sale, exchange, retirement or other disposition of a Note by a Non-U.S. Holder effected through a non-U.S. office of a non-U.S. broker with certain specified U.S. connections or of a U.S. broker generally will be subject to these information reporting rules (but generally not to these backup withholding rules), even if the proceeds are paid to such Non-U.S. Holder outside the United States, unless such Non-U.S. Holder certifies under penalties of perjury that it is not a U.S. person (generally by providing an IRS Form W-8BEN or W-8BEN-E to the applicable withholding agent) or otherwise establishes an exemption. Proceeds from the sale, exchange, retirement or other disposition of a Note by a Non-U.S. Holder effected through a U.S. office of a broker generally will be subject to these information reporting and backup withholding rules, unless such Non-U.S. Holder certifies under penalties of perjury that it is not a U.S. person (generally by providing an IRS Form W-8BEN or W-8BEN-E to the applicable withholding agent) or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability if the required information is furnished by such Non-U.S. Holder on a timely basis to the IRS.

FATCA Withholding

Under the Foreign Account Tax Compliance Act provisions of the Code and related U.S. Treasury guidance ("FATCA"), a withholding tax of 30% will be imposed in certain circumstances on payments of interest on the Notes. In the case of payments made to a "foreign financial institution" (such as a bank, a broker, an investment fund or, in certain cases, a holding company), as a beneficial owner or as an intermediary, this tax generally will be imposed, subject to certain exceptions, unless such institution (i) has agreed to (and does) comply with the requirements of an agreement with the United States (an "FFI Agreement") or (ii) is required by (and does comply with) applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an "IGA") to, among other things, collect and provide to the U.S. tax authorities or other relevant tax authorities certain information regarding U.S. account holders of such institution and, in either case, such institution provides the withholding agent with an appropriate certification as to its FATCA status. In the case of payments made to a foreign entity that is not a financial institution (as a beneficial owner), the tax generally will be imposed, subject to certain exceptions, unless such entity provides the withholding agent with an appropriate certification as to its FATCA status and, in certain cases, identifies any "substantial" U.S. owner (generally, any specified U.S. person that directly or indirectly owns more than a specified percentage of such entity). If a Note is held through a foreign financial institution that has agreed to comply with the requirements of an FFI Agreement or is subject to similar requirements under applicable foreign law enacted in connection with an IGA, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign financial institution) generally will be required, subject to certain exceptions, to withhold tax on payments made to (i) a person (including an individual) that fails to provide any required information or documentation or (ii) a foreign financial institution that has not agreed to comply with the requirements of an FFI Agreement and is not subject to similar requirements under applicable foreign law enacted in connection with an IGA. Each Holder should consult its own tax advisor regarding the application of FATCA to the ownership and disposition of the Notes.

ERISA AND OTHER BENEFIT PLAN CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase, holding and, to the extent relevant, disposition, of the Notes by (i) an employee benefit plan subject to Title I of ERISA, (ii) a plan described in and subject to Section 4975 of the Code, including an IRA and a Keogh plan, (iii) a plan, account or other arrangement subject to provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code (collectively, "Similar Laws") and (iv) any entity whose underlying assets include "plan assets" by reason of the investment in such entity by any such employee benefit or retirement plan described above.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit employee benefit plans subject to ERISA ("ERISA Plans"), as well as IRAs and Keogh plans subject to Section 4975 of the Code (together with ERISA Plans, "Plans"), from engaging in certain transactions involving "plan assets" (within the meaning of ERISA) with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("Parties in Interest") with respect to such Plans. As a result of Guardian's business, Guardian may be a Party in Interest with respect to certain Plans. Where Guardian is a Party in Interest with respect to a Plan (either directly or by reason of its ownership of its subsidiaries), the purchase and holding of the Notes by or on behalf of the Plan may be a prohibited transaction under Section 406 of ERISA and Section 4975 of the Code, unless exemptive relief were available under an applicable prohibited transaction exemption.

Accordingly, the Notes may not be purchased or held by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person investing "plan assets" of any Plan, unless such purchaser or holder, and such purchase, is eligible for the exemptive relief available under one or more PTCEs issued by the DOL, including PTCE 96-23 (relating to transactions determined by "in-house asset managers"), 95-60 (relating to transactions involving insurance company general accounts), 91-38 (relating to transactions involving bank collective investment funds), 90-1 (relating to transactions involving insurance company pooled separate accounts) or 84-14 (relating to transactions determined by independent "qualified professional asset managers"), or under the statutory exemption provided by Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions for "adequate consideration" with certain parties in interest that are not fiduciaries) (the "Service Provider Exemption"), or under another applicable prohibited transaction exemption. Any fiduciary or other Plan investor considering whether to purchase or hold Notes should consult with its counsel regarding the availability of exemptive relief under the foregoing exemptions. There can be no assurance that all of the conditions of any such exemptions or any other exemption will be satisfied at the time that the Notes are acquired, or thereafter, if the facts relied upon for utilizing a prohibited transaction exemption change. Also, the scope of the exemptive relief provided by the exemption might not cover all acts which might be construed as prohibited transactions.

Each purchaser or Holder of the Notes or any beneficial interest therein will be deemed to have represented by its purchase and holding thereof that either (i) it is not a Plan or a Plan Asset Entity and is not acquiring the Notes on behalf of or with "plan assets" of a Plan or Plan Asset Equity or (ii) its purchase, holding and disposition of the Notes or any beneficial interest therein is exempt from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code under DOL PTCE 96-23, PTCE 95-60, PTCE 91-38, PTCE 901, PTCE 84-14, the Service Provider Exemption or another applicable exemption.

Without regard to whether one of the above exemptions applies to a Plan's acquisition or holding of a Note, the Notes may not be purchased or held by any Plan, or any person investing Plan assets of any Plan, if Guardian or any of its affiliates (i) has investment or administrative discretion with respect to the assets of the Plan used to effect such purchase; (ii) has authority or responsibility to give, or regularly gives, investment advice with respect to such assets, for a fee, subject to other requirements and conditions provided under ERISA and the regulations thereunder; or (iii) unless PTCE 95-60, 91-38 or 90-1 applies, is an employer maintaining or contributing to such Plan.

Plan Assets

The DOL has promulgated a regulation, 29 C.F.R. §2510.3-101, as modified by Section 3(42) of ERISA (the "Plan Asset Regulation"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets are deemed to include both the equity interest itself and an undivided interest in each of the entity's underlying assets, unless it is established either that the entity is an "operating company," as defined in the Plan Asset Regulation or less than 25% of the total value of each class of equity interest in the entity is held by "benefit plan investors," as defined in Section 3(42) of ERISA (the "25% Test").

It is not anticipated that (i) the Notes will constitute "publicly offered securities" for purposes of the Plan Asset Regulation, (ii) the Issuer will be an investment company registered under the Investment Company Act or (iii) the Issuer will qualify as an operating company within the meaning of the Plan Asset Regulation. In addition, there is no intent to monitor or take any other measures to assure satisfaction of the 25% Test.

The Plan Asset Regulation defines an "equity interest" as an interest other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. There is very little pertinent authority on the issue of what constitutes an equity security for purposes of the Plan Asset Regulation. The DOL has stated in the Preamble to the Plan Asset Regulation (the "Preamble") that the reference to local law provides an initial frame of reference for determinations whether an interest is indebtedness and the question of which law applies for purposes of determining whether an instrument is treated as equity or indebtedness should be made under the law governing questions regarding interpretation of the instrument. Moreover, the DOL stated in the Preamble that the determination of whether any particular investment has substantial equity features is an inherently factual question that must be resolved on a case-by-case basis but that it would be appropriate, in the DOL's view, to take into account whether the equity features of an instrument are such that a Plan's investment in the instrument would be a practical vehicle for the indirect provision of investment management services.

Whether the Notes should be treated as debt or equity for purposes of the Plan Asset Regulation is not certain. While the Notes will be treated as indebtedness for U.S. federal income tax purposes (as described in "U.S. Federal Income Tax Considerations"), such characterization is not conclusive that the Notes will be treated as debt under the Plan Asset Regulation. There is no legal authority that clarifies the relationship between the standards used for Plan Asset Regulation purposes and the standards used for U.S. federal income tax purposes in evaluating the proper characterization of a security as debt or equity. Each prospective investor should make its own assessment as to whether or not the Notes will be respected as debt for purposes of the Plan Asset Regulation, and should consult with its own legal advisers concerning the potential consequences under the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any applicable Similar Law of an investment in the offered Notes with the assets of a Plan. There can be no assurance that the Notes would be characterized by the DOL or others as indebtedness on the date of issuance or at any given time thereafter.

If the Notes were treated under the Plan Asset Regulation as equity interests, any assets held by the Issuer, including the Funding Agreements, would be treated as plan assets of Plans holding Notes if, immediately after the most recent acquisition (including any redemption) of the Notes (or any class of equity interest in the Issuer), the 25% Test is not satisfied and 25% or more of the total value of any class of equity interest in the Issuer is held by benefit plan investors. No assurance can be given that benefit plan investors will hold less than 25% of the total value of the Notes at the completion of an offering or thereafter.

If the assets of the Issuer were deemed to be plan assets under ERISA, then an investing Plan's assets would be considered to include an undivided interest in the Funding Agreements held by the Issuer. In addition, certain persons providing services to the Issuer could become Parties in Interest with respect to an investing Plan and could be subject to the fiduciary responsibility provisions of ERISA, the prohibited transaction provisions of ERISA and Section 4975 of the Code with respect to transactions involving the assets of the Issuer. In this regard, if any person were deemed to have discretionary authority or discretionary control respecting the management of the Issuer or exercises any authority or control respecting management or disposition of the Funding Agreements held by the Issuer, such person or persons could be deemed to be fiduciaries. A fiduciary of a Plan should consider whether the purchase or holding of Notes could result in a delegation of fiduciary authority if the Issuer were deemed to hold plan assets under ERISA, and, if so, whether such a delegation of authority is permissible under the Plan's governing instrument or any investment management agreement with the Plan. However, since the Administrative Trustee may be viewed as having no discretionary authority with respect to the Funding Agreements, even if the Funding Agreements were treated as Plan Assets of a Plan holding a Note, an investor may determine that the Administrative Trustee should be treated as having acted in an administrative or ministerial capacity, rather than a fiduciary capacity, with respect to the Funding Agreements. Each prospective investor should make its own assessment regarding whether the Administrative Trustee would constitute a fiduciary if the assets of the Issuer were considered to be plan assets under ERISA.

Neither Guardian, the Issuer, the Arranger, the Purchasing Agents nor any of their respective affiliates, agents or employees (the "Transaction Parties") will act as a fiduciary to any Plan with respect to the Plan's decision to purchase the Notes, and none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with any Plan's acquisition of the Notes. Each fiduciary or other person with investment responsibilities over the assets of a Plan considering a purchase of the Notes must carefully consider the above factors before making an investment.

In addition, the person making the decision to acquire a Note on behalf of a Plan (the "Plan Fiduciary") from a Transaction Party will be deemed to have represented and warranted that none of the Transaction Parties has acted as the Plan's fiduciary, or has been relied upon for any advice, with respect to the Plan Fiduciary's decision to acquire, hold, sell, exchange, vote or provide any consent with respect to the Note and none of the Transaction Parties or their respective affiliates shall at any time be relied upon as the Plan's fiduciary with respect to any decision to acquire, continue to hold, sell, exchange, vote or provide any consent with respect to the Notes.

The sale of any Notes to a Plan is in no respect a representation by any party or entity that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Non-ERISA Plans

Governmental plans (as defined in Section 3(32) of ERISA), church plans (as described in Section 3(33) of ERISA) for which no election has been made under Section 410(d) of the Code and foreign plans (as described in Section 4(b)(4) of ERISA) (collectively "Non-ERISA Plans") while not subject to Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to Similar Laws. The fiduciary of a Non-ERISA Plan considering an investment in the Notes must make its own determination that such investment is permissible under any applicable Similar Laws. Each purchaser or Holder of the Notes or any beneficial interest therein will be deemed to have represented by its purchase and holding thereof that either (i) it is not a Non-ERISA Plan or an entity the assets of which are treated as including the assets of a Non-ERISA Plan and is not acquiring the Notes on behalf or with the assets of any such Non-ERISA Plan or entity or (ii) its purchase, holding and disposition of the Notes or any beneficial interest therein will not violate any Similar Laws.

General Considerations

Notwithstanding the above, the sale of the Notes of a particular Series to Plans, or to persons acting on behalf of or investing "plan assets" of Plans, might not be allowed, or might only be allowed subject to certain additional conditions.

The considerations set forth above are only intended as an overview and may not be applicable depending upon a Plan's specific facts and circumstances. No view is expressed as to whether an investment in Notes (and any continued holding of the Notes) is appropriate or permissible for any Plan or Non-ERISA Plan. Plan fiduciaries should consult their own advisors with respect to the advisability of an investment in the Notes, and potentially adverse consequences of such investment, including without limitation, the possible effects of changes in applicable laws.

PLAN OF DISTRIBUTION

General

The Notes will be offered from time to time by the Issuer to or through the Purchasing Agents acting as principals or agents. Pursuant to the Purchase Agreement: (i) the Purchasing Agents, individually or in a syndicate, may purchase the Notes, as principals from the Issuer for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any such Purchasing Agent or, if so specified in the applicable Issue Terms, for resale at a fixed offering price or (ii) in the alternative, the Issuer may agree with a Purchasing Agent that such Purchasing Agent will utilize its reasonable efforts on an agency basis on the Issuer's behalf to solicit offers to purchase Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Issue Terms.

Subject to the provisions of the applicable Issue Terms, any Note sold to a Purchasing Agent as principal will be purchased by that Purchasing Agent at a price equal to 100% of the principal amount thereof less a percentage of the principal amount equal to the commission described in the applicable Terms Agreement in connection with agency sales. A Purchasing Agent may sell Notes it has purchased from the Issuer as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with that purchase. A Purchasing Agent may allow, and dealers may reallow, a discount to certain other dealers. After the initial offering of Notes, the offering price, the concession and the reallowance may be changed.

The Issuer reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject offers in whole or in part. Each Purchasing Agent will have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

The Purchasing Agents also may impose a penalty bid. This occurs when a particular Purchasing Agent repays to the Purchasing Agents a portion of the underwriting discount received by it because one of the Purchasing Agents or its affiliates have repurchased notes sold by or for the account of such Purchasing Agent in stabilizing or short covering transactions.

In connection with any Tranche of Notes, the Purchasing Agent or Purchasing Agents (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Issue Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Tranche Series of Notes is made and, if begun, may be ended at any time, but it shall, in any event, end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any such stabilizing shall be conducted in compliance with all relevant laws, guidelines and regulations.

Neither the Issuer nor any of the Purchasing Agents makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer nor any of the Purchasing Agents makes any representation that the Purchasing Agents will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

None of the Purchasing Agents is under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any of the Purchasing Agents, it may be discontinued at any time. Given the restrictions on and risks related to transfer, there is no assurance that a secondary market will develop or, if it does develop, that it will provide holders of Notes with liquidity or that it will be sustained. Prospective investors should proceed on the assumption that they may have to bear the economic risk of an investment in the Notes until the maturity of such Notes.

Each of the Purchasing Agents severally and not jointly has represented, warranted and agreed with respect to offers and sales outside the United States that it will (to the best of its knowledge after due inquiry) comply with all applicable laws and regulations in each country or jurisdiction outside of the United States in or from which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Memorandum for such Notes or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Issuer and Guardian shall have no responsibility therefor.

The Issuer has agreed to indemnify the several Purchasing Agents against certain liabilities, including liabilities under the Securities Act.

The Purchasing Agents and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Purchasing Agents and their respective affiliates have provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Purchasing Agents and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. Certain of the Purchasing Agents or their respective affiliates that have a lending relationship with Guardian or its affiliates routinely hedge, and certain other of those Purchasing Agent or their respective affiliates may hedge, their credit exposure to Guardian consistent with their customary risk management policies. Typically, such Purchasing Agents and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of Guardian or its affiliates, and potentially the Notes offered hereby by the Issuer. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Purchasing Agents and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

United States

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Purchase and Transfer Restrictions."

Each of the Purchasing Agents has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it will make offers and sales of the Notes only to persons whom it reasonably believes to be (i) qualified institutional buyers as defined in Rule 144A under the Securities Act or (ii) to persons other than "U.S. persons" in "offshore transactions" (each as defined in Regulation S). Each purchaser of Notes, in making its purchase, will be deemed to have made certain acknowledgments, representations and agreements as set forth herein under "Purchase and Transfer Restrictions."

The Issuer is not subject to the reporting requirements of the Exchange Act. The Issuer has agreed that, at any time while the Notes are outstanding, it will furnish the Holders of Notes and prospective purchasers designated by such Holders, upon request, the information required to be delivered by Rule 144A(d)(4) under the Securities Act.

Except as otherwise defined in the preceding paragraphs, terms used therein have the meanings given to them by Rule 144A and Regulation S under the Securities Act.

“Restricted Period” as used in the preceding paragraph shall be the period beginning upon the completion of the distribution of the Notes of the applicable Tranche and the date of the closing of the offering, whichever is later, as determined and certified by the applicable Purchasing Agent, and continuing for 40 consecutive days; *provided, however*, that all offers and sales of the Notes by the Issuer or any of the Purchasing Agents of Notes held by the Issuer or such Purchasing Agent as part of an unsold allotment shall be deemed to be made during the Restricted Period.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Purchasing Agents are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Japan

Each Purchasing Agent understands that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”), and such Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it will not, directly or indirectly, offer or sell any Notes in Japan or to or for the benefit of any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

Prohibition on Sales to EEA Retail Investors

Each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree, that it will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Issue Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression “retail investor” means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Each Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons (1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or (2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the United Kingdom Financial Services and Markets Act 2000, as amended (the "FSMA") by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Republic of Ireland

Each Purchasing Agent has agreed and each further Purchasing Agent appointed under the Program will be required to agree, that:

(i) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended) including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998;

(ii) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 to 2011 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(iii) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Irish Regulations 2005 (as amended) and any rules issued by the Central Bank) pursuant thereto;

(iv) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank; and

(v) no Notes will be offered or sold with a maturity of less than 12 months except in full compliance with Notice BSD C 01/02 issued by the Central Bank.

Hong Kong

Each Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO")) other than: (a) to "professional investors" as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each Purchasing Agent has acknowledged, and each further Purchasing Agent appointed under the Program will be required to acknowledge, that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the SFA or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

The Netherlands

Each Purchasing Agent has represented and agreed that, and each further Purchasing Agent appointed under the Program will be required to represent and agree that, it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any Notes other than (i) Notes with a minimum denomination of €50,000 (or its foreign currency equivalent) which Notes are fully paid up at their issuance, (ii) to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) or (iii) in circumstances where one of the exceptions to or exemptions from the prohibitions contained in article 3 of the Securities Transactions Supervision Act 1995 ("*Wet toezicht effectenverkeer 1995*") is applicable and the conditions attached to such exemption are complied with.

Belgium

Each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree, that it has not offered or sold and it will not offer or sell the Notes to, any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*) in Belgium.

The Federal Republic of Germany

Each Purchasing Agent has confirmed that it is aware of the fact that no German selling prospectus (*Verkaufsprospekt*) has been or will be published with respect to the Program and that it will comply with the Securities Selling Prospectus Act (the "SSPA") of the Federal Republic of Germany (*Wertpapier-Verkaufprospektgesetz*) and each Purchasing Agent undertakes not to engage in a public offering (*öffentliches Anbieten*) in the Federal Republic of Germany with respect to any Notes issued under the Program otherwise than in accordance with the SSPA and any other legislation replacing or supplementing the SSPA and all other applicable laws and regulations.

The Republic of France

Notes may only be issued, offered or sold, directly or indirectly, in the Republic of France in accordance with Articles L.411-1 and L.411-2 of the Code *monétarie et financier*. Where an issue, offer or sale of the Notes is effected as an exception to the public offer rules (*appel public à l'épargne*) in the Republic of France by way of an offer or sale to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted circle of investors (*cercle restreint d'investisseurs*) all as defined in, and in accordance with Articles L.411-1 and L.411-2 of the Code *monétarie et financier* and Articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764.1 of the Code *monétarie et financier*, such qualified investors or investors of a restricted circle must be informed that:

(a) the issue, offer or sale of the Notes does not require an information document to be submitted to the visa of the *Autorité des Marchés Financiers*;

(b) they can only invest in the Notes for their own account;

(c) the direct or indirect offer or sale, to the public in the Republic of France, of the Notes so purchased can only be made in accordance with the Code *monétarie et financier*; and

(d) if the offer or sale is made to a restricted circle of investors comprising 100 or more of such investors, the latter must provide a certification as to their personal relationship from a professional or family standpoint, with a member of the management of the Issuer.

Each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France (*appel public à l'épargne*), and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, the Offering Memorandum or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted circle of investors (*cercle restreint d'investisseurs*) acting for their own account, all as defined in, and in accordance with Articles L.411-1 and L.411-2 of the Code *monétarie et financier*, and Articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the Code *monétarie et financier*.

Switzerland

Each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree, that it (a) will only offer or sell Notes in Switzerland in compliance with all applicable laws and regulations in force in Switzerland and (b) will to the extent necessary, obtain any consent, approval or permission required, if any, for the offer or sale by it of Notes under the laws and regulations in force in Switzerland. In particular, each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree, that it will make sure that its selling and/or marketing of the Notes does not qualify as a "public offering" in the meaning of Art. 1156 Para. 1 of the Swiss Code of Obligations or any other applicable Swiss laws, regulations, rules, codes and practices of any nature whatsoever. Further, each Purchasing Agent has agreed, and each further Purchasing Agent appointed under the Program will be required to agree, that any issue of Notes denominated in Swiss Francs will be in compliance with the Directive on Notes of Foreign Borrowers of May 2001 of the Swiss Bankers Association.

PURCHASE AND TRANSFER RESTRICTIONS

Other than with respect to the listing of certain Notes on the relevant securities exchange as may be specified in the applicable Issue Terms, no action has been or will be taken by the Issuer that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Purchasing Agent has severally and not jointly covenanted that it will not solicit offers to purchase, or offer or sell, Notes by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act. Persons into whose hands this Offering Memorandum, any applicable Issue Terms or any other offering material comes must comply with all applicable laws and regulations, including anti-money laundering rules, applicable to the issuance and sale of securities in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute this Offering Memorandum, any applicable Issue Terms or any other offering material, in all cases at their own expense.

Selling and transfer restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the applicable Issue Terms (in the case of a supplement or modification relevant only to a particular Series of Notes) or (in any other case) in a supplement to this Offering Memorandum.

The Notes have not been and will not be registered under the Securities Act or any state or foreign securities laws and, unless so registered, may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and applicable state or foreign securities laws.

Each initial purchaser, subsequent purchaser and transferee (each, a "purchaser") of a beneficial interest in the Notes will be deemed to have represented, warranted and agreed that:

- It understands that the Notes have not been and will not be registered under the Securities Act or any other securities law and may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, a United States person except in accordance with applicable laws and the following provisions.
- It understands that the Issuer has not been and will not be registered as an investment company under the Investment Company Act.
- Either (i) it is not, and is not acquiring the Notes or any beneficial interest therein on behalf of or with "plan assets" of a Plan, a Plan Asset Entity, a Non-ERISA Plan or an entity the assets of which are treated as including the assets of a Non-ERISA Plan or (ii)(A) in the case of a Plan or Plan Asset Entity, its purchase, holding and disposition of the Notes or any beneficial interest therein is exempt from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code under DOL PTCE 96-23, PTCE 95-60, PTCE 91-38, PTCE 90-1, PTCE 84-14, the Service Provider Exemption or another applicable exemption, or (B) in the case of a Non-ERISA Plan or entity the assets of which are treated as including the assets of a Non-ERISA Plan, its purchase, holding and disposition of the Notes or any beneficial interest therein will not violate any Similar Laws. This representation shall be deemed made on each day from the date on which the purchaser acquires the Notes through and including the date on which the purchaser disposes of the Notes.
- It understands that the Notes may not be transferred to, or acquired or held by, an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department.
- It is its intent and it understands it is the intent of the Issuer, for purposes of United States Federal, state and local income and franchise taxes, that the Notes be treated as indebtedness of Guardian, and it agrees to such treatment and agrees to take no action inconsistent with such treatment.
- It understands that any offer, sale, pledge or other transfer of Notes is subject to the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes.
- It will inform each person to whom the Notes or any beneficial interests therein are offered, resold, pledged or otherwise transferred of the restrictions on the transfer of the Notes.

- It acknowledges that the Issuer, the Purchasing Agents and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.
- It understands that, unless the Issuer determines otherwise in accordance with applicable law, certificates representing the Notes will bear a legend reflecting these representations and agreements.

Each purchaser of a beneficial interest in a Temporary Global Note will be deemed to have represented, warranted and agreed that:

- It understands that such Notes may be offered, sold, pledged or otherwise transferred only (i)(a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) in compliance with Rule 144A to an institutional investor that the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A acquiring such Notes for its own account or for the account of a qualified institutional buyer, whom the transferor has informed, in each case, that the offer, sale, pledge or transfer is being made in reliance on Rule 144A, (ii) in accordance with all applicable laws and (iii) in accordance with the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes.

After the expiration of the applicable Distribution Compliance Period, any offer, sale, pledge and other transfer, within the United States or to, or for the benefit of a U.S. person, of any Notes initially sold pursuant to Regulation S, that is otherwise permitted by, and is in accordance with, all applicable laws and the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes, may be made only to an institutional investor that the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A acquiring such Notes for its own account or for the account of a qualified institutional buyer, whom the transferor has informed, in each case, that such offer, sale, pledge, or transfer is being made in reliance on Rule 144A.

Each purchaser of a beneficial interest in Notes sold pursuant to Rule 144A will be deemed to have represented, warranted and agreed that:

- If it should offer, sell, pledge or otherwise transfer the Notes it will only do so (i) in compliance with the Securities Act and other applicable laws, (ii) in accordance with the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes and (iii) only (a) in compliance with Rule 144A to an institutional investor that the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A acquiring such Notes for its own account or for the account of a qualified institutional buyer, whom the transferor has informed, in each case, that the offer, sale, pledge or transfer is being made in reliance on Rule 144A, (b) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act or (c) pursuant to any other exemption from the registration requirements of the Securities Act, subject to the receipt by the Issuer or the Indenture Trustee of an opinion of counsel or such other evidence which they may reasonably require (obtained at the expense of the holder of such Note) that such offer, sale or transfer is in compliance with the Securities Act and other applicable laws and is in accordance with the restrictions set forth in the Indenture, the applicable Series Indenture and the Notes.
- It is a qualified institutional buyer within the meaning of Rule 144A, it is acquiring such Notes for its own account or for the account of a qualified institutional buyer and it is aware, and each Beneficial Note Owner has been advised that the offer, sale, pledge or other transfer of such Notes to it is being made in reliance on Rule 144A.
- If it is acquiring any Notes for the account of one or more qualified institutional buyers, it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each such account.

In addition, each purchaser of a beneficial interest in the Notes will be deemed to have represented, warranted and agreed that:

- It understands that, in any rehabilitation, liquidation, conservation, dissolution or reorganization relating to Guardian under New York law as in effect on the date of the Offering Memorandum, the claims under each Funding Agreement with respect to payments of principal and interest would be accorded a priority equal to that of policyholders of Guardian (*i.e.* would rank *pari passu* with the claims of policyholders of Guardian) and superior to the claims of general creditors of Guardian.

- It understands that in the event of Guardian's insolvency, rehabilitation or liquidation, claims under the Funding Agreements will not be covered by The Life Insurance Company Guaranty Corporation of New York.
- It understands that the obligations of Guardian under the Funding Agreements are not obligations of, and are not guaranteed by, any other person.
- It understands that no person is permitted to distribute, market, sell, represent or otherwise refer to the Notes as an insurance product, contract or policy or funding agreement or as a direct interest in any insurance product, contract or policy or funding agreement.
- It understands that because the primary assets of the Issuer will be one or more funding agreements issued by a life insurance company, there is a risk that the transfer of the Notes could subject the parties to such transfer to regulation under the insurance laws of jurisdictions implicated by the transfer. Among other things, it is likely that if the Notes were to be deemed to be contracts of insurance, the ability of a holder to sell the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sales could be effected, the proceeds realized from any such sales would be materially and adversely affected.

LEGAL MATTERS

Certain matters regarding the Notes and their offering will be passed upon on the date hereof:

- for Guardian by Debevoise & Plimpton LLP (as to New York law, United States Federal securities law and certain insurance regulatory matters);
- for Guardian and the Issuer by Debevoise & Plimpton LLP (as to United States Federal tax law);
- for the Purchasing Agents by Willkie Farr & Gallagher LLP (as to New York law and United States Federal law); and
- for the Issuer and the Administrative Trustee by Richards, Layton & Finger, P.A. (as to Delaware law).

Certain matters (as to New York law) will be passed upon on the date hereof for Guardian by the Chief Legal Counsel of Guardian or another officer in the Office of the Chief Legal Counsel of Guardian.

GENERAL INFORMATION

Irish Listing

This document has been approved by Euronext Dublin as an Offering Memorandum. Application will be made to Euronext Dublin for the Notes issued during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List and trading on the GEM. However, Notes may also be (i) listed or admitted to trading on a regulated market (as defined under the Prospectus Directive), (ii) listed or admitted to trading on a securities exchange which is not a regulated market, or (iii) not listed or admitted to trading on any regulated market or any other securities exchange.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the GEM.

If any European and/or national legislation is adopted and is implemented or takes effect in Ireland in a form that would require either Guardian or the Issuer to publish or produce its financial statements according to accounting principles that are materially different from NAIC SAP or that would otherwise impose requirements on either of Guardian or the Issuer that such entity in good faith determines are impracticable or unduly burdensome, Guardian or the Issuer may elect to de-list the Notes. Each of Guardian and the Issuer will use its reasonable efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system outside the EU, as the Issuer and Guardian may decide with the prior approval of the relevant Purchasing Agent(s). If such an alternative admission is not available to Guardian or the Issuer, or is, in either such entity's opinion, unduly burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in "General Information – Notices" herein.

Authorizations

The Issuer's participation in the Program, including updating Program documents, establishing additional Series and issuing additional Notes with respect to each such additional Series, is authorized under the Trust Agreement. Guardian's acts in connection with the establishment of the Program and its ongoing acts thereunder were authorized pursuant to resolutions adopted by the Board of Directors on February 24, 2016 and April 12, 2016.

Clearance

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. In addition, the Issuer will make an application with respect to the Notes to be accepted for trading in book-entry form by DTC. With respect to each Series of Notes, any applicable CUSIP number, together with any applicable ISIN and/or common code will be specified in the applicable Issue Terms. The applicable Issue Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Litigation

Except as disclosed in "Business of the Issuer—Legal Proceedings" on page 54 of this Offering Memorandum, the Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the previous 12 months, which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

Material pending litigation and regulatory matters affecting Guardian and certain risks related to its business presented by such matters are discussed in "Business of the Issuer—Legal Proceedings." Except as disclosed in this Offering Memorandum, Guardian has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Guardian is aware), during the previous 12 months, which may have, or have had in the recent past, significant effects on Guardian's financial position or profitability.

Notices

All notices regarding Notes of a Series will be mailed to the registered Holders thereof as their names appear in the applicable Note Register maintained by the Registrar.

All notices shall be deemed to have been given upon (i) in the case of Holders, the mailing by first class mail, postage prepaid, of such notices to each Holder entitled thereto at such Holder's registered address as recorded in the applicable Note Register and publication in a leading daily newspaper having general circulation in Ireland (which is expected to be the *Irish Times*), and (ii)(a) so long as the Notes of a Series are admitted to the Official List and trading on the GEM, publication of such notice to each Holder of the Notes of such Series in the English language on the website of Euronext Dublin at www.ise.ie via the Companies Announcement Service or (b) so long as the Notes of a Series are listed on a securities exchange other than Euronext Dublin or if the publication required in (iii)(a) is not practicable, in one other leading English language daily newspaper with general circulation in Europe and in the Principal Financial Center with the greatest nexus to such other securities exchange, if such Series is so listed.

With respect to a Global Note or a Global Certificate held by or on behalf of a Clearing Corporation, notices to the Holders of such Global Note or Global Certificate may be given by delivery of the relevant notice to the Clearing Corporation for communication by it to entitled accountholders in substitution for publication or by delivery of the relevant notice to the Holder of the relevant Global Note or Global Certificate.

Foreign Language

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language under "Plan of Distribution" in order that the correct technical meaning may be ascribed to them under applicable law.

Independent Accountants

The financial statements as of December 31, 2018, 2017, and 2016 and for each of the three years in the period ended December 31, 2018, included in this offering circular, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

No Material Adverse Change

There has been no material adverse change in the prospects of Guardian since December 31, 2018 (the date of the last published annual audited statutory financial statements of Guardian). There has been no significant change in the financial or trading position of Guardian since December 31, 2018.

Transferability

Subject to the selling and transfer restrictions described under "Purchase and Transfer Restrictions" and "Plan of Distribution" and subject to the terms and conditions of the Notes, as described in "Description of the Notes", the Notes will be freely transferable.

Documents Available

For so long as the Program remains in effect or any Notes shall be outstanding, upon request the Issuer will provide without charge copies of the following documents:

(i) this Offering Memorandum;
(ii) the Indenture, each Series Indenture, the Trust Agreement, each Series Trust Agreement and the Certificate of Trust (all as defined herein);
(iii) the Charter and By-Laws of Guardian;

(iv) the Statutory Financial Statements and all audited statutory financial statements of Guardian (including any notes thereto) filed with the NYSDFS after the date hereof;

(v) all interim unaudited statutory financial statements of Guardian (including any notes, schedules and supplements thereto) filed with the NYSDFS after the date hereof;

(vi) all quarterly unaudited statutory financial statements of Guardian (including any notes and schedules thereto) filed with the NYSDFS after the date hereof;

(vii) any amendments and supplements to this Offering Memorandum that remain in effect at the time of the offering of the Series of Notes and which have not been modified or superseded by any other amendment or supplement to this Offering Memorandum;

(viii) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Offering Memorandum;

(ix) all financial statements of the Issuer generally and with respect to the applicable Series of the Issuer prepared after the date hereof, if any;

(x) a copy of each Funding Agreement relating to any Series of Notes listed on any securities exchange (*provided*, that, with respect to the offering of any Series of Notes not listed on any securities exchange, a copy of each Funding Agreement relating to such Series of Notes will be available for inspection and can be obtained free of charge by a Holder of any Notes of such Series); and

(xi) all amendments and supplements to this Offering Memorandum and each Issue Terms relating to any Series of Notes listed on any securities exchange prepared by the Issuer from time to time (*provided*, that, with respect to the offering of any Series of Notes not listed on any securities exchange, a copy of each Issue Terms relating to such Series of Notes will be available for inspection and can be obtained free of charge by a Holder of any Notes of such Series).

Copies of such documents may also be inspected in physical format during normal business hours at the office of the Issuer located at c/o: Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890. In addition, copies of such documents will be available in physical format free of charge from the principal office of the Paying Agent for Notes listed on Euronext Dublin and from the relevant Paying Agent(s) with respect to Notes not listed on any securities exchange.

This Offering Memorandum and any amendment or supplement to this Offering Memorandum or new Offering Memorandum, as the case may be, will be published on the website of the Central Bank at www.centralbank.ie.

The information on any web site mentioned in this Offering Memorandum or any web site directly or indirectly linked to any web site mentioned in this Offering Memorandum is not a part of, or incorporated by reference into, this Offering Memorandum and investors in the Notes should not rely on it.

Other than as set forth above under "Documents Available" or as provided in any supplement hereto, and any Issue Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

FORM OF ISSUE TERMS

Issue Terms No. [●] dated [●]

Guardian Life Global Funding

Legal Entity Identifier: 635400NHILJ5JEKILC36
$3,000,000,000

GLOBAL DEBT ISSUANCE PROGRAM
Notes due [●]

[Principal Amount of Notes]

These Issue Terms should be read in conjunction with the accompanying Offering Memorandum dated April 10, 2019 [and the supplement[s] to it dated [●] [and [●]] (the "Offering Memorandum") relating to the $3,000,000,000 Global Debt Issuance Program of Guardian Life Global Funding (the "Issuer"). [The Central Bank of Ireland has approved the Offering Memorandum under Part 7 of the Prospectus Directive (Directive 2003/71/EC) Regulations 2005 (the "Irish Regulations") as having been drawn up in accordance with the Irish Regulations and Commission Regulation (EC No 809/2004).][1]

[Neither the Offering Memorandum nor this Issue Terms is a prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), as implemented in the Member States of the EEA.]

[Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended) (the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II product governance / target market – *appropriate target market legend to be included*.][2]

Guardian may from time to time make certain information available on its website at www.guardianlife.com/about-guardian/financial-highlights. **The information contained on or connected to Guardian's website is not a part of this Offering Memorandum, and you should not rely on any such information in making your decision whether to purchase Notes**.

PART A – CONTRACTUAL TERMS

Terms used herein and not otherwise defined herein shall have the meanings ascribed in the Offering Memorandum [This document constitutes the Issue Terms of the Notes described herein and must be read in conjunction with the Offering Memorandum].[3] Full information regarding the Issuer and the offer of the Notes is only available on the

1 Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.
2 Only to be included if there are any Purchasing Agents acting as "manufacturers."
3 Remove if Series of Notes are unlisted.

basis of the combination of these Issue Terms and the Offering Memorandum. The Offering Memorandum is available for viewing in physical format during normal business hours at the registered office of the Issuer located at c/o: Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890. In addition, copies of the Offering Memorandum and these Issue Terms will be available in physical format free of charge from the Paying Agent. In addition, the Offering Memorandum has been published on the website of Euronext Dublin at www.ise.ie.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Issue Terms.]

[For Notes denominated in sterling, if the Notes have a maturity of less than one year from the date of their issue, the minimum Authorized Denomination of the Notes must be £100,000 (or its equivalent in another currency).]

Issuer:	Guardian Life Global Funding
(i) Series Number:	[●]
(ii) Tranche Number: [*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).*]	[●]
Specified Currency or Currencies:	[●]
Redenomination	[Not applicable][The Issuer may redenominate Notes issued in [●] into Euro.]
Principal Amount of Notes [admitted to trading]:	[●]
Issue Price:	[●] per cent of the Principal Amount of the Notes [plus accrued interest from [*insert date* (*in the case of fungible issues only if applicable*)]
Authorized Denominations:	[●] and integral multiples of [●] in excess thereof
[(i)] Issue Date:	[●]
[(ii)] Interest Commencement Date if different from the Issue Date:	[[●]/Not Applicable]
Stated Maturity Date:	[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
Interest Rate Basis:	[[●] % Fixed Rate] [CMT Rate / Commercial Paper Rate / Money Market Yield / EURIBOR / Federal Funds Rate / LIBOR / Prime Rate / Treasury Rate / Bond Equivalent Yield +/– [●] % Floating Rate] [Discount Notes]
Amortization:	[●] [Not Applicable]
Redemption/Payment Basis:	[Redemption at par] [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100]% of their nominal amount.]
Put/Call Options:	[●] [Not Applicable]

Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Rate[(s)] of Interest:	[●] per cent per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
(ii)	Interest Payment Date(s):	[●] in each year, commencing on [●] [adjusted in accordance with the Business Day Convention specified below / not adjusted] [*N.B. This will need to be amended in the case of long or short coupons*]
(iii)	Fixed Coupon Amount[(s)]:	[●] per [●] in Authorized Denomination
(iv)	Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
(v)	Day Count Fraction:	[Actual/365 / Actual/Actual (Historical) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Actual/Actual (Bond)]
(vi)	Business Day Convention:	Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention]
(vii)	Interest Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual/other*)
(viii)	Regular Interest Record Dates:	[*specify each Regular Interest Record Date*]
Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Designation:	Regular Floating Rate Notes
(ii)	Interest Payment Dates:	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Center(s) for the definition of "Business Day"*]/not adjusted]
(iii)	Business Day Convention:	Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention]
(iv)	Business Center(s):	[The financial center most closely connected to the Reference Rate – *specify if not London*] See Reference Rate below
(v)	Initial Interest Rate:	[●] per cent per annum
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Calculation Agent:	Citibank, N.A. [In the event that appointment of the Calculation Agent is terminated by the Calculation Agent or Issuer, the Issuer shall appoint a successor Calculation Agent promptly and in no event later than the next succeeding date upon which the

	Rate(s) of Interest is/are to be determined.]
(viii) Screen Rate Determination:	[●]
- Reference Rate:	[CMT Rate / Commercial Paper Rate / Money Market Yield / EURIBOR / Federal Funds Rate / LIBOR / Prime Rate / SOFR / Compounded Daily SONIA / Treasury Rate / Bond Equivalent Yield]
- Index Maturity:	[●]
- Interest Determination Date(s):	[●] (*Second London Banking Day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR), first day of each Interest period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR*)
- Relevant Screen Page:	[*specify Relevant Screen Page*] (*In the case of EURIBOR, if not Reuters Page EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(ix) Spread:	[+/-][●] percent per annum
(x) Day Count Fraction:	[Actual/365 / Actual/Actual (Historical) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Actual/Actual (Bond)]
(xi) Interest Reset Dates:	[*specify each Interest Reset Date and note whether it is subject to adjustment*]
(xii) Regular Interest Record Dates:	[*specify each Regular Interest Record Date*]
(xiii) SONIA Lag Period (*p*):	[[5/[●]] London Business Days/Not Applicable]
Discount Notes Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) [Amortization/Accrual] Yield:	[●] per cent per annum
(ii) Reference Price:	[●]
(iii) Day Count Fraction:	[●]

PROVISIONS RELATING TO REDEMPTION

Early Redemption Amount	
Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on an Event of Default:	[●] per Note of [●] authorized denomination

GENERAL PROVISIONS APPLICABLE TO THE NOTES

Form of Notes	Notes: Rule 144A Global Notes: The Notes will initially be represented by one or more DTC Global Notes deposited with Citibank, N.A., as depositary for, and registered in the name of a nominee of, DTC as depositary.

	Regulation S Global Notes:
	Notes sold outside of the United States in accordance with Regulation S will initially be issued in the form of one or more Temporary Global Notes. Upon the expiration of the applicable Distribution Compliance Period, beneficial interests in a Temporary Global Note will be exchangeable for beneficial interests in one or more Permanent Global Notes, as and to the extent provided in the Temporary Global Note.
	The Temporary Global Notes and the Permanent Global Notes will be deposited [with Citibank, N.A. as depositary for, and registered in the name of a nominee of, DTC as depositary]/[with a common depositary and registered in the name of Citivic Nominees Limited as nominee for Euroclear and Clearstream, Luxembourg].]
Principal Financial Center(s) or other special provisions relating to Interest Payment Dates:	[New York, New York and London, England] [specify any additional principal financial center]
Details relating to Amortizing Notes: amount of each installment, date on which each payment is to be made:	[Not Applicable/*give details*]
Definitive Notes at Request of Holder:	[Applicable/Not Applicable]

DISTRIBUTION

(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
(ii) Stabilizing Manager(s) (if any):	[Not Applicable/*give names*]
(iii) If non-syndicated, name of Dealer:	[Not Applicable/*give names*]
(iv) Prohibition of sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*
If non-syndicated, name of Dealer:	[Not Applicable/*give names*]

INFORMATION RELATING TO THE FUNDING AGREEMENT

Funding Agreement Provider:	The Guardian Life Insurance Company of America ("Guardian")
Funding Agreement Number:	[●] (the "Relevant Funding Agreement")
Deposit Amount:	[●]
Effective Date:	[●]
Maturity Date:	[●]

RATINGS

Ratings:	[The Notes are expected to be rated: [Fitch: [●]]

	[S&P: [●]] [Moody's: [●]] [A.M. Best: [●]] The Program is rated: [Moody's: [●]] [[Insert credit rating agency/ies] [is/are] not established in the European Union and [has/have] not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [insert the name of the relevant EU-registered credit rating agency/ies] in accordance with Regulation (EC) No. 1060/2009.][4] The ratings of the Notes should be evaluated independently from similar ratings of other types of securities. A security rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.] [The Notes are not expected to be rated.]
OPERATIONAL INFORMATION	
CUSIP Number(s):	[●]
ISIN Code(s):	[●]
Common Code(s):	[●]
CFI:	[Not Applicable/[●], as updated as set out on the website of the Association of National Number Agencies (ANNA)]
FISN:	[[Not Applicable/[●], as updated as set out on the website of the Association of National Number Agencies (ANNA)] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable"*)
Relevant Clearing System(s):	[Depository Trust Company/Euroclear and Clearstream, Luxembourg]
Delivery:	[Delivery [against/free of] payment]
Name and addresses of additional Paying Agent(s) (if any):	[●]
Tradeable Amount:	[●]

4 Delete if not applicable.

PART B – OTHER INFORMATION

LISTING

(i) Listing:	[Euronext Dublin / None]
(ii) Admission to trading:	[Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the GEM with effect from [ ].] [Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	[●]

USE OF PROCEEDS

The proceeds from the current sale of the Notes, net of underwriting discounts and commissions or similar applicable compensation, will be used by the Issuer to purchase the Relevant Funding Agreement from Guardian.

INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE AND THE OFFER OF THE NOTES

[Except as discussed in "Plan of Distribution" in the Offering Memorandum, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue and the offer of the Notes.]

[*FIXED RATE NOTES ONLY* – YIELD

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Issue Terms comprise the issue terms required to list and have admitted to trading the issue of Notes described herein on Euronext Dublin pursuant to the Issuer's $3,000,000,000 Global Debt Issuance Program.]

BENCHMARKS

Details of benchmarks administrators and registration under Benchmarks Regulation: [[Specify benchmark] is provided by [administrator legal name]. As at the date hereof, [administrator legal name] [appears]/[does not appear] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation. [As far as the Issuer and Guardian are aware, the transitional provisions in Article 51 of the Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds apply, such that [administrator legal name] is not currently required to obtain authorization/registration (or, if located outside the European Union, recognition, endorsement or equivalence).]]/[Not Applicable]

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in these Issue Terms. The Issuer confirms that, having taken all reasonable care to ensure that such is the case, the information given in these Issue Terms is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import.

These Issue Terms are executed and delivered by Wilmington Trust, National Association ("WTNA"), not individually or personally but solely as Administrative Trustee of the Issuer, in the exercise of the powers and authority conferred and vested in it, (a) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by WTNA but is made and intended for the purpose of binding only the Issuer, (b) nothing herein contained shall be construed as creating any liability on WTNA, individually or personally, to perform any covenant either expressed or implied contained herein of the Trust, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto, (c) WTNA has made no investigation as to the accuracy or completeness of any representations and warranties made by the Issuer in this Agreement and (d) under no circumstances shall WTNA be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under these Issue Terms or any other related documents.

[*Signature page follows*]

Signed on behalf of

Guardian Life Global Funding,
with respect to Series [●]

By: Wilmington Trust, National Association,
not in its individual capacity
but solely as Administrative Trustee

By: ___________________________

GLOSSARY

The following Glossary includes general definitions of certain insurance terms as well as other terms relating specifically to Guardian.

Admitted assets: Assets which are included in an insurance company's financial statements to measure surplus as determined in accordance with state insurance laws. Other assets, consisting principally of amounts due from insurance agents, prepaid expenses and furniture and equipment are treated as "nonadmitted assets" for statutory accounting purposes.

Annual Statement: The reports filed annually with state insurance regulatory authorities that contain financial and other information on a calendar year basis and are prepared in accordance with statutory accounting practices. The form of the annual statement is prescribed by the NAIC.

Annuity: A contract that pays or permits the election of a periodic income benefit for the life of a person, the lives of two or more persons or a specific period of time.

Apportioned Dividend Liability: The estimated amount of all dividends declared by Guardian's Board of Directors prior to the end of the statement year which are not yet paid or due at the end of the year.

Asset Valuation Reserve ("AVR"): The reserve required by insurance regulators to stabilize statutory surplus from non interest-related fluctuations in the market value of bonds, stocks, mortgage loans, real estate and other invested assets.

Carrying Value: The value of an asset as carried on an insurance company's balance sheet, as determined in accordance with SAP.

Cash Value: The amount of cash available to a policyholder on the surrender of a life insurance policy or annuity contract.

Cede: When an insurer reinsures its liability with another insurer (a "cession"), it "cedes" business and is referred to as the "ceding company."

Disability Income Insurance: Insurance which provides income payments to the insured when employment is interrupted or terminated because of illness, sickness or accident. The level, timing and duration of payments vary by policy type.

Dividend Scales: The schedule of amounts payable as dividends on participating policies based on experience factors relating to, among other things, investment results, mortality, lapse rates, expenses, premium taxes and policy loan interest and utilization rates.

Equity Real Estate: An investment asset category which combines wholly owned real estate and interests in real estate joint ventures.

GAAP: Accounting Principles Generally Accepted in the United States of America.

General Account: The aggregate of an insurer's assets other than those allocated to Separate Accounts.

General Account Assets: The assets held in the General Account associated with the operations of an insurance company which include bonds, mortgages, real estate, equity interests, policy loans, cash and short-term investments and other invested assets.

Insurance Subsidiaries: Collectively, the significant operating insurance subsidiaries of Guardian, mainly GIAC.

Interest Maintenance Reserve ("IMR"): The reserve required by insurance regulators to capture interest rate-related realized capital gains and losses (net of taxes) on fixed income investments (primarily bonds and mortgage loans), which are amortized into net investment income over the estimated remaining periods to maturity of the investments sold.

Investment Reserves: Collectively, the AVR and other investment reserves.

Lapse: Termination of a policy because of surrender, failure to pay a premium or lack of sufficient cash value to maintain in-force status.

Lapse Rate: The ratio of the amount of lapses during a period to the amount of insurance in force or amount of premium at the beginning of the period.

Morbidity: Rates and duration of disability varying by such things as age, gender and duration since disability, used in pricing and valuing disability income insurance products.

Mortality: Rates of death, varying by such parameters as age, gender and health, used in pricing and valuing life and annuity products.

National Association of Insurance Commissioners ("NAIC"): The national association of state insurance regulators that sets guidelines for statutory policies, procedures and reporting for insurance enterprises.

Participating Policyholder: A policyholder who participates in the divisible surplus of an insurance company through policyholder dividends to the extent declared by an insurer's Board of Directors.

Persistency: Measurement of life insurance or other insurance policies remaining in force from year to year.

Policy: A life, accident, health, annuity, property or casualty contract, issued by an insurance company to an individual or group, that provides financial protection to an insured, owner or beneficiary.

Policyholder Dividends: Premiums for participating policies are set with margins designed and intended to allow for certain refund provisions, usually called policyholder dividends, paid over the term of the policy, if and as declared by the insurer's board of directors, and adjusted, over time, to reflect the actual experience of the class of policies involved.

Reinsurance: The acceptance by one or more insurers, called reinsurers, of a portion of risk underwritten by another insurer who has directly written the coverage in return for a portion of the premium relating thereto. The legal rights of the insured generally are not affected by the reinsurance transaction and the insurance enterprise issuing the insurance contract remains liable to the insured for payment of policy benefits.

Risk Based Capital ("RBC"): A regulatory measure of the minimum amount of capital needed for an insurance company to support its overall business in light of both its size and risk profile.

Separate Accounts: Investment accounts maintained by an insurer to which funds have been allocated for certain policies under provisions of relevant state insurance law. The investments in each Separate Account are maintained separately from those in other Separate Accounts and the General Account. The investment results of the Separate Account assets normally are passed through to the relevant policyholders.

Statutory Accounting Practices ("SAP"): Those accounting practices prescribed or permitted by an insurer's domiciliary state insurance regulator for purposes of financial reporting to insurance regulators.

Statutory Reserves: Amounts established pursuant to state insurance laws that an insurer must have available to provide for future obligations with respect to all policies. Reserves are liabilities on the balance sheet of financial statements prepared in conformity with statutory accounting practices.

Statutory Surplus: As determined under statutory basis accounting principles, the amount remaining after all liabilities, including loss reserves, are subtracted from all admitted assets. Admitted assets are assets of an insurer permitted by a state to be taken into account in determining the insurer's financial condition for statutory purposes.

Surrenders and Withdrawals: Surrenders of life insurance policies and annuity contracts for their entire net cash surrender values and withdrawals of a portion of such values.

Term Life: Life insurance which provides insurance protection for a fixed period (which generally may be renewed at an increased premium) and has no cash value.

Total Adjusted Capital: Guardian adopted the NAIC's definition of total adjusted capital for purposes of comparison with RBC; defined as Surplus plus AVR plus half the Apportioned Dividend Liability.

Underwriting: The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each risk accepted.

Universal Life Insurance: Life insurance under which (1) premiums are generally flexible, (2) the level of death benefits may be adjusted and (3) explicit expense, interest, and mortality rates are used to accumulate cash value.

Variable Universal Life Insurance: Same as Universal Life Insurance, except the interest element is replaced by actual performance of one or more Separate Accounts; the entire investment risk is borne by the policyholder.

Whole Life Insurance: These policies provide guaranteed death benefits and guaranteed cash values in return for periodic fixed premium payments or, in the case of single premium whole life policies, a lump sum payment when the policy is issued. Participating whole life insurance provides dividends based on actual experience more favorable than expense, interest, mortality, and persisting assumptions underlying guarantees.

INDEX TO AUDITED STATUTORY FINANCIAL STATEMENTS

Report of Independent Auditors

To the Board of Directors of
The Guardian Life Insurance Company of America:

We have audited the accompanying statutory financial statements of The Guardian Life Insurance Company of America, which comprise the statutory basis balance sheets as of December 31, 2018, 2017 and 2016 and the related statutory basis statements of operations, changes in policyholders' surplus, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.
The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are material.

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, F: (646) 471 8320, www.pwc.com/us

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2018, 2017 and 2016, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2018, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The supplemental Schedule 1 – Selected Financial Data, Investment Risk Interrogatories, and Summary Investment Schedule (collectively, the "supplemental schedules") of the Company as of December 31, 2018, 2017 and 2016, and for the years then ended are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the statutory-basis financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the statutory-basis financial statements taken as a whole.

PricewaterhouseCoopers LLP

February 27, 2019

The Guardian Life Insurance Company of America

Statutory Basis Balance Sheets

(In Millions)

	As of December 31, 2018	2017
Admitted Assets		
Bonds	$ 39,361	$ 38,125
Common and preferred stocks	1,811	1,531
Mortgage loans	4,520	4,001
Real estate (net of encumbrances: 2018 - $212; 2017 - $219)	331	345
Policy loans	3,635	3,520
Other invested assets	2,675	2,299
Receivable for securities	5	80
Cash, cash equivalents and short-term investments	732	554
Total invested assets	53,070	50,455
Due and accrued investment income	415	430
Premiums deferred and uncollected	1,115	1,091
Current federal and foreign income tax recoverable and interest thereon	201	127
Net deferred tax asset	650	587
Reinsurance recoverable from affiliate	2,803	2,641
Other assets	235	238
Total admitted assets	$ 58,489	$ 55,569
Liabilities		
Reserves for policy benefits	$ 44,258	$ 41,778
Policyholder dividends payable and other contract liabilities	3,753	3,550
Interest maintenance reserve	301	531
Asset valuation reserve	879	829
Other liabilities	2,126	2,197
Total liabilities	51,317	48,885
Policyholders' surplus	5,974	5,487
Surplus notes	1,198	1,197
Total liabilities and policyholders' surplus	$ 58,489	$ 55,569

See notes to statutory basis financial statements.

The Guardian Life Insurance Company of America

Statutory Basis Statements of Operations

(In Millions)

	For the Years Ended December 31, 2018	2017
Revenues		
Premiums, annuity considerations and fund deposits	$ 8,381	$ 8,112
Net investment income	2,132	2,106
Other income	344	441
Total revenues	10,857	10,659
Benefits and Expenses		
Benefit payments to policyholders and beneficiaries	4,535	4,449
Net increase to policy benefit reserves	2,481	2,409
Commissions and operating expenses	2,445	2,383
Total benefits and expenses	9,461	9,241
Income from operations before policyholder dividends and taxes	1,396	1,418
Policyholder dividends	(966)	(903)
Income from operations before taxes and realized capital losses	430	515
Income tax benefit/(expense)	52	(65)
Income from operations before net realized capital losses	482	450
Net realized capital losses	(172)	(27)
Net income	$ 310	$ 423

See notes to statutory basis financial statements.

The Guardian Life Insurance Company of America

Statutory Basis Statements of Change in Policyholders' Surplus

(In Millions)

	For the Years Ended December 31,	
	2018	**2017**
Beginning of year balance	$ 6,684	$ 6,172
Adjustments to surplus:		
Net income	310	423
Change in net unrealized capital gains, net of tax	144	26
Change in asset valuation reserve	(50)	(19)
Change in surplus notes	1	352
Change in net deferred taxes	49	(391)
Change in non-admitted assets	28	233
Change in pension funded status	8	(110)
Other changes, net	(2)	(2)
Net adjustments to unassigned surplus	488	512
End of year balance	$ 7,172	$ 6,684

See notes to statutory basis financial statements.

The Guardian Life Insurance Company of America

Statutory Basis Statements of Cash Flows

(In Millions)

	For the Years Ended December 31, 2018	2017
Cash flows from operating activities:		
Premiums and other income received	$ 8,373	$ 8,097
Investment income	2,186	2,110
Other income	149	130
Benefits and loss related payments	(4,831)	(4,582)
Commissions, expenses and taxes paid	(2,469)	(2,431)
Dividends paid	(870)	(847)
Other, net	23	(12)
Net cash provided by operating activities	2,561	2,465
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Bonds	12,450	14,248
Common and preferred stocks	204	363
Mortgage loans	471	495
Real estate	66	107
Other investments	380	398
Proceeds from investments sold or matured	13,571	15,611
Cost of investments acquired:		
Bonds	13,961	16,841
Common and preferred stocks	443	316
Mortgage loans	993	1,033
Real estate	45	85
Other investments	717	751
Cost of investments acquired	16,159	19,026
Net increase in policy loans, net of repayments	115	115
Net cash used in investing activities	(2,703)	(3,530)
Cash from financing and miscellaneous activities:		
Cash provided:		
Surplus note	1	352
Net deposits on deposit-type contracts and other insurance liabilities	319	445
Net cash provided by financing and miscellaneous activities	320	797
Net (decrease) increase in cash, cash equivalents and short-term invesments	178	(268)
Cash , cash equivalents and short-term investments, beginning of year	554	822
Cash, cash equivalents and short-term investments, end of year	$ 732	$ 554

See notes to statutory basis financial statements.

NOTE 1 – ORGANIZATION

The Guardian Life Insurance Company of America ("Guardian" or the "Company") provides financial services to customers throughout the United States. The Company provides a full range of insurance, investment, securities brokerage and other financial products and services including individual life and disability insurance, group life and health insurance, annuities, pension and retirement related investments and administration and asset management.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:
The accompanying statutory basis financial statements have been prepared on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services (the "Department"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). Insurance companies domiciled in New York are required to prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP"), subject to certain deviations prescribed or permitted by the Department.

The Department recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company ("New York SAP"). The NAIC promulgates the NAIC SAP, which include accounting guidelines referred to as Statements of Statutory Accounting Principles ("SSAPs"). The Department adopted NAIC SAP with certain modifications, through the passage of Regulation 172, effective January 1, 2001, as amended.

A reconciliation of the Company's Net Income and Surplus at December 31, 2018 and 2017 between NAIC SAP and practices prescribed by the State of New York is shown below:

	2018	2017
Statutory Net Income, New York basis	$ 310	$ 423
State Prescribed Practices:		
Deferred premiums asset impact (1)	4	7
Admission of unearned reinsurance premium asset (2)	(4)	(5)
Statutory Net Income, NAIC SAP basis	$ 310	$ 425

	2018	2017
Statutory Surplus, New York basis	$ 7,171	$ 6,684
State Prescribed Practices:		
Deferred premiums asset impact (1)	151	143
Admission of unearned reinsurance premium asset (2)	(67)	(62)
Statutory Surplus, NAIC SAP basis	$ 7,255	$ 6,765

1) Department Circular Letter No. 11
2) Department Regulation 172

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statements prepared on a New York SAP basis vary from financial statements prepared in accordance with GAAP primarily because on a statutory basis: 1) costs related to acquiring business, principally commissions and certain policy issue expenses, are charged to income in the year incurred; 2) life insurance and annuity reserves are based on statutory mortality and interest requirements, without consideration of withdrawals and company experience; 3) life insurance enterprises are required to establish a formula-based asset valuation reserve (“AVR”) by a direct charge to surplus to offset potential investment losses; 4) realized gains and losses resulting from changes in interest rates on fixed income investments are deferred in the interest maintenance reserve (“IMR”) and amortized into investment income over the remaining life of the investment sold; 5) bonds are carried principally at amortized cost; 6) certain reinsurance transactions are accounted for as reinsurance for statutory purposes and as financing transactions under GAAP, and assets and liabilities are reported net of reinsurance for statutory purposes and gross of reinsurance for GAAP; 7) certain “non-admitted assets” (furniture and office equipment, leasehold improvements, capitalized internally developed non-operating system software, and prepaid pension costs) must be excluded under statutory reporting through a charge to surplus; 8) investments in common stock of the Company’s wholly-owned and majority owned subsidiaries are accounted for using the equity method, where earnings of such subsidiaries are recognized in surplus only when dividends are distributed is income recognized; 9) gross deferred tax assets and changes in deferred tax assets (“DTAs”) and liabilities (“DTLs”), except those relating to changes in unrealized gains and losses, are recognized as a separate component of surplus. Deferred tax assets not meeting certain criteria are non-admitted; 10) investments in Other invested assets, where the Company has a controlling financial interest, are accounted for using the equity method for statutory purposes and consolidated under GAAP; and 11) if in the aggregate, the Company has a net negative cash balance, it is reported as a negative asset for statutory purposes and recorded as a liability under GAAP. The effect on the financial statements of the Company from the differences between New York SAP and GAAP are material and disclosed in Note 19.

Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As a provider of life insurance products, the Company’s operating results in any given period depend on estimates of policy reserves required to provide for future policyholder benefits. The development of policy reserves for insurance and investment contracts requires management to make estimates and assumptions regarding mortality, lapse, expense and investment experience. Such estimates are primarily based on historical experience and, in many cases, state insurance laws that require specific mortality, morbidity, and investment assumptions to be used by the Company and may preclude the use of lapse and expense assumptions. Actual future results could differ from these estimates. Management monitors actual experience, and where circumstances warrant, revises its assumptions and the related reserve estimates. The Company regularly invests in mortgage loans, mortgage-backed securities and other securities subject to prepayment and/or call risk. Significant changes in prevailing interest rates and/or geographic conditions may adversely affect the timing and amount of cash flows on such investments, as well as their related values. In addition, the amortization of market premium and accretion of market discount for mortgage-backed securities is based on historical experience and estimates of future payment experience underlying mortgage loans. Actual prepayment timing could differ from original estimates resulting in adjustments to asset values and amortization or accretion recorded in future periods.

Admitted Assets:

Assets are stated at "admitted asset" values, which are values required by or permitted to be reported to the Department in accordance with its rules and regulations. Certain assets designated as "non-admitted assets" (approximately $128 million and $156 million at December 31, 2018 and December 31, 2017, respectively), consisting principally of deferred tax assets, leasehold improvements, electronic data processing equipment and computer software, and prepaid pension costs are charged directly to unassigned surplus.

Investments:

See Note 3 and Note 4 regarding the accounting policy, reported statement value and estimated fair value of the Company’s investment in bonds, common and preferred stocks, mortgage loans, real estate and derivatives.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Short-Term Investments:
Cash includes amounts on deposit with banks. Cash equivalents are stated at amortized cost and consist of investments having maturities of three months or less at time of purchase. Money Market Funds are included in cash equivalents and are stated at the Net Asset Value which is equivalent to the fair value. Certain short-term investments are stated at amortized cost and consist primarily of investments having maturities greater than three months from date of purchase, but less than one year to maturity. Fair values for such investments approximate carrying value, because of the relatively short period of time between their origination and expected maturity and collectability.

Policy Loans:
Policy loans are stated at unpaid principal balance. The carrying amount approximates fair value since loans on policies have no defined maturity date and reduce the amount payable at death or at surrender of the contract.

Other Invested Assets:
Other invested assets consist primarily of joint ventures, limited liability companies (LLCs), and other forms of partnerships. These investments are valued at the Company's share of equity in the partnerships' LLC or joint ventures' net assets. All distributions are recorded as income or return of capital based on information received from the partnerships. The change in equity is recorded as unrealized gains (losses) on the Company's books and is charged directly to surplus. Other invested assets also include investments in surplus notes which are carried at amortized cost.

Other Assets:
Other assets consist primarily of receivables from subsidiaries (see Note 11), receivables related to reinsurance ceded (see Note 9), amounts receivable relating to Administrative Services Only ("ASO") uninsured plans, premium tax offsets, and electronic data processing equipment.

Investment Reserves:
In compliance with statutory requirements, the Company maintains the AVR and the IMR. The AVR is intended to stabilize policyholders' surplus against market fluctuations in the value of equities and credit related declines in the value of bonds, mortgage loans and equity investments. Changes in the AVR are recorded directly to surplus. The IMR defers net after-tax realized capital gains (losses) which result from changes in the overall level of interest rates for fixed income investments and amortizes these net capital gains (losses) into income over the remaining stated life of the investments sold. The Company uses the group method of calculating the IMR.

Insurance Revenue and Expense Recognition:
Life premiums are recognized as income over the premium-paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Benefit payments to policyholders and beneficiaries include death benefits, disability benefits, matured endowments and surrender benefits and are charged to expense when incurred.

Reserves for Policy Benefits:
See Note 5 regarding the methods and assumptions used to establish the Company's reserves for future insurance policy benefits.

Other Liabilities:
Other liabilities consist primarily of general expenses due or accrued, liabilities for employees and agents, commissions payable, unearned investment income, amounts withheld or retained by the company as agent or trustee, miscellaneous reinsurance liabilities, assessments, and tax reserves liabilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes:
The provision for federal income taxes is based on income from operations currently taxable. Realized gains and losses are reported net of the applicable federal income taxes. Deferred federal income tax assets are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with increases or decreases reflected as adjustments to surplus (See Note 8). The Company is required to establish a tax loss contingency if it is more likely than not that a tax position will not be sustained. The amount of the contingency reserve is management's best estimate of the amount of the original tax benefit that could be reversed upon audit, unless the best estimate is greater than 50% of the original tax benefit, in which case the reserve is equal to the entire tax benefit.

Dividends to Policyholders:
The liability for dividends to policyholders principally consists of dividends expected-to-be paid during the subsequent year and are determined by means of formulas that reflect the relative contribution of each group of policies to the results of operations. Policyholder dividends are approved annually by the Board of Directors, and a portion of the policyholder dividends approved annually are guaranteed by the Board of Directors.

Other Contract Liabilities
Other contract liabilities include liabilities for deposit type contracts such as funding agreements (see Note 5), claims in the course of settlement, and premiums received in advance.

Benefit Plans:
The Company has non-contributory defined benefit pension plans covering substantially all eligible of the Company's employees. The benefits are based primarily on years of service and compensation. Assets of the pension plans are invested in a diversified portfolio that primarily consists of corporate bonds and common stocks. All assets are managed by the Company or its affiliates.

Reinsurance:
The Company enters into reinsurance agreements in the normal course of its insurance business to reduce overall risk (see Note 9 for reinsurance ceded and Note 10 for reinsurance assumed). The Company remains liable for reinsurance ceded if the reinsurer fails to meet its obligation on the business it has assumed. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Net Investment Income and Capital Gains:
Net investment income includes interest and dividends received or accrued on investments. It also includes amortization of any purchase premium or discount using the interest method, adjusted retrospectively or prospectively for any change in estimated yield to maturity. Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made. Net investment income is reduced by investment management expenses, interest expense on the Company's outstanding surplus note and real estate depreciation.

Realized investment gains and losses are reported in income based upon specific identification of securities sold. Realized losses include valuation adjustments for other-than-temporary declines in investments. Unrealized investment gains and losses on financial instruments carried at fair value represent changes in the reported fair value and are recorded directly to surplus.

Assessments:
Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants. Amounts assessed to each company are typically related to its proportion of business written in each state. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction. In certain states there must also be a final order of liquidation. As of December 31, 2018 and December 31, 2017, the liability balance included in other liabilities was $5 million and $9 million, respectively for assessments. Some states permit member insurers to recover assessments through full or partial premium tax offsets. The related premium tax offsets included in other assets were $17 million and $21 million as of December 31, 2018 and December 31, 2017, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On March 1, 2017, the Commonwealth Court of Pennsylvania entered into an order of liquidation for Penn Treaty Network America Insurance Company, and its subsidiary American Network Insurance Company ("Penn Treaty"), providers of long-term care insurance. As a result of the liquidation, the Company used the most current cost estimate provided by the National Organization of Life and Health Guaranty Associations (NOLHGA) to determine the estimated fund assessments and premium tax offsets. As of December 31, 2018, the Company recognized a discounted assessment liability of $5 million (undiscounted of $6 million) offset by a discounted premium tax offset of $17 million (undiscounted of $19 million) using a discount rate of 3.5%. The assessment is included in other liabilities of $5 million and in other assets of $17 million as stated above. As of December 31, 2017, the Company recognized a discounted assessment liability of $8 million (undiscounted of $8 million) offset by a discounted premium tax offset of $16 million (undiscounted of $19 million) using a discount rate of 3.5%. The assessment is included in other liabilities of $9 million and in other assets of $21 million stated above. The Company expects a majority of the assessments to be paid over the next year and a majority of the premium tax offset to be realized over the next 6 years.

The below table provide additional information on the Penn Treaty fund assessment liability and premium tax offset recoverables:

	Liability			Recoverables		
Name of the Insolvency	**Number of Jurisdictions**	**Range of Years**	**Weighted average number of years**	**Number of Jurisdictions**	**Range of Years**	**Weighted average number of years**
Penn Treaty	50	1 - 3 years	2 years	40	1 - 20 years	7 years

NOTE 3 – INVESTMENTS

Investments are valued in accordance with methods prescribed by the Securities Valuation Office of the NAIC ("SVO"). The Company obtains the fair value of financial instruments held in its portfolio that are either carried at fair value on the face of the financial statements or disclosed in the notes to the financial statements at fair value, from a number of sources. These sources include published market quotes for active market exchange traded instruments, third party pricing vendors, investment banks which are lead market makers in certain markets, broker quotes and the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Unrealized gains and losses on investments carried at fair value are recorded directly in unassigned surplus. The investment portfolio is reviewed for investments that may have experienced a decline in value considered to be other-than-temporary. The Company considers several factors in determining whether other-than-temporary declines exist: duration and extent to which the fair value of the security has been less than cost; financial condition of the issuer; the near term prospects for recovery of the fair value of a security; discounted estimated future cash flows; and the intent and ability of the Company to hold the security to allow for an anticipated recovery in value. Impairments that are considered other-than-temporary are included in net realized capital losses.

The Company's investment portfolio includes securities with a 5GI NAIC designation. There were two securities that have a 5GI NAIC designation with an aggregated book adjusted carrying value and aggregate fair value of $9 million as of December 31, 2018. There were two securities that have a 5GI NAIC designation with a book adjusted carrying value and fair value of $10 million as of December 31, 2017.

Valuation methods for the various types of investments held are as follows:

Bonds - Bonds are stated principally at amortized cost with bond premiums and discounts amortized using the scientific interest method. Those bonds which are rated 6 by the NAIC are reported at the lower of amortized cost or fair value. Mortgage-backed bonds are carried at amortized cost using the interest method considering anticipated prepayments at the date of purchase. Significant changes in future anticipated cash flows from the original purchase assumptions are accounted for using the retrospective and prospective adjustment method utilizing the Public Securities Association standard prepayment rates. There were forty-six securities that were sold, redeemed or disposed of with an aggregate amount of $13 million in investment income from prepayment penalties and acceleration fees as of December 31, 2018. There were fifty-six securities that were sold, redeemed or disposed of with an aggregate amount of $29 million in investment income from prepayment penalties and acceleration fees as of December 31, 2017.

Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from issuers or broker- dealers through information services or internal estimates and are consistent with current interest rates and the economic environment. There were fifty-four securities that were sold, redeemed or disposed of with an aggregate amount of $401 million and $3.3 million in investment income from prepayment penalties as of December 31, 2018. There were forty-six securities that were sold, redeemed or disposed of with an aggregate amount of $504 million and $8 million in investment income from prepayment penalties as of December 31, 2017.

The Company changes from the retrospective method to the prospective method when an other than temporary impairment has been recorded on a structured loan-backed security.

Preferred stocks - Preferred stocks are carried at amortized cost if they have an NAIC SVO rating of 1 to 3 or the lower of book value or fair value based on the rating of 4 to 6.

Common stocks - Common stocks of unaffiliated companies are stated at fair value, which is based on quoted market price. For common stocks without quoted market prices, fair value is estimated using independent pricing services or internally developed pricing models. Investments in subsidiaries are included in common stocks and are valued at equity in the underlying net assets. Undistributed earnings or losses of subsidiaries and unrealized appreciation or depreciation on common stocks are reflected as unrealized capital gains and losses directly in Surplus.

NOTE 3 – INVESTMENTS (CONTINUED)

Foreign Currency Translation - All of the Company’s insurance operations are conducted in the United States of America on a U.S. dollar-denominated basis. The Company does make bond, equity and other investments that are denominated in foreign currencies or issued by entities doing business in other countries. Investments denominated in a foreign currency are translated to U.S. dollars at each reporting date using then-current market foreign exchange rates. Translation gains or losses relating to fluctuations in market exchange rates are reported as a change in unrealized capital gains and losses until the related investment security is sold or matures, at which time a realized capital gain or loss is reported. Transactions denominated in a foreign currency, such as receipt of foreign-denominated interest or dividends, are translated to U.S. dollars based on the actual exchange rate at the time of the transaction.

NOTE 3 – INVESTMENTS (CONTINUED)

The amortized cost basis and estimated fair value of bonds and the cost basis and estimated fair value of preferred stock and common stocks at December 31, 2018 and December 31, 2017 is as follows:

	Amortized Cost/ Cost*	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
December 31, 2018		(In millions)		
U.S. Government	$ 1,821	$ 60	$ (6)	$ 1,875
All other Government	70	-	-	70
States, Territories, and Possessions	317	33	(2)	348
U.S. Political Subdivisions	251	20	(1)	270
U.S. Special Revenue	2,534	147	(23)	2,658
Industrial and Miscellaneous	34,353	653	(993)	34,013
Hybrid	6	1	-	7
Affiliated Bonds	9	-	-	9
Total Bonds	$ 39,361	$ 914	$ (1,025)	$ 39,250
Common stocks - unaffiliated	$ 695	20	(54)	$ 661
Investment in subsidiaries	1,366	20	(236)	1,150
Total Common Stocks	2,061	$ 40	$ (290)	1,811
Preferred Stocks - Perpetual	$ -	-	-	-
Total Preferred Stocks	-	$ -	$ -	-
Total Common and Preferred Stocks	$ 2,061	$ 40	$ (290)	$ 1,811

	Amortized Cost/ Cost*	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
December 31, 2017		(In millions)		
U.S. Government	$ 2,475	$ 46	$ (8)	$ 2,513
All other Government	65	-	-	65
States, Territories, and Possessions	336	52	-	388
U.S. Political Subdivisions	262	30	-	292
U.S. Special Revenue	2,517	231	(9)	2,739
Industrial and Miscellaneous	32,455	1,874	(140)	34,189
Hybrid	5	1	-	6
Affiliated Bonds	10	-	-	10
Total Bonds	$ 38,125	$ 2,234	$ (157)	$ 40,202
Common stocks - unaffiliated	$ 513	55	(32)	$ 536
Investment in subsidiaries	1,316	18	(339)	995
Total Common Stocks	1,829	73	(371)	1,531
Preferred Stocks - Perpetual	$ -	-	-	-
Total Preferred Stocks	-	$ -	$ -	-
Total Common and Preferred Stocks	$ 1,829	$ 73	$ (371)	$ 1,531

* Includes unrealized FX adjustments

NOTE 3 – INVESTMENTS (CONTINUED)

The Company invests in high quality securities that are diversified by asset class, issuer and industry. At December 31, 2018 approximately 4.8% of the portfolio is invested in securities issued or backed by the United States Government or its agencies. No other single issuer accounts for more than 1.8% of the portfolio at December 31, 2018.

The amortized cost and estimated fair value of debt securities at December 31, 2018 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	2018	
	Amortized Cost	Estimated Fair Value
	(In millions)	
Due in one year or less	$ 406	$ 407
Due after one year through five years	6,718	6,697
Due after five years through ten years	10,494	10,259
Due after ten years	15,314	15,323
Sinking fund bonds, mortgage backed securities and asset backed securities	6,429	6,564
Total	$ 39,361	$ 39,250

The net change in unrealized capital gains (losses) included in surplus for year ended December 31, 2018 and 2017 is summarized as follows:

	2018	2017
	(In millions)	
Changes in net unrealized capital gains (losses) attributable to:		
Bonds (NAIC 6 rated)	$ -	$ 4
Preferred Stocks (NAIC 4, 5 and 6 rated)	-	-
Common stocks unaffiliated	(57)	31
Common stocks affiliated	103	(21)
Foreign currency translation	(52)	59
Other	159	(47)
Total change in net unrealized capital gains (losses)	153	26
Tax benefit	(9)	-
Total change in net unrealized gains, net of tax	$ 144	$ 26

Proceeds from sales, maturities and all other bond cash dispositions amounted to $12,450 million and $14,248 million for the years ended December 31, 2018 and 2017, respectively. Gross gains of $106 million and $413 million and gross losses of $301 million and $147 million were realized on sales of bonds for the years ended December 31, 2018 and 2017, respectively. These amounts are pre-tax and pre-IMR.

Proceeds from sales of investments in preferred stock amounted to $0 million and $69 million for the years ended December 31, 2018 and 2017, respectively. Gross gains of $0 million and $28 million and gross losses of $0 million and $0 million were realized on sales of preferred stock for the years ended December 31, 2018 and 2017, respectively. These amounts are pre-tax.

NOTE 3 – INVESTMENTS (CONTINUED)

Proceeds from sales of investments in common stock amounted to $204 million and $294 million for the years ended December 31, 2018 and 2017, respectively. Gross gains of $22 million and $22 million and gross losses of $30 million and $6 million were realized on sales of common stock for the years ended December 31, 2018 and 2017, respectively. These amounts are pre-tax.

During 2018 and 2017, there were no restructured loans.

During 2018 and 2017, the Company had non-cash transactions related to the exchange or conversion of bonds that it held as investments in the amount of $2,309 million and $2,236 million.

During 2018 and 2017, the Company had non-cash transactions related to the exchange or merger activity related to common stock that it held as investments in the amount of $88 million and $0 million.

During 2018 and 2017, the Company had no non-cash transactions related to the exchange or conversion of preferred stock that it held as investments.

Unrealized Losses:
The Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2018 and December 31, 2017 are shown below:

December 31, 2018	**Less than 12 Months**		**12 Months or More**		**Total**	
(In millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government	$ 333	$ (3)	$ 177	$ (3)	$ 510	$ (6)
All other Government	-	-	10	-	10	-
States, Territories and Possessions	47	(1)	27	(1)	74	(2)
U.S. Political Subdivisions	43	(1)	-	-	43	(1)
U.S. Special Revenue	747	(12)	295	(11)	1,042	(23)
Industrial and Miscellaneous	15,257	(690)	5,299	(303)	20,556	(993)
Hybrid	1	-	-	-	1	-
Total Bonds	$ 16,428	$ (707)	$ 5,808	$ (318)	$ 22,236	$ (1,025)
Common stocks - unaffiliated	435	(46)	48	(8)	483	(54)
Total temporarily impaired securities	$ 16,863	$ (753)	$ 5,856	$ (326)	$ 22,719	$ (1,079)

NOTE 3 – INVESTMENTS (CONTINUED)

December 31, 2017 (In millions)	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
U.S. Government	$ 967	$ (6)	$ 57	$ (2)	$ 1,024	$ (8)
All other Government	15	-	-	-	15	-
States, Territories and Possessions	13	-	17	-	30	-
U.S. Political Subdivisions	-	-	-	-	-	-
U.S. Special Revenue	207	(2)	343	(7)	550	(9)
Industrial and Miscellaneous	4,523	(54)	2,764	(86)	7,287	(140)
Hybrid	-	-	-	-	-	-
Total Bonds	$ 5,725	$ (62)	$ 3,181	$ (95)	$ 8,906	$ (157)
Common stocks - unaffiliated	8	(1)	119	(31)	127	(32)
Total temporarily impaired securities	$ 5,733	$ (63)	$ 3,300	$ (126)	$ 9,033	$ (189)

The Company's investment portfolio includes individual securities that are in an unrealized loss position and have not been recognized as other-than-temporary impairments. There were one thousand six hundred and thirty-nine securities in an unrealized loss position for greater than 12 months with a book value of $6,182 million and a fair value of $5,856 as of December 31, 2018. There were four hundred and sixty-four securities in an unrealized loss position for greater than 12 months with a book value of $3,426 million and a fair value of $3,300 as of December 31, 2017.

In reaching the conclusion that these impairments are not other-than-temporary, management considered many factors including: duration and severity of impairment, discounted cash flow analysis, investment sector stability, creditworthiness, financial condition of issuer, and intent and ability to hold to allow for recovery in value.

NOTE 3 – INVESTMENTS (CONTINUED)

Mortgage Loans:
Mortgage loans are carried at amortized cost. Valuation reserves are established for potential declines in the value of the mortgage loans. As of December 31, 2018 and December 31, 2017 there were no valuation reserves established for any of the Company's mortgage loans. Other-than-temporary impairments on loans are charged to net realized capital losses and are not adjusted for subsequent recoveries in value. There were no other-than-temporary impairments on mortgage loans for the years ended December 31, 2018 and 2017, respectively.

The Company's $4,520 million and $4,001 million of investments in mortgage loans on real estate on December 31, 2018 and December 31, 2017 consist of loans on commercial real estate properties. Of these amounts $2,225 million and $1,682 million were mortgage loans in which the Company was a participant at December 31, 2018 and December 31, 2017. The Company had $34 million and $0 million in co-lender loan exposure as of December 31, 2018 and December 31, 2017. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Texas ($1,055 million or 23.35% and $601 million or 13.29%) at December 31, 2018. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Texas ($1,209 million or 30.24% and $351 million or 8.76%) at December 31, 2017. The Company estimates the fair value of mortgage loans on real estate to be $4,496 million and $4,085 million at December 31, 2018 and December 31, 2017, respectively. Fair value was determined based upon the present value of the scheduled future cash flows of each loan based on the average term to maturity discounted at the appropriate U.S. Treasury rate, adjusted for the current market spread for a similar quality mortgage. The minimum and maximum range of lending rates on new mortgage loans were between 3.56% and 5.00% originated during 2018. The maximum percentage of any single mortgage loan to the value of the security for loans that originated in 2018 was 63.83% at origination date.

Management monitors its mortgage loan portfolio on an ongoing basis for events or circumstances that could indicate that it will not receive all of its contractually due principal and interest payments in accordance with the loan agreements. In May and November of each year, the entire portfolio is screened based on debt service coverage, loan to value ratio, delinquency over 90 days and if there are indications that balloon payments due at maturity will not be made to determine if any other than temporary impairments might need to be recorded.

Interest received on impaired loans that were previously modified in a troubled debt restructuring is either applied against the principal or reported as revenue according to management's judgment as to the collectability of principal. There were no mortgages with interest more than 180 days past due at December 31, 2018 or December 31, 2017, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

The following table set forth the credit quality indicators as of December 31, 2018 and December 31, 2017, based upon the recorded investment gross of allowance for credit losses.

Mortgage Loans

	Debt Service Coverage Ratio - December 31, 2018						
	Greater than 2.0X	1.8X to 2.0X	1.5X to <1.8X	1.2X to <1.5X	1.0X to <1.2X	Less than 1.0X	Grand Total
Loan-to-Value Ratio							
0% - 49.99%	$ 880	$ 62	$ 98	$ 75	$ 6	$ 1	$ 1,122
50% - 59.99%	1,161	299	281	102	-	-	1,843
60% - 69.99%	1,025	65	189	42	-	-	1,321
70% - 79.99%	167	-	-	21	46	-	234
80% - 89.99%	-	-	-	-	-	-	-
90% - 100%	-	-	-	-	-	-	-
Greater than 100%	-	-	-	-	-	-	-
Total	**$ 3,233**	**$ 426**	**$ 568**	**$ 240**	**$ 52**	**$ 1**	**$ 4,520**

Mortgage Loans

	Debt Service Coverage Ratio - December 31, 2017						
	Greater than 2.0X	1.8X to 2.0X	1.5X to <1.8X	1.2X to <1.5X	1.0X to <1.2X	Less than 1.0X	Grand Total
Loan-to-Value Ratio							
0% - 49.99%	$ 939	$ 62	$ 178	$ 24	$ 19	$ -	$ 1,222
50% - 59.99%	798	263	181	120	21	-	1,383
60% - 69.99%	715	-	276	103	52	4	1,150
70% - 79.99%	140	18	-	38	47	3	246
80% - 89.99%	-	-	-	-	-	-	-
90% - 100%	-	-	-	-	-	-	-
Greater than 100%	-	-	-	-	-	-	-
Total	**$ 2,592**	**$ 343**	**$ 635**	**$ 285**	**$ 139**	**$ 7**	**$ 4,001**

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NOTE 3 – INVESTMENTS (CONTINUED)

Real Estate:
Real estate investments are reported in the financial statements at cost, less any valuation adjustment, encumbrances and accumulated depreciation of buildings and other improvements using a straight line method over a 40 year period for the buildings and the estimated useful life of the improvements. An investment in real estate is considered impaired when the projected undiscounted net cash flow from the investment is less than depreciated cost. When the Company determines that an investment in real estate is impaired, a valuation adjustment is recorded to reduce the carrying value to estimated fair value, after encumbrances, based on appraisal of the property. The valuation adjustment is included in realized capital gains (losses).

Real estate was comprised of the following for the years ended December 31, 2018 and December 31, 2017:

	2018	2017
	(In millions)	
Investment real estate	$ 328	$ 341
Properties occupied by the Company	3	4
Total real estate	$ 331	$ 345

The Company had accumulated depreciation totaling $108 million and $102 million at December 31, 2018 and December 31, 2017, respectively. The Company recorded depreciation expense of $18 million for 2018 and $19 million for 2017. There was one property with carrying value of $7.3 million, above its combined fair value of $7 million at December 31, 2018. There were two properties with carrying value of $22 million, above their combined fair value of $20 million at December 31, 2017. There was no other-than-temporary impairment taken on real estate in 2018. There was one other-than-temporary impairment of $4 million taken on real estate in 2017. The fair values were determined by a third party and internal appraisals. There were four home office properties with carrying value of $10 million that were sold in 2017 resulting in a gain of $2 million.

Restricted Assets and Special Deposits:
The Company had admitted restricted assets of $79 million and $12 million at December 31, 2018 and 2017, respectively. Of these amounts, there were deposits with states as required by certain insurance laws of $4 million in 2018 and $4 million 2017 and pledged as collateral for futures trading of $12 and $8 million in 2018 and 2017, respectively. These amounts are included in Bonds in the Statutory Basis Balance Sheets. There were $12 million of FHLBNY stock purchased by the Company in 2018 which are classified as restricted general account investments within "Common and preferred stocks". Also, as of December 31, 2018, the Company pledged mortgage loans with a carrying value of $51 million that support outstanding funding agreements with the FHLBNY. There were no FHLBNY restricted stock or mortgage loan pledged as collateral in 2017. Total admitted restricted assets were 0.14% and 0.02% of the Company's total admitted assets at December 31, 2018 and 2017, respectively. There were no non-admitted restricted assets in 2018 or 2017.

Investment in Subsidiaries:
Investment in affiliated limited liability subsidiaries are included in Other invested assets while investment in all other subsidiaries are included in Common stocks on the Statutory Basis Balance Sheets and totaled $1,869 million and $1,819 million at December 31, 2018 and December 31, 2017, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

The Company's major subsidiaries are as follows:

Guardian Insurance and Annuity Company ("GIAC") is a stock life insurance company organized primarily for the sale of variable deferred annuities, fixed deferred and immediate annuity contracts, and variable life insurance policies. For variable products, contracts are sold by insurance agents who are licensed by Park Avenue Securities LLC ("PAS"), wholly-owned by GIAC, and are either registered representatives of PAS or of broker-dealer firms that have entered into sales agreements with GIAC. Effective September 1, 2016, GIAC sold its Group 401(k) in-force business to Ameritas Life Insurance Corp., a Nebraska corporation ("Buyer") and entered into an indemnity reinsurance agreement with the Buyer on a 100% modified coinsurance basis for the liabilities until the Buyer can obtain all of the required regulatory and contract holder approvals to novate the GIAC Group 401(k) in-force contracts through Assumption Reinsurance.

Berkshire Life Insurance Company of America ("BLICOA") is a stock life company whose primary business is the sale and administration of disability insurance business.

Park Avenue Life Insurance Company ("PALIC") primary business is the administration of life insurance business (principally term and universal life products). Although PALIC is licensed in 48 states and the District of Columbia, it does not currently write new business.

First Commonwealth, Inc. ("FCW") provides dental, vision and hearing care coverage for government and commercial customers.

Guardian Investor Services ("GIS") is a wholly-owned non-insurance limited liability company that provides investment advisory services and related services to the mutual funds, variable investment trusts, private investment unit trust, institutional and other clients through Park Avenue Institutional Advisers ("PAIA"), wholly-owned subsidiary of GIS. GIS provides absence management services to organizations and also holds investments in real estate operating entities and joint ventures, residual interests in collateralized loan obligation securities and investments in early stage companies. On December 31, 2018, GIS recognized a loss on its sale of its dental service organization ("DSO") business.

NOTE 3 – INVESTMENTS (CONTINUED)

Selected financial information for the Company's significant subsidiaries is highlighted below:

	2018	2017
	(In millions)	
GIAC (Statutory basis)		
Total assets	$ 13,310	$ 17,360
Total liabilities	12,855	17,050
Net income	$ 148	$ 26
BLICOA (Statutory basis)		
Total assets	$ 3,928	$ 3,718
Total liabilities	3,735	3,529
Net (loss)/income	$ (13)	$ 11
PALIC (Statutory basis)		
Total assets	$ 233	$ 236
Total liabilities	183	195
Net income	$ 6	$ 5
FCW (GAAP basis)		
Total assets	$ 589	$ 586
Total liabilities	118	112
Net income	$ 32	$ 28
GIS (GAAP basis)		
Total assets	$ 2,202	$ 1,962
Total liabilities	1,468	1,129
Net (loss)/income	$ (48)	$ 2

NOTE 3 – INVESTMENTS (CONTINUED)

Investment in Subsidiaries

The following table provides additional information on non-insurance subsidiaries.

December 31, 2018

Description of SCA Investment (Per SSAP No 97)	% of SCA Ownership	Gross Amount	Non-admitted Amount	Admitted Asset Amount	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (yes/no)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (yes/no)	Code
				(In millions)						
Managed Dental Care of California	100%	$ 4	$ -	$ 4	12/31/2017	Sub-2	Y	$ 4	no	I
First Commonwealth	100%	440	-	440	12/31/2017	Sub-2	Y	443	no	I
Innovative Underwriters	100%	7	7	-	-	Sub-2	n/a	-	n/a	I
Guardian Investors Services, LLC	100%	720	-	720	-	n/a	n/a	-	n/a	I
Guardian Acqusition I, LLC	100%	27	27	-		n/a	n/a	-	n/a	I
Aggregate Total		**$ 1,198**	**$ 34**	**$ 1,164**				**$ 447**		

December 31, 2017

Description of SCA Investment (Per SSAP No 97)	% of SCA Ownership	Gross Amount	Non-admitted Amount	Admitted Asset Amount	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (yes/no)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (yes/no)	Code
				(In millions)						
Managed Dental Care of California	100%	$ 4	$ -	$ 4	12/30/2016	Sub-2	Y	$ 5	no	I
First Commonwealth	100%	443	-	443	12/30/2016	Sub-2	Y	508	no	I
Innovative Underwriters	100%	6	6	-	-	Sub-2	n/a	-	n/a	I
Guardian Investors Services, LLC	100%	824	-	824	-	n/a	n/a	-	n/a	I
Guardian Acqusition I, LLC	100%	24	24	-		n/a	n/a	-	n/a	I
Aggregate Total		**$ 1,301**	**$ 30**	**$ 1,271**				**$ 513**		

NOTE 3 – INVESTMENTS (CONTINUED)

NET INVESTMENT INCOME
Net investment income, including accrual of discounts and amortization of premiums, arose from the following sources for the years ended December 31, 2018 and December 31, 2017:

	2018	2017
	(In millions)	
Bonds	$ 1,637	$ 1,611
Preferred stocks	-	-
Unaffiliated common stocks	13	24
Affiliated common stocks	45	47
Mortgage loans	171	166
Real estate	64	69
Policy loans	262	253
Cash and short-term investments	13	6
Other (mainly private equities)	154	155
Gross investment income	2,359	2,331
Less investment expenses	(227)	(225)
Net investment income	$ 2,132	$ 2,106

NET REALIZED CAPITAL (LOSSES) GAINS
Net realized capital losses were derived from the following sources for the years ended December 31, 2018 and December 31, 2017:

	2018	2017
	(In millions)	
Bonds	$ (208)	$ 255
Preferred stocks	-	28
Common stocks (unaffiliated & affiliated)	(8)	15
Mortgage loans	-	(7)
Real estate	25	12
Other invested assets	(171)	5
Derivatives and hedging losses gains	(17)	(18)
Other realized losses	-	1
Total net realized capital gains	(379)	291
Capital gains tax benefit/(expense)	51	(152)
Transfer from/(to) IMR (net of tax)	156	(166)
Net realized capital losses	$ (172)	$ (27)

The net realized capital loss amount above includes other-than-temporary impairment losses of $192 million and $54 million for the years ended December 31, 2018 and December 31, 2017, respectively. Of the $192 million for 2018, $59 million relates to impairments that reduced surplus which were driven primarily by $39 million for GIS' sale of the DSO business and $14 million in bonds. The remaining $133 million relates primarily to $90 million in investment tax credit investments and $30 million for private equities. Of the $54 million for 2017, $15 million relates to impairments that reduced surplus which consists of $11 million in bonds and $4 million in real estate. The remaining $39 million relates to private equities.

NOTE 3 – INVESTMENTS (CONTINUED)

Derivative Financial Instruments:
The Company enters into derivative transactions in order to mitigate (“hedge”) certain risks pertaining to its assets, liabilities and surplus from fluctuations in interest rates, foreign currency exchange rates and market volatility. Derivatives are either exchange traded or contracted over-the-counter. The majority of the Company’s over-the-counter derivatives are bilateral contracts between the Company and a single counterparty. The Company’s remaining over-the-counter derivatives are cleared and settled through central clearing counterparties.

Derivatives that are designated as hedges for accounting purposes and meet the qualifications for hedge accounting are reported on a basis consistent with the asset or liability being hedged (i.e. at amortized cost). Derivatives that are used to mitigate risk but are not designated as hedges for accounting purposes or do not meet the qualifications for hedge accounting treatment are reported at fair value.

To qualify for hedge accounting the hedge relationship must be designated and formally documented at inception. This documentation details the risk management objective and strategy for the hedge, the derivative used in the hedge, the asset or liability being hedged, and the methodology for assessing hedge effectiveness. The hedge must also be “highly effective” with an assessment of its effectiveness performed both at inception and on an ongoing basis over the life of the hedge.

Derivative transactions expose the Company to the risk that the counterparty may not be able to fulfill its obligations under the terms set forth in the contract. The Company manages this counterparty risk by entering into transactions with counterparties that maintain a minimum credit rating, by performing ongoing review of a counterparties’ credit standing, by adhering to established limits for credit exposure to any single counterparty and requiring collateral posting subject to thresholds and minimum transfer amounts in accordance with counterparty agreements to support credit risk associated with counterparty exposures which further reduces the Company’s exposure to default by the counterparty. The Company is required to establish a margin account for all of its futures contracts. All of the futures contracts that the Company has entered into are exchange traded. Margin payments are required for futures contract and contract gains or losses are settled daily in cash, therefore the futures contracts are carried at zero value on the Company’s balance sheets. The contract amount of futures contracts represents the extent of the Company’s involvement, but not future cash requirements, as open positions are typically closed out prior to the delivery date of the contract. The Company does not offset the statement values for derivatives executed with the same counterparty, even if a master netting arrangement is in place. The Company also does not offset the right to claim collateral against the obligation to return such collateral.

The Company has no embedded credit derivatives that expose it to the possibility of being required to make future payments. The Company also does not have any derivative contracts with financing premiums.

Hedging – Designated As Hedging Instruments
The Company designates and accounts for its foreign currency swaps as cash flow hedges and certain equity index futures, treasury futures and S&P equity option as fair value hedges.

Foreign currency swaps are used to mitigate the foreign exchange risk for investments in specifically identified private placement bonds denominated in foreign currencies over a period of up to 15 years. Foreign currency swaps obligate the Company and a counterparty to exchange the foreign currency denominated interest and principal payments receivable on foreign denominated bonds for U.S. dollar payments based on currency exchange rates specified at the inception of the transaction. Foreign exchange gains or losses on these contracts are reported as a change in unrealized gains or losses until the maturity or sale of the hedged foreign currency bond at which time a realized capital gain or loss is recognized.

Equity index futures are used to mitigate the change in value of the liability the Company has to participants in its deferred compensation plans that allocate their plan account balances to equity funds offered under the plan. Equity index futures obligate the Company to pay or receive from a counterparty a cash amount based on a specified equity market index at a predefine price as of a future date applied to the notional amount of the contracts. The change in the fair value of the futures contracts is recorded in current period earnings as income or expense which offsets the operating gain or loss from the change in value of its deferred compensation liability. If the hedge is deemed to be ineffective for any period of time, the change in the fair value of the futures contracts for that time period is recorded in surplus as an unrealized gain or loss.

NOTE 3 – INVESTMENTS (CONTINUED)

Treasury futures are used to mitigate the portion of the change in fair value related to a change in interest rates on specifically identified assets acquired by the Company and held in its general account to support the Funding Agreements ("FA") and the specifically identified portion of a liability incurred by the Company pertaining to FA that are issued by the Company to back Medium Term Notes ("MTN") issued by a special purpose entity.

The Company enters into short positions (sells) treasury futures contracts prior to the issuance of the FA-MTN in order to lock-in the interest rate component of the return of the designated assets at their date of acquisition. When the FA-MTN is issued the Company enters into long position (purchases) treasury futures contracts in order to mitigate the change in the fair value of the designated net liability due to the effects of interest rate changes. The change in the fair value of the futures contracts is recorded in current period earnings as income or expense which offsets the operating gain or loss incurred by the Company on the change in value of its FA liability.

Treasury futures obligate the Company to take or receive delivery of certain Treasury Bonds at a specified price at a future date.

S&P equity options are used by the Company as a risk management strategy to reduce the projected dividend liability exposure on its Index Participation Feature ("IPF") which is a rider on certain whole life contracts. The Company uses a combination of short positions (sell) and long positions (purchases) of over-the-counter European call options on the S&P 500 index with expiration of one year to mitigate the dividend liability exposure based on the future return on S&P 500 index for the annual period of the monthly segment being hedged between the guaranteed floor rate and the cap rate on the participating balances. The change in the fair value of the options contracts is recorded in current period earnings as income or expense which offsets the operating gain or loss incurred by the Company on the change in the amount of the dividend liability.

Hedging – Not Designated As Hedging Instruments

The Company enters into other derivative transactions that mitigate economic risks but are not designated as a hedge for accounting purposes or do not qualify for hedge accounting treatment. These derivative instruments are reported at fair value on the balance sheet as either other invested assets or other liabilities. Changes in the fair value of these instruments are reported as a change in unrealized capital gains or losses until the maturity or termination of the contract, at which time a realized capital gain or loss is recorded.

Treasury futures are used to mitigate the key rate duration mismatch between the designated segment of the general account asset portfolio and the custom composite benchmarks for that segment designed to incorporate certain interest rate characteristics of the liabilities that those assets support. Treasury futures obligate the Company to take or receive delivery of certain Treasury Bonds at a specified price at a future date.

Foreign currency futures are used to mitigate the foreign exchange risk of investments in foreign denominated bonds securities. Foreign currency futures are exchange traded and settled daily. Foreign currency futures obligate the Company to exchange a specified amount of foreign currency at a specified rate on a future date.

Equity index futures are used to mitigate market fluctuations of the Company's portfolio of unaffiliated common stock and other mark to market assets and to minimize the volatility associated with certain liabilities. Equity index futures obligate the Company to pay or receive from a counterparty a cash amount based on a specified equity market index at a predefine price as of a future date applied to the notional amount of the contracts.

NOTE 3 – INVESTMENTS (CONTINUED)

Foreign currency forwards are used to mitigate the foreign exchange risk for investments in foreign denominated bonds or foreign denominated equity investments. Foreign currency forwards obligate the Company and the counterparty to exchange U.S. dollars and another currency at a specified future date and at a specified price.

Credit default swaps index ("CDX") are used to reduce the credit risk exposure on a specified portfolio of corporate bonds. The Company purchases CDX contracts in which it receives payments if there is a credit event on one or more of the specified securities contained in the index. These payments would be used to offset any credit losses recorded on the portfolio of bonds being hedged.

The Company also entered into short positions (sells) treasury futures contracts in order to lock in the interest rate as of the date the hedge was entered into for a surplus note that was issued in January 2017.

Replications

The Company purchased treasury futures as part of a replication transaction used to manage interest rate exposure. Statutory accounting guidance requires a cash instrument (high quality bond) with the same par value as the notional amount of the derivative and at least the same duration as the treasury futures to be held by the Company in order to cover the change in value of the treasury futures. The combining of the treasury futures and the cash instrument creates the replication (synthetic bond). If the replicated asset and cash instrument are carried at amortized cost so is the derivative. Otherwise, the derivative is carried at fair value.

NOTE 3 – INVESTMENTS (CONTINUED)

The effects of the Company's use of derivative instruments on the Balance Sheets and Statements of Operations:

December 31, 2018	Notional Amount	Statement Value: Assets	Statement Value: Liabilities	Change in Unrealized Capital Gains (Losses)	Net Realized Capital Gains (Losses)	Net Investment Income	Gain/(loss) from Operations
			(in millions)				
Derivatives designated as hedging instruments:							
Foreign currency swaps	$ 1,011	$ -	$ -	$ 53	$ -	$ -	$ -
Equity index futures	204	-	-	-	-	-	(24)
Treasury futures	102	-	-	-	3	-	-
S&P equity options	13	-	-	-	-	-	-
Derivatives not designated as hedging instruments:							
Treasury futures	254	-	-	2	(14)	-	-
Equity index futures	-	-	-	-	(1)	-	-
Credit default swap index	-	-	-	-	(5)	-	-
Total derivatives	$ 1,584	$ -	$ -	$ 55	$ (17)	$ -	$ (24)

December 31, 2017	Notional Amount	Statement Value: Assets	Statement Value: Liabilities	Change in Unrealized Capital Gains (Losses)	Net Realized Capital Gains (Losses)	Net Investment Income	Gain/(loss) from Operations
			(in millions)				
Derivatives designated as hedging instruments:							
Foreign currency swaps	$ 816	$ 13	$ -	$ (63)	$ -	$ -	$ -
Equity index futures	213	-	-	-	-	-	36
Treasury futures	88	-	-	-	(15)	-	-
S&P equity options	5	-	-	-	-	-	-
Derivatives not designated as hedging instruments:							
Treasury futures	45	-	-	1	(1)	-	-
Equity index futures	1	-	-	-	-	-	-
Credit default swap index	-	-	-	-	(1)	-	-
Total derivatives	$ 1,168	$ 13	$ -	$ (62)	$ (17)	$ -	$ 36

Repurchase Agreements:
The Company periodically enters into repurchase agreements whereby securities will be resold at a predefined price. There were no repurchase agreements as of December 31, 2018 and December 31, 2017, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

Reverse Repurchase Agreements:
The Company periodically enters into reverse repurchase arrangements whereby certain securities are loaned, primarily with major brokerage firms. The Company's policy requires a minimum of 95% of the fair value of the loaned securities as collateral, calculated on a daily basis, in the form of either cash or securities. Collateral assets received and related liabilities due counterparties are included in the Statutory Basis Balance Sheets as "Other Liabilities". There were no open reverse repurchase agreements on December 31, 2018 or December 31, 2017.

Securities Lending
There were no securities on loan at December 31, 2018 or December 31, 2017.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Statutory guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions based on internally developed data in the absence of observable market information. The guidance requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when determining the fair value of an asset or liability. The statement classifies all assets and liabilities carried or disclosed at fair value in one of the following three categories:

Level 1 – inputs are quoted market prices available in active markets for identical assets or liabilities on the reporting date.

Level 2 – inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – inputs are unobservable where there is little or no market activity for the asset or liability and the Company makes estimates and assumptions based on internally derived information.

The estimated fair values presented below have been determined using available information and valuation methodologies. The estimated fair value for financial instruments held by the Company was determined by management after considering the following sources of information: published market quotes for active exchange traded instruments, third party pricing vendors, quotes from investment banks that are lead market makers in certain markets, independent broker quotations, or the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Accordingly, such amounts are management's estimate of the value that would be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies from period to period based on available information and market conditions could have a material effect on the estimated fair values.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Bonds, preferred and common stocks:
Estimated fair values for bonds, other than private placement securities, preferred stock and common stock are valued based on quoted prices from active markets when available (Level 1).

When the Company cannot obtain a quoted market price directly it relies on values provided by a third party pricing vendor. This is the pricing source for the majority of the Company's marketable securities. Prices received from a third party vendor are generally considered to be Level 2.

Pricing vendors utilize pricing models developed for individual asset classes which incorporate available market data. These market inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data which include market research publications. The pricing vendor may obtain broker quotes for securities when sufficient information is not available to fully evaluate a security. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants.

Portfolio managers review the values assigned by the pricing vendor for reasonableness. In doing so, they compare the prices received from the pricing vendor to prices of similar securities, price ranges in that asset class or industry or prices from internally generated position reports. If there is a discrepancy with the price received from the vendor, the portfolio manager may communicate this difference to the pricing vendor and present the vendor with additional market data regarding that security in order to insure the pricing vendor has sufficient information needed to accurately price the security. The pricing vendor will then independently validate and evaluate that data and determine if a price change is warranted.

In the rare instance when a portfolio manager finds a difference in his or her assessment of fair value and the vendor price, after performing the preceding procedures, the portfolio manager may request replacement of the vendor price by a supportable value that is believed to be more representative of the security price. Any replacement of the vendor price is subject to an internal approval process.

The fair values of private placement bonds are determined by using an internal pricing model or for a small amount of securities, assigned individual broker prices. There were seventy-seven private placement bonds that were individually priced. These assigned individual prices are usually obtained from an external broker ("hand priced") and are considered to be Level 3.

The significant inputs used for the internal pricing model consist of (i) a broker supplied price matrix, (ii) treasury rates and (iii) credit ratings from certain nationally recognized securities rating organizations ("NRSRO") ("external ratings") or a credit rating assigned internally by the Company's Private Placement Investment Management Group ("internal ratings").

Private placement bonds with an applicable external credit rating of BB or above, for which the corresponding matrix price is used, are classified as Level 2. A private placement bond with an applicable external credit rating of below BB is classified as Level 3 due to the limited amount of market data available for these securities.

Bonds are carried at amortized cost unless they are rated 6 by the NAIC SVO in which case they are reported at the lower of amortized cost or fair value. There no bonds rated 6 by the NAIC SVO and carried at fair value on December 31, 2018 and December 31, 2017. Impaired bonds carried at fair value on December 31, 2018 and December 31, 2017 were $40 million and $7 million, respectively.

Preferred stock is carried at amortized cost if they have a NAIC SVO rating of 1, 2 or 3 and at lower or cost or fair value if the rating assigned is 4, 5 or 6. There were no preferred stocks carried at fair value on December 31, 2018 and December 31, 2017. Unaffiliated common stocks are reported at fair value.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives:
Derivative instruments are valued through the use of quoted market prices for exchange-traded derivatives (Level 1), third party pricing model and a third party pricing service for over-the-counter ("OTC") traded derivatives (Level 2) and by using internally developed estimates and assumptions when no quoted market price or third party vendor price is available (Level 3).

The third party pricing model used to determine fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what market participants would use when pricing the instruments. The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant observable inputs include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility.

The methodology used by the third party pricing service for derivative investments is the same as that described above under the bonds, preferred and common stocks section.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables summarize the Company's financial instruments carried at fair value by their fair value/NAV hierarchy levels for the period ending December 31, 2018 and December 31, 2017:

	December 31, 2018					
	Level 1	Level 2	Level 3	Total Fair Value	NAV	Carrying Amount
Assets	(In millions)					
Impaired Bonds	$ -	$ 40	$ -	$ 40	$ -	$ 40
Common Stock	-	579	12	591	70	661
Total Assets	$ -	$ 619	$ 12	$ 631	$ 70	$ 701
Liabilities						
Derivative instruments	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	$ -	$ -	$ -	$ -	$ -	$ -

	December 31, 2017					
	Level 1	Level 2	Level 3	Total Fair Value	NAV	Carrying Amount
Assets	(In millions)					
Impaired Bonds	$ -	$ -	$ 7	$ 7	$ -	$ 7
Common Stock	-	457	-	457	79	536
Total Assets	$ -	$ 457	$ 7	$ 464	79	543
Liabilities						
Derivative instruments	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes changes to the Company's financial instruments carried at fair value and classified as level 3 in the fair value hierarchy for the year ended December 31, 2018.

Level 3 Roll Forward	As of December 31, 2018			
(In Millions)	NAIC 6 Bonds	Impaired Bonds	Common Stock	Total
Fair Value , beginning of period	$ -	$ 7	$ -	$ 7
Total gains or (losses) (realized or unrealized):				-
Included in net income	-	-	-	-
Included in surplus	-	-	-	-
Purchases, sales, issuances, and settlements:				-
Purchases	-	-	12	12
Sales	-	(7)	-	(7)
Issuances	-	-	-	-
Settlements	-	-	-	-
Transfers into Level 3	-	-	-	-
Transfers out of Level 3	-	-	-	-
Fair value, end of period	$ -	$ -	$ 12	$ 12

Transfers into and out of Level 3 are recognized at the end of the reporting period. During 2018, the Company transferred one security into Level 3. The transfers in and out of level 3 were determined by the observable/unobservable inputs used in pricing the securities.

Level 3 Roll Forward	As of December 31, 2017			
(In Millions)	NAIC 6 Bonds	Impaired Bonds	Common Stock	Total
Fair Value , beginning of period	$ -	$ -	$ -	$ 0
Total gains or (losses) (realized or unrealized):				-
Included in net income	-	-	-	-
Included in surplus	-	-	-	-
Purchases, sales, issuances, and settlements:				-
Purchases	-	-	-	-
Sales	-	-	-	-
Issuances	-	-	-	-
Settlements	-	-	-	-
Transfers into Level 3	-	7	-	7
Transfers out of Level 3	-	-	-	-
Fair value, end of period	$ -	$ 7	$ -	7

Transfers into and out of Level 3 are recognized at the end of the reporting period. During 2017, the Company transferred one security into Level 3. The transfers in and out of level 3 were determined by the observable/unobservable inputs used in pricing the securities.

NOTE 5 – RESERVES FOR POLICY BENEFITS

Reserves for policy benefits represent the estimated net present value of future policy benefits, less future policy premiums, established using actuarial methods based on mortality and morbidity experience tables and valuation interest rates prescribed by the Department. Actual future experience will generally differ from assumptions used to determine these reserves.

Reserves for future policy benefits on life insurance issued in 1988 and later are calculated principally on the New Jersey Reserve Method or the Commissioners Reserve Valuation Method using the 1980 Commissioners' Standard Ordinary ("CSO"), the 2001 CSO, and the 2017 CSO mortality tables. Reserves on life policies issued before 1988 are calculated principally on the Net Level Premium Reserve Method using the American Experience, 1941, 1958 and 1980 CSO mortality tables. Annuity contract reserves are principally calculated using the 1983 Group Mortality table and the various Individual Annuity mortality tables. Assumed interest rates principally range from 2.5% to 5.5 % for direct business.

The reserves for Group Life Waiver and LTD reported claims are determined on a seriatim basis. Life waiver of premium reserves are determined primarily using the 1970 Inter-company Group Life Disability Table for claims incurred on or before December 31, 2008 and the 2005 Group Term Life Waiver Reserve Valuation Table for claims incurred on or after January 1, 2009. The interest rate is 4.0% for claims incurred on or before December 31, 2012 and 3.5% for claims incurred on or after January 1, 2013. Long-term disability reserves are determined using the 2012 Group Long-Term Disability Valuation Table for claims incurred on or after January 1, 2017 and Table 95a for claims incurred on or before December 31, 2016 for the first 24 months after disablement, and the 1987 Commissioners' Group Disability Table for greater than 24 months of disablement. The interest rates range from 2.75% to 5.0%, depending on the year of incurral. Short Term Disability (STD), Dental, and Medical claims incurred but not yet reported ("IBNR") reserves are estimated based on the Company's historical experience. Dental and Medical reserves include reasonable allowances for potential adverse deviation.

The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium paid beyond the date of death. The larger of legally computed reserves and cash surrender values on a policy-by-policy basis are held as liabilities. Plans, except for second-to-die plans, charge additional premiums for substandard lives based upon actual issue age. Second-to-die plans develop substandard reserves using the rated up age. Mean reserves are based on appropriate multiples of standard rates of mortality. As of December 31, 2018, the Company had $15 billion of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of New York. The reserves to cover the above insurance totaled $35 million. The Tabular Interest, the Tabular Less Actual Reserve Released and the Tabular Cost have been determined by formula. For the determination of Tabular Interest on funds not involving life for each valuation rate of interest, the tabular interest is calculated as the product of such valuation rate of interest times the average of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

NOTE 5 – RESERVES FOR POLICY BENEFITS (CONTINUED)

At December 31, 2018 and December 31, 2017 the withdrawal characteristics of the Company's annuity reserves and deposit liabilities were as follows:

	As of December 31, 2018				
	(1) General Account	(2) Separate Account with Guarantees	(3) Separate Account Non Guaranteed	(4) Total	(4) % of Total
A. Subject to discretionary withdrawal:					
(1) With market value adjustment	$ 10	$ -	$ -	$ 10	0.5%
(2) At book value less current surrender charge of 5% or more	57	-	-	57	2.6%
(3) At fair value	-	-	-	-	-
(4) Total with adjustment or at fair value (Total of 1 through 3)	$ 67	$ -	$ -	$ 67	3.1%
(5) At book value without adjustment (with minimal or no charge or adjustment)	$ 511	$ -	$ -	$ 511	23.9%
B. Not subject to discretionary withdrawal	$ 1,565	$ -	$ -	$ 1,565	73.0%
C. Total (gross: direct + assumed)	$ 2,143	$ -	$ -	$ 2,143	100.0%
D. Reinsurance ceded	-	-	-	-	-
E. Total (net)* (C)- (D)	$ 2,143	$ -	$ -	$ 2143	100.0%

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities

	As of December 31, 2017				
	(1) General Account	(2) Separate Account with Guarantees	(3) Separate Account Non Guaranteed	(4) Total	(4) % of Total
A. Subject to discretionary withdrawal:					
(1) With market value adjustment	$ 10	$ -	$ -	$ 10	0.5%
(2) At book value less current surrender charge of 5% or more	60	-	-	60	3.3%
(3) At fair value	-	-	-	-	0.0%
(4) Total with adjustment or at fair value (Total of 1 through 3)	$ 70	$ -	$ -	$ 70	3.8%
(5) At book value without adjustment (with minimal or no charge or adjustment)	$ 546	$ -	$ -	$ 546	29.6%
B. Not subject to discretionary withdrawal	$ 1,227	$ -	$ -	$ 1,227	66.6%
C. Total (gross: direct + assumed)	$ 1,843	$ -	$ -	$ 1,843	100.0%
D. Reinsurance ceded	-	-	-	-	0.0%
E. Total (net)* (C)- (D)	$ 1,843	$ -	$ -	$ 1,843	100.0%

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities

NOTE 5 – RESERVES FOR POLICY BENEFITS (CONTINUED)

Note Programs

Funding agreements are investment contracts whose reserve liabilities are equal to the account value and are established by contract deposits, increased by interest credited and decreased by contract coupon payments and maturities. Contract holders do not have the right to terminate the contract prior to the contractually stated maturity date. Credited interest rates vary by contract and can be fixed or floating. Under the note programs, the Company creates special purpose entities ("SPEs"), which are investment vehicles or trusts, for the purpose of issuing medium-term notes to investors. Proceeds from the sale of the medium-term notes issued by these SPEs are used to purchase funding agreements from the Company. The medium term notes are secured by the funding agreements with the note issuer granting a security interest in the funding agreement to the indenture trustee for the notes. The payment terms of any particular series of notes are matched by the payment terms of the funding agreement securing the series. The Company has a $3.0 billion Global Medium-Term Note Program of which $1.5 billion notes have been issued with $1.5 billion remaining outstanding as of December 31, 2018. The $1.5 billion and $1.2 billion is included in "Policyholder dividends payable and other contract liabilities" in the Statutory Basis Balance Sheets as of December 31, 2018 and December 31, 2017, respectively.

NOTE 6 – PREMIUM AND ANNUITY CONSIDERATIONS DEFERRED AND UNCOLLECTED

Gross deferred and uncollected life insurance premiums represent premiums due to be received from policy owners through the next policy anniversary date. Net deferred and uncollected life insurance premiums represent only the portion of gross premiums related to mortality charges and interest. Deferred and uncollected life insurance premiums at December 31, 2018 and December 31, 2017 were as follows:

	2018 (In millions)		2017 (In millions)	
Type	**Gross**	**Net**	**Gross**	**Net**
Ordinary new business	$ 63	$ 62	$ 64	$ 64
Ordinary renewal	696	598	674	581
Group life	179	359	175	351
Totals	$ 938	$ 1,019	$ 913	$ 996

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS

Defined Benefit Plans:
The Company sponsors non-contributory defined benefit pension plans covering all eligible employees. These include tax-qualified plans, as well as nonqualified plans that provide benefits to certain participants in excess of ERISA limits for qualified plans. The Company's policy is to fully fund the obligations of qualified plans in accordance with ERISA requirements.

In addition to pension benefits, the Company provides certain health care, dental and life insurance benefits ("postretirement benefits") for retired employees. Substantially all of the employees and representatives may become eligible for these benefits if they reach retirement age while working for the Company.

In accordance with NAIC SAP, the costs associated with these required benefits are expensed over the period that the participant provides services to the Company, including recognition of assets and liabilities based on the funded status of the related plans. Pension assets are then non-admitted and thereby excluded from surplus.

Effective January 1, 2013, the Company adopted Statement of Statutory Accounting Principle No. 92, Accounting for Postretirement Benefits Other Than Pensions, A Replacement of SSAP No. 14 ("SSAP 92") and Statement of Statutory Accounting Principle No. 102, Accounting for Pensions, A Replacement of SSAP No. 89 ("SSAP 102"). These new statutory accounting standards require that estimates of the projected benefit obligations and accumulated benefit obligations include future benefit obligations due to non-vested participants. They also require that the Company's surplus as reported in the statements of financial position fully reflect any net liability related to the plans' projected benefit obligations, reduced by the fair value of any plan assets, including unrecognized net experience losses and prior service costs. Based on the funded status of the plans at December 31, 2012, the new standards reduced surplus by approximately $260 million. The new standard permitted the Company an election to recognized this surplus reduction over a period of up to ten years, which the Company elected.

The table below discloses the remaining unrecognized transition impact:

Surplus Impact at Transition		
Transition Liability	$	260
Amount Recognized on January 1, 2013		(59)
Accelerated Transition Liability recognized due to funded status gains – December 31, 2013		(120)
Remaining Transition Liability - December 31, 2013		81
Transition amount recognized during 2014		(19)
Transition amount recognized during 2015		(33)
Transition amount recognized during 2016		(13)
Transition amount recognized during 2017		(13)
Transition amount recognized during 2018		(3)
Remaining Transition Liability - December 31, 2018	$	0

At December 31, 2018 there is no remaining transition impact to be recognized.

Plan Amendments
On September 8, 2016, the Company announced a plan amendment to freeze The Guardian Retirement Plan for Field Clerical Employees effective December 31, 2016. The plan amendment affects only the Field Clerical defined benefit pension plan. The announcement of the plan freeze resulted in a plan curtailment. As a result of this amendment, all plan participants ceased accruing additional benefits under the plan effective December 31, 2016. As of December 31, 2016, all active plan participants who completed one year of service (were hired no later than January 1, 2016) were fully vested in their accrued benefit. On September 26, 2016, the Company filed a determination letter with the Internal Revenue Service requesting approval to terminate the plan.

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

On May 23, 2017, the Company received a favorable determination letter from the IRS. From September to October 2017, Plan participants who were not yet receiving annuity payments were offered a one-time opportunity to receive their benefit in a lump sum payment. Lump sum payments were mailed to participants in December 2017 and paid out using the Field Clerical defined benefit pension plan assets. The December 2017 Lump Sum payments attributable to Field Clerical defined benefit pension plan were $35.3 million and resulted in a partial settlement. As a result, a settlement charge of $10.5 million was recognized as of December 31, 2017, equal to a pro rata portion of the aggregate unamortized net loss (including the gain or loss resulting from re-measurement of the plan assets at fair value). The pro rata factor is computed as the percentage reduction in the projected benefit obligation due to the partial settlement.

On February 16, 2018 the Company contributed $18.1 million to the Field Clerical plan to cover a funding shortfall in the plan. On February 20, 2018 the Company made a cash payment to purchase a group annuity contract to settle the remaining obligations to participants in the Field Clerical plan. As of December 31, 2018 the Company has no further obligation relating to the Field Clerical Pension Plan.

On February 21, 2017, the Company announced a plan amendment to close the Home Office Employees' Retirement Plan to employees hired on or after January 1, 2018. Home Office employees hired on or after January 1, 2018 will be offered a new defined contribution plan.

Components of Net Periodic Benefit Expense

The components of net periodic pension and postretirement benefits expense including the amount of unrecognized items amortized into expense for the years ended December 31 are as follows:

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
	(In millions)			
Service cost	$ 78	$ 76	$ 5	$ 6
Interest cost	97	100	9	9
Expected return on plan assets	(147)	(131)	(10)	(9)
Amortization of transition amount	1	1	-	-
Amortization of prior service costs	-	-	-	(2)
Amortization of actuarial net loss	76	58	(2)	3
Curtailment	-	-	2	-
Settlement	25	11	-	-
Net periodic expense	$ 130	$ 115	$ 4	$ 7

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Changes in the projected benefit obligations and plan assets during the years ended December 31, 2018 and December 31, 2017 were as follows (in millions):

	Pension Benefits		Postretirement Benefits	
Change in benefit obligation	**2018**	**2017**	**2018**	**2017**
Benefit obligation, at beginning of period	$ 2,719	$ 2,352	$ 249	$ 226
Service cost	78	76	5	6
Interest cost	98	101	9	9
Actuarial loss	(176)	282	(15)	20
Settlements	(88)	(37)	-	-
Benefits paid	(126)	(74)	(13)	(12)
Other	-	19	-	-
Benefit obligation, at end of period	$ 2,505	$ 2,719	$ 235	$ 249

	Pension Benefits		Postretirement Benefits	
Change in fair value of plan assets	**2018**	**2017**	**2018**	**2017**
Plan assets, at beginning of period	$ 2,072	$ 1,766	$ 145	$ 134
Actual return on plan assets	(106)	252	(7)	23
Employer contributions	231	146	-	-
Settlements	(88)	(37)	-	-
Benefits paid	(126)	(74)	(13)	(12)
Other	(10)	19	(10)	-
Plan assets, at end of period	$ 1,973	$ 2,072	$ 115	$ 145

	Pension Benefits		Postretirement Benefits	
Funded status	**2018**	**2017**	**2018**	**2017**
Funded status at end of period	$ (532)	$ (647)	$ (120)	$ (104)
Unrecognized transition liability	1	1	-	-
Unrecognized prior service costs	-	1	7	4
Unrecognized actuarial net loss	865	889	60	61
Net amount recognized	$ 334	$ 244	$ (53)	$ (39)

	Pension Benefits		Postretirement Benefits	
Recognized as of December 31	**2018**	**2017**	**2018**	**2017**
Prepaid benefit cost	$ -	$ -	$ -	$ 11
Less assets non admitted	-	-	-	(11)
Accrued liability	(532)	(647)	(120)	(112)
Net amount recognized	$ (532)	$ (647)	$ (120)	$ (112)

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Unrecognized actuarial net gains or losses represent cumulative amounts by which plan experience for return on plan assets or changes in benefit obligations has been more or less favorable than assumed. These net differences are recognized in surplus, and in future years recognized as components of expense.

The amounts below are estimated to be amortized from surplus into net periodic benefit cost in 2019 as follows:

	Pension Benefits	Other Benefits
	(In millions)	
Net transition obligation	$ 1	$ -
Net prior service cost	-	(2)
Net loss	84	4
	$ 85	$ 2

Assumptions

Weighted average assumptions used in calculating the benefit obligations were as follows:

	Pension Benefits		Post Retirement Benefits	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Discount rate	4.40%	3.80%	4.40%	3.75%
Rate of compensation increase	3.00%	3.00%	n/a	n/a

Weighted average assumptions used in calculating the net periodic benefit cost were as follows:

	Pension Benefits For the Years Ended		Post Retirement Benefits For the Years Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Discount rate	3.80%	4.35%	3.75%	4.30%
Rate of compensation increase	3.00%	3.00%	n/a	n/a
Expected return on plan assets:				
Assets in trust account	7.60%	7.80%	7.60%	7.80%
Assets held under insurance contract/other	n/a	n/a	n/a	n/a

Assumed health care cost trend rates were as follows:

	As of December 31, 2018	As of December 31, 2017
Medical & Prescription Pre - Age 65	7.25%, grading to 4.5% over 12 years	7.5%, grading to 4.5% over 13 years

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The trend rates above reflect the Company's current claim experience and management's expectation that future rates of growth will decline. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. At December 31, 2018, a one-percent-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated postretirement benefit obligation ("APBO") for postretirement benefits by $0.1 million and $1.6 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated postretirement benefit obligation for postretirement benefits by $0.1 million and $1.5 million, respectively. At December 31, 2017, a one-percent-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated postretirement benefit obligation ("APBO") for postretirement benefits by $0.1 million and $2.0 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated postretirement benefit obligation for postretirement benefits by $0.1 million and $1.9 million, respectively.

The accumulated benefit obligations ("ABO") for the funded and unfunded pension plans were $1,910 million and $378 million, respectively, at December 31, 2018 and $2,072 million and $413 million, respectively, at December 31, 2017. The APBO for the postretirement plans was $235 million at December 31, 2018 and $249 million at December 31, 2017.

For the pension plans with ABO in excess of plan assets, the projected benefit obligations, accumulated benefit obligations, and fair value of plan assets were $2,505 million, $2,288 million, and $1,973 million respectively at December 31, 2018 and $2,719 million, $2,485 million, and $2,072 million respectively at December 31, 2017.

Prior to 2017, the pension plans held immediate participation guarantee group annuity ("IPG") contracts purchased from the Company. These contracts were expected to provide future benefits to plan participants specifically covered by these contracts of $18 million at December 31, 2016. During 2017, the contract liabilities totaling $19 million were transferred into the obligations of the pension plans and are reflected in the Projected Benefit Obligations of the plans. The IPG contracts are no longer active.

With respect to the Company's pension plans, the actuarially calculated funding amount ranges from the minimum amount the Company would be required to contribute to the maximum amount that would be deductible for tax purposes. Contribution amounts in excess of the minimum amounts are deemed voluntary. Amounts in excess of the maximum amount would be subject to an excise tax and may not be deductible under the Internal Revenue Code. The Company made contributions totaling $218 million and $142 million in 2018 and 2017, respectively.

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Benefit Payments
The following table discloses the expected benefit payments for the Company's pension and postretirement plans.

	Pension Benefits	Other Benefits
Estimated Future Payments	(In millions)	
2019	$ 149	$ 12
2020	152	13
2021	155	14
2022	160	15
2023-2027	166	16
2024-2028	875	87

Plan Assets
The Company's pension and postretirement plans' asset allocation by major asset class at December 31, 2018 and December 31, 2017, and the target allocation for 2019, are as follows:

Asset Category	Target Allocation 2019	Percentage of Plan Assets at As of December 31, 2018	As of December 31, 2017
U.S. Stocks	10%-50%	31%	31%
International Stocks	5%-15%	6%	6%
Non-convertible Bonds	45%-75%	63%	63%
Convertible Bonds	0%-10%	0%	0%
		100%	100%

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The investment strategy with respect to the Company's pension plan assets is to preserve capital and to seek investment returns with a goal of fully funding the plan.

The expected rate of return was 7.6% for the year ending December 31, 2018 and 7.8% for the year ending December 31, 2017. These rates of return are an aggregation of expected returns within each asset category. The return with respect to each asset class considers both historical returns and the future expectations for such returns.

Target allocations of assets are determined with the objective of maximizing returns and minimizing volatility of net assets through adequate asset diversification and partial liability immunization. Adjustments are made to target allocations based on the Company's assessment of the impact of economic factors and market conditions.

The following table summarizes the Master Trust's financial instruments carried at fair value hierarchy levels. The fair values were estimated using the same methodology described in Note 4.

	As of December 31, 2018 (In millions)			
Description	**Level 1**	**Level 2**	**Level 3**	**Estimated Fair Value**
Common stocks	$ -	$ 580	$ -	$ 580
Fixed maturities				
U.S. Government	-	-	-	-
All other Government	-	4	-	4
States, Territories	-	3	-	3
Political Subdivisions	-	1	-	1
Special revenue	-	4	-	4
Industrial and Miscellaneous	-	1,297	-	1,297
Total Fixed maturities	-	1,309	-	1,309
Total	$ -	$ 1,889	$ -	$ 1,889

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

	As of December 31, 2017 (In millions)			
Description	Level 1	Level 2	Level 3	Estimated Fair Value
Common stocks	$ -	$ 639	$ -	$ 639
Fixed maturities				
U.S. Government	144	-	-	144
All other Government	-	5	-	5
States, Territories	-	3	-	3
Political Subdivisions	-	1	-	1
Special revenue	-	6	-	6
Industrial and Miscellaneous	-	1,207	-	1,207
Total Fixed maturities	144	1,222	-	1,366
Total	$ 144	$ 1,861	$ -	$ 2,005

There were no financial instruments carried at fair value and classified as Level 3 for the years ending December 31, 2018 and 2017.

Defined Contribution Plans

The Company sponsors defined contribution plans. Home office employees are covered by an investment and profit sharing plan pension plans 401(k)/401(a). Employees can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 10% (if not highly paid) of non-matched contributions. In addition, the Company provides a profit sharing allocation in proportion to salary. For home office employees hired on or after January 1, 2018, the Company also makes a non-elective contribution to the Plan based on the age, years of service, and compensation of the participant. Field representatives are covered by a 401(k)/401(a) investment plan in which they can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 12% (if not highly paid) of non-matched contributions. The assets for both home office plans and the field representative's plan are held in a trust. Full time agents and general agents are covered by non-contributory plans. The Company contributed $31 million to these plans in 2018 and $29 million in 2017. The Company funds these plans and reflects the funded amounts as a liability.

NOTE 8 – INCOME TAXES

Consolidated Federal Income Tax Return

The Company's federal income tax return is consolidated with the following entities:

- Guardian Insurance & Annuity Company, Inc. and its subsidiaries,
- Park Avenue Life Insurance Company,
- Sentinel American Life Insurance Company,
- Family Service Life Insurance Company,
- Managed Dental Care of California,
- Managed Dental Guard of Texas,
- Managed Dental Guard of New Jersey,
- Innovative Underwriters Inc.,
- Berkshire Life Insurance Company of America
- First Commonwealth, Inc. and its subsidiaries
- Reed Group Ltd,
- GIS Canada Holdings Corp,
- Guardian Abbey LLC,
- STX Healthcare Management Services, Inc.,
- Vital Smiles, Inc.

The Company files a consolidated federal income tax return as parent, with its subsidiaries. The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net capital losses, which it may incur, or to recoup its net operating or capital losses carried forward as an offset to future net income or capital gains subject to federal income taxes.

The Internal Revenue Code limits the amount of non-life insurance losses that may offset life insurance company taxable income. The consolidated income tax liability is allocated among the members of the group pursuant to a tax allocation agreement. In accordance with the tax allocation agreement, each qualifying member of the group computes its tax provision and liability on a separate return basis, but may, where applicable, recognize benefits of net operating losses and capital losses utilized in the consolidated group. Subsidiary tax liabilities/benefits are settled subsequent to the filing of the federal income tax return.

The Company does not anticipate any significant changes to its tax contingencies within the next 12 months.

NOTE 8 – INCOME TAXES (CONTINUED)

Deferred income taxes are generally recognized, based on enacted tax rates, when assets and liabilities have different values for financial statement and tax purposes.

The Tax Cuts and Jobs Act ("the Act") was enacted into law on December 22, 2017. Effective January 1, 2018, the Act reduces the corporate tax rate to 21%. The Act also included several provisions that impact life insurance companies, including the elimination of the net operating loss carryback and changing the calculation of life insurance tax reserves. As a result, the Company performed a review of its grouping of temporary differences and modified its grouping methodology for advanced premium in the admissibility calculation. The net surplus impact primarily as a result of the Act was $140 million reduction in unassigned surplus.

The Company included reasonable estimates for certain effects of the Act and recorded provisional amounts as of December 31, 2017. The Company recorded provisional amounts for tax reserves which resulted in an increase in both deferred tax assets and deferred tax liabilities of $142 million. The Company also recorded a provisional amount of $28 million for the amount of deferred tax assets expected to be realized following the balance sheet date as part of 11 (b) of the admissibility calculation.

As of December 31, 2018, the Company completed the evaluation of the impact to tax reserves and recorded additional $10 million to gross DTA and gross DTL. The Company also completed the evaluation of the amount of deferred tax assets expected to be realized following the balance sheet date as part of 11 (b) of the admissibility calculation. As a result, the Company admitted $121 million gross DTA under 11 (b) as of December 31, 2018. Changes to these amounts are recognized as a change in accounting estimate.

The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2018		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 1,451	$ 61	$ 1,512
Statutory valuation allowance adjustments	-	-	-
Adjusted Gross Deferred Tax Assets	1,451	61	1,512
Deferred Tax Assets Nonadmitted	-	-	-
Subtotal Net Admitted Deferred Tax Asset	1,451	61	1,512
Deferred Tax Liabilities	766	96	862
Net Admitted Deferred Tax Asset	$ 685	$ (35)	$ 650

	December 31, 2017		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 1,385	$ 37	$ 1,422
Statutory valuation allowance adjustments	-	-	-
Adjusted Gross Deferred Tax Assets	1,385	37	1,422
Deferred Tax Assets Nonadmitted	23	-	23
Subtotal Net Admitted Deferred Tax Asset	1,362	37	1,399
Deferred Tax Liabilities	737	75	812
Net Admitted Deferred Tax Asset	$ 625	$ (38)	$ 587

	Change		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 66	$ 24	$ 90
Statutory valuation allowance adjustments	-	-	-
Adjusted Gross Deferred Tax Assets	66	24	90
Deferred Tax Assets Nonadmitted	(23)	-	(23)
Subtotal Net Admitted Deferred Tax Asset	89	24	113
Deferred Tax Liabilities	29	21	50
Net Admitted Deferred Tax Asset	$ 60	$ 3	$ 63

At December 31, 2017, gross DTAs and DTLs were reduced by $947 million and $541 million, respectively due to the Act.

A valuation allowance is recorded if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company's management has concluded that the deferred income tax assets are more likely than not to be realized. Therefore, no valuation allowance has been provided.

NOTE 8 – INCOME TAXES (CONTINUED)

Admission calculation components SSAP No. 101 (Paragraph 11)

The Company follows the guidance in Statement of Statutory Accounting Principles No. 101 - Income Taxes, A Replacement of SSAP No. 10R and SSAP No.10 ("SSAP 101"). SSAP 101 included a similar calculation for limitation of gross deferred tax assets as SSAP 10R for insurers that maintain a minimum of 300% of their authorized control level RBC computed without net deferred tax assets. The Company exceeded the 300% minimum RBC requirement at December 31, 2018 and 2017.

	December 31, 2018		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks.*	$ -	$ 39	$ 39
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below)	672	-	672
The lesser of:			
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	672	-	672
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	N/A	N/A	977
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.	779	22	801
Deferred tax assets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	$ 1,451	$ 61	$ 1,512

	December 31, 2017		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	$ -	$ 37	$ 37
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below)	550	-	550
The lesser of:			
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	550	-	550
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	N/A	N/A	914
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.	812	-	812
Deferred tax assets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	$ 1,362	$ 37	$ 1,399

	Change		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	$ -	$ 2	$ 2
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below)	122	-	122
The lesser of:			
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	122	-	122
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	N/A	N/A	63
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a.	(33)	22	(11)
Deferred tax assets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	$ 89	$ 24	$ 113

*Due to the new tax law eliminating the net operating loss carryback, the Company can no longer admit its ordinary DTA under SSAP 101 Paragraph 11a.

	2018	2017
Ratio percentage used to determine recovery period and threshold limitation amount	950%	1050%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	$ 7,952	$ 7,458

NOTE 8 – INCOME TAXES (CONTINUED)

Impact of Tax Planning Strategies

	December 31, 2018	
	Ordinary	Capital
1. Adjusted Gross DTAs amount	$ 1,451	61
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.0%	2.4%
3. Net Admitted Adjusted Gross DTAs amount	1,451	61
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.0%	2.4%

	December 31, 2017	
	Ordinary	Capital
1. Adjusted Gross DTAs amount	$ 1,385	37
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.0%	2.5%
3. Net Admitted Adjusted Gross DTAs amount	1,362	37
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.0%	6.1%

	Change	
	Ordinary	Capital
1. Adjusted Gross DTAs amount	66	24
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax	0.0%	-0.1%
3. Net Admitted Adjusted Gross DTAs amount from	89	24
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.0%	-3.7%

Does the Company's tax-planning strategies include the use of reinsurance? Yes ______ No X

All DTL were recognized as of December 31, 2018 and December 31, 2017

Current income taxes incurred consisted of the following major components:

Description	December 31, 2018	December 31, 2017	Change
(In millions)			
Federal income tax expense on operating income	$ 62	$ 97	$ (35)
Prior year overaccrual	(114)	(32)	(82)
Contingent tax	-	-	-
Current Federal operations income tax expense /(benefit)	$ (52)	$ 65	$ (117)
Federal income tax expense/(benefit) on capital gains/(losses)	$ (79)	$ 141	$ (220)
Prior year underaccrual	28	11	17
Current Federal capital gain income tax expense/(benefit)	$ (51)	$ 152	$ (203)
Federal and foreign income taxes incurred	$ (103)	$ 217	$ (320)

NOTE 8 – INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2018	2017	Change
DTAs Resulting from Book/Income Tax Differences In:		(In millions)	
Ordinary:			
Reserves	$ 611	$ 582	$ 29
Policy acquisition costs	280	258	22
Dividend provision	200	180	20
Liabilities for employees and agents	99	100	(1)
Non admitted assets	219	222	(3)
Contract liabilities and unpaid claims	1	1	-
Leasehold improvement	9	12	(3)
Other	32	30	2
Gross ordinary DTA - (admitted and nonadmitted)	$ 1,451	$ 1,385	$ 66
Statutory valuation allowance adjustment - ordinary	-	-	-
Total ordinary DTA - (nonadmitted)	-	23	(23)
Admitted ordinary DTA	1,451	1,362	89
Capital:			
Impaired securities	57	32	25
Other	4	5	(1)
Gross capital DTA - (admitted and nonadmitted)	61	37	24
Total capital DTA - (nonadmitted)	-	-	-
Admitted capital DTA	61	37	24
Total admitted DTA	$ 1,512	$ 1,399	$ 113
DTLs Resulting from Book/Income Tax Differences In:			
Ordinary:			
Deferred and uncollected premiums	$ 234	$ 229	$ 5
Advanced Premium	69	66	3
Reserve Transition Adjustment (8 Year)	133	142	(9)
Guaranteed dividend	130	120	10
Other invested assets	73	68	5
Pension	62	43	19
Reserves 10 Year spread	11	13	(2)
Other	54	56	(2)
Ordinary DTL	$ 766	$ 737	$ 29
Capital:			
Unrealized capital gains	42	25	17
Deferred gain	54	49	5
Other	-	1	(1)
Capital DTL	96	75	21
Total DTL	$ 862	$ 812	$ 50
Net admitted DTA/(DTL)	$ 650	$ 587	$ 63

The Change in net deferred income taxes is comprised of the following:

	2018	2017	Change
Adjusted gross deferred tax assets	$ 1,512	$ 1,422	$ 90
Total Deferred Tax Liabilities	862	812	50
Net deferred tax assets (liabilities)	$ 650	$ 610	$ 40
Tax effect of net unrealized gains (losses)			9
Change in net deferred income tax			$ 49

Changes in net deferred income tax, including changes attributable to changes in tax rates and changes in tax status, if any, shall be recognized as a separate component of gains and losses in unassigned funds (Surplus).

NOTE 8 – INCOME TAXES (CONTINUED)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant book to tax adjustments causing this difference were the following:

	December 31, 2018 (In millions)	Effective Tax Rate
Net gain from operations after dividends to policyholders and before Federal income tax @ 21%	$ (179)	
Net realized capital gains (losses) @ 21%	223	
Provision calculated at statutory rate	44	21.00%
Tax effect of:		
Interest maintenance reserve	(48)	(22.91%)
Tax Exempt Interest	(7)	(3.34%)
Affiliated Dividends	(10)	(4.77%)
Affordable Care Act Excise Tax	9	4.30%
Tax Credit	(89)	(42.48%)
Capital Loss Carryback	(32)	(15.27%)
Return to Provision	(34)	(16.23%)
Realized Loss - GIS Investment	12	5.73%
Other	3	1.42%
Total statutory income tax expense/(benefit)	$ (152)	(72.55%)
Federal income taxes incurred	(103)	(49.16%)
Change in net deferred income taxes	(49)	(23.39%)
Total statutory income tax expense/(benefit)	$ (152)	(72.55%)

Operating Loss and Tax Credit Carryforwards

As of December 31, 2018, the Company does not have any net ordinary loss carryforwards, capital loss carryforwards or tax credit carryforwards.

The following are income taxes incurred in prior years that are available for recoupment in the event of future net losses:

Year	Ordinary	Capital (In millions)	Total
2018	$ -	$ -	$ -
2017	-	171	171
2016	-	152	152
Total	$ -	$ 323	$ 323

As of December 31, 2018, the Company does not have any deposits admitted pursuant to the Internal Revenue Code Section 6603.

NOTE 9 – REINSURANCE CEDED

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding business to reinsurers under various modified coinsurance agreements, coinsurance agreements, and combinations thereof, and yearly renewable term agreements. These agreements provide for reinsurance of selected individual life and disability policies and group life and group health contracts. Under the terms of the modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the Company. The Company retains the primary obligation to the policyholder for reinsured policies. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, the Company evaluates the financial condition of its reinsurers in order to minimize its exposure to losses from reinsurer insolvencies.

The effects of these ceding agreements on the components of gain from operations in the accompanying statutory basis statements of operations are as follows:

	2018	2017
	(In millions)	
Premiums, annuity considerations and fund deposits	$ (458)	$ (463)
Commissions and expense allowances (other income)	118	121
Total revenues	(340)	(342)
Benefit payments to policyholders and beneficiaries	(365)	(350)
Net reductions to policy benefit reserves	(30)	(49)
Commissions and operating expenses	1	2
Total expenses	(394)	(397)
Net gain on operations from reinsurance ceded	$ 54	$ 55

NOTE 10 – REINSURANCE ASSUMED

The Company enters into various modified coinsurance agreements, coinsurance agreements, and combinations thereof and yearly renewable term agreements that provide reinsurance on life insurance, annuities, credit life, disability insurance, and credit accident and health business. Under the terms of the various reinsurance treaties, the Company assumed (net of retrocession) approximately $2.9 billion face amount of life insurance at December 31, 2018 and $3.3 billion at December 31, 2017. Under the terms of modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the ceding company.

The Company entered into a coinsurance agreement with BLICOA an affiliated insurance company effective January 1, 2013. Under the agreement, the Company assumed 80% of the net individual disability insurance (IDI) originally ceded to BLICOA from the Company via the July 1, 2001 coinsurance treaty as well as 80% of the IDI and multi-life (ML) business written by BLICOA since the 2001 treaty. The reinsurance is on a funds withheld basis with supporting invested assets remaining in BLICOA.

Also, as part of the terms of the agreement, the Company can request that BLICOA pay an amount equal to the Annual Funds Withheld Increase to the Company. In 2018 the Company did not request that BLICOA pay an amount equal to the Annual Funds Withheld Increase it recorded in 2017. In 2017 the Company did not request that BLICOA pay an amount equal to the Annual Funds Withheld Increase it recorded in 2016.

The Company entered into one Individual Life Yearly Renewable Term reinsurance agreement with an affiliated insurance company GIAC, effective January 1, 2011. The agreement covers GIAC's current form Secondary Guarantee Universal Life and Survivorship Universal Life plans having policy effective dates of January 1, 2011 and later. Reinsurance under the agreement is assumed on an automatic 90% first dollar quota share basis.

NOTE 10 – REINSURANCE ASSUMED (CONTINUED)

The following tables outline the effects of these assumption agreements on the accompanying Statutory Basis Statements of Operations.

Reinsurance Assumed from Affiliates

	2018	2017
	(In millions)	
Premiums, annuity considerations and fund deposits	$ 671	$ 659
Reserve adjustments on reinsurance (other income)	29	22
Total revenues	700	681
Benefit payments to policyholders and beneficiaries	290	258
Net additions to policy benefit reserves	118	138
Commissions and operating expenses	237	225
Total expenses	645	621
Net gain on operations from reinsurance assumed	$ 55	$ 60

Reinsurance Assumed from Non-Affiliates

	2018	2017
	(In millions)	
Premiums, annuity considerations and fund deposits	$ 2	$ 3
Total revenues	2	3
Benefit payments to policyholders and beneficiaries	1	(1)
Net reductions to policy benefit reserves	-	(2)
Commissions and operating expenses	2	4
Total expenses	3	1
Net gain/(loss) on operations from reinsurance assumed	$ (1)	$ 2

Total Reinsurance Assumed

	2018	2017
	(In millions)	
Premiums, annuity considerations and fund deposits	$ 673	$ 662
Reserve adjustments on reinsurance (other income)	29	22
Total revenues	702	684
Benefit payments to policyholders and beneficiaries	291	257
Net additions to policy benefit reserves	118	136
Commissions and operating expenses	239	229
Total expenses	648	622
Net gain on operations from reinsurance assumed	$ 54	$ 62

NOTE 11 – RELATED PARTY TRANSACTIONS

In 2018 and 2017, the Company made the following capital contributions to its real estate joint ventures and affiliates which are an addition to Other invested assets in the Statutory Basis Balance Sheets:

	2018	2017
	(In millions)	
Guardian Abbey, LLC	$ 2	$ 1
Airside Park, LLC	1	-
Chelsea Place Apts, LLC	15	-
Hanover Mark Center (1)	32	-
Total	$ 50	$ 1

(1) Capital contributions were made by transferring mortgage loan investments.

In 2018 and 2017, the Company made the following capital contributions to its subsidiaries:

	2018	2017
	(In millions)	
GIAC	$ 50	$ 50
GIS	-	112
FCW	-	58
Guardian Acquisition I, LLC	2	25
Total	$ 52	$ 245

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

The capital contribution to GIS and Guardian Acquisition I, LLC are recorded as an addition to Other invested assets in the Statutory Basis Balance Sheets, while the capital contributions to GIAC and FCW are recorded as an addition to Common and preferred stocks in the Statutory Basis Balance Sheets.

Of the $112 million contribution to GIS in 2017, $90 million was made by transferring Access Professional Dental Care, LLC and Access Dental Services, LLC and its subsidiaries, previously wholly owned subsidiaries of FCW, and $2 million was related to the transfer of real estate joint venture LLCs.

In 2018 and 2017, the Company received net returns of capital of $3 million and $60 million respectively from its real estate joint ventures. These distributions are a reduction to Other invested assets in the Statutory Basis Balance Sheets.

In 2018 and 2017, the Company also received returns of capital from its subsidiaries as follows:

	2018	2017
	(In millions)	
FCW	$ -	$ 113
GIS	54	-
Park Avenue Life Insurance Company	-	25
Total	$ 54	$ 138

The return of capital from GIS is recorded as a reduction to Other invested assets in the Statutory Basis Balance Sheets, while the returns of capital from FCW and Park Avenue Life Insurance Company are recorded as a reduction to Common and preferred stocks in the Statutory Basis Balance Sheets.

Of the $113 million return of capital from FCW in 2017, $90 million was a transfer of Access Professional Dental Care, LLC and Access Dental Services, LLC and its subsidiaries, wholly owned subsidiaries of FCW.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

In 2018 and 2017, the Company received the following dividends from its affiliates and subsidiaries which are recorded as Net investment income in the Statutory Basis Statements of Operations:

	2018	2017
	(In millions)	
BLICOA	$ 2	$ 3
Managed Dental Care of California ("MDC")	5	5
Managed Dental Guard of Texas, Inc. (TX)	2	1
FCW	35	37
Innovative Underwriters, Inc.	-	1
	$ 44	$ 47

The Company has expense sharing agreements with its subsidiaries. During 2018 and 2017, the Company had net billings of $ 295 million and $278 million, respectively, under the expense sharing agreements. Amounts billed to subsidiaries are included in Commissions and operating expenses in the Statutory Basis Statements of Operations. The unpaid net receivable balance due from subsidiaries relevant to these agreements was $28 million and $31 million on December 31, 2018 and December 31, 2017, respectively, and are included in Other assets and Other liabilities in the Statutory Basis Balance Sheets.

Effective May 1, 2017, the Company (Lender) amended its revolving line of credit agreement with GIAC (Borrower) from $350 million to $750 million. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to (a) the Prime Rate plus 1.00% if a Prime Rate Loan or (b) the Eurodollar Rate plus 1.00% if a Eurodollar Rate Loan. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to 0.125% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in quarterly installments on the last day of each March, June, September and December or on the termination of this line of credit. For value received, the Borrower, promises to pay on the maturity date or dates determined by the Lender, the principal sum of $750 million or the aggregate unpaid principal sum of all Loans which the Lender actually makes to the Borrower, whichever amount is less, together with interest in arrears payable on each Interest Due Date at a rate computed on the basis of a 360-day year for the actual number of days in each interest period. The line of credit agreement shall have an initial term of 364 days beginning with the date first stated above, and shall automatically renew for successive periods of 364 days, unless the Lender notifies the Borrower of its intention not to renew the line of credit agreement not less than sixty (60) days prior to the expiration of the then existing term. GIAC is in compliance with certain financial covenants imposed by the line of credit agreement. As of December 31, 2018, and 2017 there were no outstanding drawings on the line of credit. Interest income and commitment income of $1 million and $3 million for the twelve months ended December 31, 2018 and 2017, respectively, are included in Net investment income in the Statutory Basis Statements of Operations.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

Effective January 3, 2017, the Company (Lender) has a revolving line of credit agreement with GIS (Borrower) for $300 million. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to (a) the Prime Rate plus 1.00% if a Prime Rate Loan or (b) the Eurodollar Rate plus 1.00% if a Eurodollar Rate Loan. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to 0.125% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in monthly installments no later than the last day of each month or on the termination of this line of credit. For value received, the Borrower, promises to pay on the maturity date or dates determined by the Lender, the principal sum of $300 million, or the aggregate unpaid principal sum of all Loans which the Lender actually makes to the Borrower, whichever amount is less, together with interest in arrears payable on each Interest Due Date at a rate computed on the basis of a 360-day year for the actual number of days in each interest period. The line of credit agreement shall have an initial term of 364 days beginning with the date first stated above, and shall automatically renew for successive periods of 364 days, unless the Lender notifies the Borrower of its intention not to renew the line of credit agreement not less than sixty (60) days prior to the expiration of the then existing term. GIS is in compliance with certain financial covenants imposed by the line of credit agreement. As of December 31, 2018 and 2017, the amounts of drawings on the line of credit amounted to $0 million and $25 million respectively, and are included in Cash, cash equivalents and short-term investments in the Statutory Basis Balance Sheets. Interest income and commitment income of $2 million and $1 million as of December 31, 2018 and December 31, 2017 respectively, are included in Net investment income in the Statutory Basis Statements of Operations.

Related Party Commitments:

The Company provides financial guarantees on behalf of some of its subsidiaries and affiliates as listed below. Per the statutory accounting guidance SSAP 5R, a liability has not been recorded on the Company's Statutory Basis Balance Sheets for any of these guarantees.

The Company continues to provide MDC, a subsidiary, a written letter of financial support for $5 million of which $1.5 million was funded in prior years. This amount was recorded as an additional investment in MDC. The letter was necessary for regulatory purposes in order to guarantee additional capital infusion to its California dental subsidiary as needed. At this time, MDC is not expected to further draw on the remaining $3.5 million as the subsidiary has $5 million more capital than is required by California.

As of December 31, 2018, and 2017, the Company had no commitments to make capital contributions to its' subsidiaries.

Settlement of Intercompany Transactions:

In accordance with NAIC SAP, all transactions between related parties are required to have a written agreement that provides for a timely settlement of amounts owed, including a specific due date. Amounts over ninety days due are to be non-admitted along with any uncollected receivable from a related party that is not part of a written agreement. The Company has determined that written agreements are in place for all intercompany transactions and that these written agreements contain specific due dates. As of December 31, 2018, there was no intercompany receivable that was more than 90 days past due.

NOTE 12 – LIABILITY FOR UNPAID CLAIMS AND CLAIM RESERVES

Activity in the liability for unpaid accident and health claims and claim reserves is summarized as follows and is included in Reserves for policy benefits on the Statutory Basis Balance Sheets:

	2018	2017
	(In millions)	
Balance of unpaid claims and claim reserves, net of reinsurance recoverable, at January 1	$ 3,957	$ 3,788
Incurred related to:		
Current year	2,409	2,349
Prior years	(187)	(146)
Affiliated reinsurance	82	87
Total incurred	2,304	2,290
Paid related to:		
Current year	1,573	1,531
Prior years	377	354
Affiliated reinsurance	246	236
Total paid	2,196	2,121
Balance of unpaid claims and claim reserves, net of reinsurance recoverable, at December 31	$ 4,065	$ 3,957

The affiliated reinsurance for the years ended December 31, 2018 and December 31, 2017 is primarily due to an intercompany reinsurance agreement between the Company and BLICOA effective January 1, 2013.

The amount of incurred claims related to prior years was a reduction $187 million and $146 million for the years ended December 31, 2018 and December 31, 2017, respectively, primarily due to favorable claim experience on the Company's long-term disability reserves, driven by favorable development of both the reported and unreported claim reserves.

Loss / Claim Adjustment Expenses:
The balance in the liability for unpaid accident and health claim adjustment expenses was $94 million and $84 million as of December 31, 2018 and December 31, 2017, respectively. The Company incurred $58 million and paid $48 million of claims adjustment expenses in 2018 of which $15 million of the paid amount was attributable to insured or covered events of prior years. The Company did not increase or decrease the provision for insured events of prior years. Estimated anticipated salvage and subrogation related to the liability for unpaid claims / losses is not material and therefore does not reduce the liability.

The liability for unpaid accident and health claims and claim adjustment expenses represents the Company's best estimate with a margin; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant and result in increase in liabilities. As of December 31, 2018, and 2017, the Company had no significant changes in methodologies and assumptions used in calculating the liability. The Company updates its experience study annually for recent company claim experience used to set the liability for unpaid claims.

NOTE 13 – ASO PLANS

The net gain from operations from ASO uninsured plans and the uninsured portion of partially insured plans was as follows during the years ended December 31, 2018 and December 31, 2017:

	2018		
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
		(In millions)	
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	$ 3.0	$ -	$ 3.0
Total net other income or expenses (including interest paid to or received from plans)	1.0	-	1.0
Net gain from operations	2.0	-	2.0
Total claim payment volume	577	-	577

	2017		
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
		(In millions)	
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	$ 23.3	$ -	$ 23.3
Total net other income or expenses (including interest paid to or received from plans)	8.2	-	8.2
Net gain from operations	15.1	-	15.1
Total claim payment volume	519	-	519

NOTE 14 – LEASES

New York Home Office Building:
In June 1998, the Company executed a 21-year lease for its New York home office facility. A portion of the property is subleased to tenants under lease terms expiring through 2019. The lease is classified as operating. Rental expense for the property was $21 million for the year ended December 31, 2018 and $21 million for the year ended December 31, 2017. Sublease income was $9 million for the year ended December 31, 2018 and $9 million for the year ended December 31, 2017.

On January 9, 2017, the Company exercised its purchase option on the building. If the terms contained in the purchase option agreement are met the Company will be required to pay the $147 million purchase price to the seller on September 30, 2019. During 2017, the Company entered into an agreement to sell the building which is expected to close in late 2019 and is not expected to result in a loss.

The following is a schedule by year of the minimum rental payments due under the lease:

	(In millions)
Year ending December 31,	
2019	$ 16
Total	$ 16

The minimum aggregate sublease income is as follows:

	(In millions)
Year ending December 31,	
2019	$ 10
Total	$ 10

NOTE 14 – LEASES (CONTINUED)

Other Leases:
The Company has additional lease agreements that are operating leases principally for the rental of real estate. Rental expense for these properties was $24 million for year ended December 31, 2018 and $22 million for the year ended December 31, 2017.

The Company's major office facility leases are primarily used for administrative and business support operations are as follows:

- On September 13, 2017, the Company signed a seventeen-year five month lease agreement for its New York home office facility. The Company expects to begin using the building in second quarter of 2019 as a replacement of the current New York home office facility. The Company is obligated to pay approximately $15 million in annual base rent plus operating expenses and taxes beginning in February 2019.
- On March 8, 2017, the Company signed a fifteen-year lease agreement for its New Jersey home office facility. The Company began using the building in the first quarter of 2018 and is obligated to pay approximately $3 million in annual base rent plus operating expenses and taxes.
- On August 11, 2016, the Company signed a ten-year lease agreement for its Spokane home office facility. The Company began using the building in March 2017 and is obligated to pay approximately $1 million in annual base rent which includes operating expenses and taxes.
- On January 26, 2015 the Company signed a twenty-year lease agreement with GLICA Bethlehem, LLC. Under the terms of the lease agreement GLICA Bethlehem, LLC built an office building in Bethlehem, PA according to specifications provided by the Company. The Company began using the building in June 2016 and is obligated to pay approximately $5 million in annual base rent plus operating expenses and taxes.

The following is a schedule by year of the minimum rental payments due under the lease:

		(In millions)
Year ending December 31,		
2019		37
2020		36
2021		35
2022		32
2023		31
Total	$	171

The minimum aggregate sublease income is as follows:

		(In millions)
Year ending December 31,		
2019		7
2020		7
2021		6
2022		5
2023		4
Total	$	29

The Company guarantees the leases for some of its agents and one of its downstream affiliates. The fair value of the guarantees as of December 31, 2018 is estimated to be $1.0 million. The remaining lease obligations that are guaranteed as of December 31, 2018 is $19.2 million.

NOTE 15 – COMMITMENTS

Commitments to fund real estate, private equities, mortgage loans, and private placements in the normal course of business totaled $1,367 million and $1,393 million as of December 31, 2018 and December 31, 2017, respectively.

NOTE 16 – LITIGATION

The Company is engaged in various litigations arising out of its business operations. Due to the uncertainties inherent in litigation, it is difficult to determine the ultimate loss the Company will experience in these litigations. However, the Company has established accruals where the amount of the loss is probable and the amount can be reasonably estimated. In the opinion of management, based on current information at December 31, 2018, any losses resulting from such litigations would not have a material adverse effect on the financial position of the Company.

NOTE 17 – LINES OF CREDIT

During 2018 the Company closed its unsecured credit lines with various lenders. The interest rate on these lines when they were open was calculated on a base rate such as the bank's Prime rate plus a spread which varies from 0 - 125bps depending on the bank, or LIBOR plus a spread which varies from 75 - 125bps depending on the bank. The Company did not use the lines of credit during 2018 or 2017 and had $0 million outstanding liability at December 31, 2018 and December 31, 2017.

The Company became a member of the Federal Home Loan Bank of New York (“FHLBNY”) on February 13, 2018. Membership allows the Company access to the FHLBNY’s financial services, including the ability to obtain collateralized loans and to issue collateralized funding agreements. The Company's strategy is to utilize these funds as a source to improve spread lending liquidity and as a source of backup liquidity. FHLBNY borrowings and funding agreements are currently collateralized by qualifying mortgage loans but can also be collateralized with qualifying corporate bonds or U.S. Treasury securities, the fair value of which must be maintained at certain specified levels relative to outstanding borrowings. FHLBNY membership requires the Company to own member stock in the amount of 12.5 bps of the Company’s assets which is remeasured annually based on the prior years December 31 balance. This capital is locked up for five years should the Company decide to end its membership. Borrowings require the purchase of activity-based stock in an amount equal to 4.5% of outstanding borrowings. All FHLBNY stock purchased by the Company is classified as restricted general account investments within “Common and preferred stocks,” and the carrying value of these investments was $12 million as of December 31, 2018.

The Company’s capacity to borrow is limited to 5% of admitted assets which is the regulatory limit on the amount of collateral that a New York domiciled insurance company can pledge for a loan. As of December 31, 2018, that limit was approximately $2,924 million.

As of December 31, 2018, the Company had pledged assets with a fair value of $39 million supporting outstanding funding agreements totaling $37 million, which are included in “Policyholder dividends payable and other contract liabilities.”

NOTE 18 – POLICYHOLDERS’ SURPLUS

There were no special contingency reserves included in policyholder’s surplus at December 31, 2018 or December 31, 2017. The Company holds other reserves totaling $4 million at December 31, 2018 and $46 million at December 31, 2017 as required by New York State law for aviation business and Arkansas permanent surplus requirements. Surplus at December 31, 2018 and December 31, 2017 is as follows:

	2018	2017
	(In millions)	
Accumulated earnings	$ 8,425	$ 7,921
Unrealized loss - common stock	(250)	(298)
Asset valuation reserve	(879)	(829)
Nonadmitted asset values	(128)	(156)
Total unassigned surplus	7,168	6,638
State required segregated surplus	4	46
Surplus	$ 7,172	$ 6,684

NOTE 19 – FINANCIAL INFORMATION

The following reconciles the New York SAP net income and surplus of Guardian as reported to regulatory authorities to consolidated GAAP income and GAAP equity:

	2018	2017
	(In millions)	
Statutory net income	$ 310	$ 423
Adjustments to GAAP basis:		
Realized capital gains	252	328
Capitalization of deferred policy acquisition costs	159	64
Future policy benefits	(1,121)	(1,131)
Elimination of IMR amortization	(74)	(99)
Establishment of deferred federal income taxes	(63)	404
Service fees	1,157	1,131
Policyholder dividends	34	34
Elimination of interest on affiliate reinsurance	(138)	(146)
Other	95	(101)
Consolidated GAAP income	$ 611	$ 907

	2018	2017
	(In millions)	
Statutory surplus	$ 7,172	$ 6,684
Adjustments to GAAP basis:		
Capitalization of deferred policy acquisition costs	4,602	3,442
Deferred software costs	33	22
Future policy benefits	(8,304)	(7,835)
Elimination of IMR	301	531
Elimination of AVR	879	829
Establishment of additional deferred federal income taxes	(966)	(1,206)
Policyholder dividends	470	435
Notes payable	(2,313)	(1,977)
Unrealized gains on investments and GAAP adjustments of affiliates	9,464	11,203
Consolidated GAAP equity	$ 11,338	$ 12,128

NOTE 20 – SURPLUS NOTES

On October 6, 2009, the Company issued Surplus Notes (“2009 Notes”) with a principal balance of $400 million, bearing interest at 7.375%, and a maturity date of September 30, 2039. Proceeds from the issuance of the 2009 Notes were $392.4 million, net of discounts and fees. The 2009 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by The Bank of New York Mellon as fiscal agent. Interest on these 2009 Notes is scheduled to be paid semiannually on March 31 and September 30 of each year. The 2009 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2009 Notes are not part of the legal liabilities of the Company. The 2009 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2009 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the 2009 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2009 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 50 basis points. On December 28, 2017 and January 9, 2018, the Company redeemed 2009 Notes with a principal balance of $166.9 million and a carrying value of $165.7 million as part of an exchange transaction (see paragraph regarding the exchange transaction below). The Company paid $17 million in interest for the years ended December 31, 2018 and $33 million in December 31, 2017, respectively.

On June 19, 2014 the Company issued Surplus Notes (“2014 Notes”) with a principal balance of $450 million, bearing interest at 4.875%, and a maturity date of June 19, 2064. Proceeds from the issuance of the 2014 Notes were $444.6 million, net of discounts and fees. The 2014 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are administered by The Bank of New York Mellon as fiscal agent. Interest on these 2014 Notes is scheduled to be paid semiannually on June 19 and December 19 of each year. The 2014 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2014 Notes are not part of the legal liabilities of the Company. The 2014 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2014 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the 2014 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2014 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 25 basis points. The Company paid $22 million in interest for the years ended December 31, 2018 and December 31, 2017, respectively.

On January 24, 2017, the Company issued a Surplus 2017 Notes (“2017 Notes”) with a principal balance of $350 million, bearing interest at 4.850%, and a maturity date of January 24, 2077. Proceeds from the issuance were $343.6 million, net of discounts and fees. On December 28, 2017 and January 9, 2018, the Company issued an additional amount of the 2017 Notes with a principal balance of $229.3 million as part of an exchange transaction (see paragraph regarding the exchange transaction below). All of the 2017 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these 2017 Notes is scheduled to be paid semiannually on January 24 and July 24 of each year. The 2017 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2017 Notes are not part of the legal liabilities of the Company. The 2017 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2017 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the 2017 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2017 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 30 basis points. The Company paid $28 million in interest for the year ended December 31, 2018 and $8 million in December 31, 2017, respectively.

NOTE 20 – SURPLUS NOTES (CONTINUED)

The Company completed an exchange transaction in which it issued additional 2017 Notes in exchange for redeemed 2009 Notes. They were settled predominately on December 27, 2017 with a minimal amount settling on January 8, 2018. The 2009 Notes had a principal balance of $166.9 million ($165.7 million carrying value) and the additional 2017 Notes had a principal balance of $229.3 million ($170.5 million carrying value). Of the $63.6 million discount at the time of the exchange, $4.8 million pertaining to inducement for note holders to exchange their notes, was recorded as expense on the transaction date along with an increase to the carrying value of 2017 Notes. The remaining $58.8 million will be charged to the Statutory Basis Statements of Operations over the life of the 2017 Notes.

NOTE 21 – UNCLAIMED PROPERTY

The Company holds reserves for potential liability totaling $0 million at December 31, 2018 and $7 million at December 31, 2017, respectively. The Company has recorded paid claims of $0.2 million in 2018 and $3 million in 2017.

NOTE 22 – AFFORDABLE CARE ACT FEE

The health insurance industry assessment mandated by the Patient Protection and Affordable Care Act of 2010 was levied on health insurers beginning in 2014 based on a ratio of an insurer's net health insurance premiums written for the previous calendar year compared to the total premiums written by U.S. health insurance industry for that year. The Company recorded a liability for the amount of its expected fee as of January 1, 2018 of $42 million. The Company paid the actual fee amount of $42 million to the U.S. Treasury in September 2018. The 2018 was based on $2,106 million of dental and vision premiums written in 2017. The Company's Total Adjusted Capital on December 31, 2017 was $8,044 million and the Authorized Control Level reported on its December 31, 2017 RBC was $709 million. After adjusting for $42 million recorded in special surplus that pertains to the 2018 fee the Company's Total Adjusted Capital was $8,002 million and its RBC Authorized Control Level was $709 million. An RBC action level would not have been triggered had the fee for 2018 been reported as of December 31, 2017.

The Consolidated Appropriations Act, 2016 imposed a moratorium on the health insurance industry assessment mandated by the Affordable Care Act for the 2019 calendar year. Therefore, no liability was established for the 2019 calendar year.

NOTE 23 – SUBSEQUENT EVENTS

The Company considers events occurring after the balance sheet date but prior to February 27, 2019, the issuance of the financial statements, to be subsequent events requiring disclosure. There were no subsequent events for the period ended December 31, 2018.

Guardian Life Insurance Company of America
Annual Statement for the Year Ended December 31, 2018
Schedule 1 - Selected Financial Data

The following is a summary of certain financial data included in other exhibits and schedules subjected to audit procedures by independent auditors and utilized by actuaries in the determination of reserves.

		2018 Annual Statement References
Investment Income Earned		Exhibit of Net Investment Income
Government Bonds	$ 49,983,105	
Bonds Exempt From US Tax		
Other Bonds (unaffiliated)	1,587,189,696	
Bonds of Affiliates		
Preferred Stocks (unaffiliated)		
Preferred Stocks of Affiliates		
Common Stocks (unaffiliated)	13,061,905	
Common Stocks of Affiliates	44,861,912	
Mortgages Loans	171,274,195	
Real Estate	64,366,284	
Contract Loans	261,514,891	
Cash/Short-term Investments	16,066,803	
Other Invested Assets	146,983,711	
Derivative Instruments	870,066	
Aggregate Write-Ins for Investment Income	2,877,304	
Gross Investment Income	$ 2,359,049,872	
Real Estate Owned - Book Value less Encumbrances	$ 331,120,710	Schedule A - Part 1
Mortgage Loans - Book Value:		
Farm Mortgages	$ -	Schedule B - Part 1
Residential Mortgages	-	
Commercial Mortgages	4,520,388,807	
Total Mortgage Loans	$ 4,520,388,807	
Mortgage Loans by Standing - Book Value:		
Good Standing	4,520,388,807	Schedule B, Part 1
Good Standing with Restructured Terms	-	Schedule B, Part 1
Interest overdue more than 90 days, not in foreclosure	-	Schedule B, Part 1
Foreclosure in Process	-	Schedule B, Part 1
Other Long Term Assets - Statement Value	2,668,255,046	Schedule BA, Part 1
Bonds and Stocks of Parents, Subsidiaries and Affiliates - Book Value		Schedule D - Summary by Country
Bonds	39,361,489,909	
Preferred Stocks	-	
Common Stocks	1,818,094,454	

Schedule 1 - Selected Financial Data - Continued

		2018 Annual Statement References
Bonds and Short Term Investments by Class & Maturity		Schedule D, Part 1A Sec 1
Bonds by Maturity - Statement Value		
Due within one year or less	$ 1,676,048,037	
Over 1 year through 5 years	9,113,775,656	
Over 5 years through 10 years	12,818,016,202	
Over 10 years through 20 years	4,834,836,571	
Over 20 years	11,691,559,280	
Total by Maturity	$ 40,134,235,746	
Bonds by Class - Statement Value		
Class 1	$ 23,878,909,398	
Class 2	14,403,476,718	
Class 3	728,323,870	
Class 4	962,412,857	
Class 5	159,455,715	
Class 6	1,657,188	
Total by Class	$ 40,134,235,746	
Total Bonds Publicly Traded	27,540,600,959	
Total Bonds Privately Placed	12,593,634,787	
Preferred Stocks - Statement Value	-	Schedule D, Part 2, Sec. 1
Common Stocks - Market Value	1,818,094,454	Schedule D, Part 2, Sec. 2
Short Term Investments - Book Value	69,914,540	Schedule DA, Part 1
Options, Caps Floors, Collars, Swaps and Forwards	23,039,270	Schedule DB, Part A,
Futures Contracts	12,605,307	Schedule DB, Part B,
Cash on Deposit	(40,849,414)	Schedule E, Part 1
Life Insurance In Force		Exhibit of Life Insurance
Industrial	-	
Ordinary	388,194,163	
Credit Life	-	
Group Life	3,177,711	
Amount of Accidental Death Insurance In Force Under Ordinary Policies	1,022,200	Exhibit of Life Insurance
Life Insurance Policies with Disability Provisions In Force		Exhibit of Life Insurance
Industrial	-	
Ordinary	209,003,854	
Credit Life	-	
Group Life	271,026,371	
Supplementary Contracts In Force		Exhibit of Number of Policies,
Ordinary - Not Involving Life Contingencies	-	Contracts,Certificates,Income Payable,
Amount on Deposit	215,489,145	Account Values In Force for Supplementary
Income Payable	71	Contracts, Annuities, A&H and Other Policies
Ordinary - Involving Life Contingencies		
Income Payable	450	

Schedule 1 - Selected Financial Data - Continued

		2018 Annual Statement References
Group - Not Involving Life Contingencies		
Amount on Deposit	38,048,437	
Income Payable	-	
Group - Involving Life Contingencies		
Amount on Deposit	-	
Income Payable	-	
Annuities - Ordinary		Exhibit of Number of Policies,
Immediate - Amount of Income Payable	588,539	Contracts,Certificates,Income Payable,
Deferred - Fully Paid Account Balance	63,035,345	Account Values In Force for Supplementary
Deferred - Not Fully Paid - Account Balance	131,935,557	Contracts, Annuities, A&H and Other Policies
Annuities - Group		
Amount of Income Payable	76,071	Exhibit of Number of Policies,
Fully Paid Account Balance	-	Contracts,Certificates,Income Payable,
Not Fully Paid - Account Balance	-	Account Values In Force for Supplementary
		Contracts, Annuities, A&H and Other Policies
Accident and Health Insurance - Premiums In Force		
Ordinary	-	
Group	3,231,459,038	
Credit	-	
Other	529,960,367	
Deposit Funds and Dividend Accumulations		Exhibit of Number of Policies,
Deposit Funds - Account Balance	25,440,268	Contracts,Certificates,Income Payable,
Dividend Accumulations - Account Balance	96,728,343	Account Values In Force for Supplementary
		Contracts, Annuities, A&H and Other Policies
Claim Payments 2018		Schedule O, Part 1
Group Accident and Health Year - Ended December 31, 2015		Section A
2018	1,564,470	
2017	1,745,216	
2016	1,769,074	
2015	1,698,467	
2014	1,601,114	
Prior	645,911	
Other Accident & Health		Section B
2018	33,016	
2017	36,067	
2016	26,245	
2015	27,351	
2014	18,448	
Prior	136,827	
Credit Accident & Health	-	Section C
2018	-	
2017	-	
2016	-	
2015	-	
2014	-	
Prior	-	

Schedule 1 - Selected Financial Data - Continued

		2018 Annual Statement References
Other Coverages that use developmental methods to calculate Claims Reserves:		Section D
2018	-	
2017	-	
2016	-	
2015	-	
2014	-	
Prior	-	
Other Coverages that use developmental methods to calculate Claims Reserves:		Section E
2018	-	
2017	-	
2016	-	
2015	-	
2014	-	
Prior	-	
Other Coverages that use developmental methods to calculate Claims Reserves:		Section F
2018	-	
2017	-	
2016		
2015	-	
2014	-	
Prior	-	
Other Coverages that use developmental methods to calculate Claims Reserves:		Section G
2018	-	
2017	-	
2016	-	
2015	-	
2014	-	
Prior	-	

The Guardian Life Insurance Company of America
Investments of Reporting Entities
December 31, 2018

Section 2 Investment Risk Interrogatories

Answer the following interrogatories by stating the applicable U.S dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of the annual statement.
$58,487,911,818

2. Ten largest exposures to a single issuer/borrower/investment.

	Issuer	Description of Exposure		Amount	Percentage of Total Admitted Assets
2.01	GUARDIAN INVESTOR SERVICES	LLC	$	720,060,194	1.2%
2.02	GUARDIAN INS & ANNUITY CO.	STOCK	$	455,313,103	0.8%
2.03	FIRST COMMON WEALTH INS CO	STOCK	$	440,355,510	0.8%
2.04	ISHARES MSCI EAFE INDEX	STOCK	$	276,480,170	0.5%
2.05	GILEAD SCIENCES INC	BONDS/STOCK	$	259,858,614	0.4%
2.06	COMCAST CORP.	BONDS/STOCK	$	238,739,702	0.4%
2.07	MICROSOFT CORP	BONDS/STOCK	$	212,512,348	0.4%
2.08	SIMON PROPERTY GROUP	BONDS/STOCK	$	209,625,881	0.4%
2.09	JP MORGAN CHASE & CO	BONDS/STOCK	$	201,278,193	0.3%
2.10	SHELL INTERNATIONAL FIN	STOCK	$	194,594,315	0.3%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating:

	Bonds		Amount	% of Total Admitted Assets	Preferred Stocks		Amount	% of Total Admitted Assets
3.01	NAIC-1	$	23,878,909,398	40.8%	P/RP-1	$	-	0.0%
3.02	NAIC-2	$	14,403,476,718	24.6%	P/RP-2	$		0.0%
3.03	NAIC-3	$	728,323,870	1.2%	P/RP-3	$		0.0%
3.04	NAIC-4	$	962,412,857	1.6%	P/RP-4	$		0.0%
3.05	NAIC-5	$	159,455,715	0.3%	P/RP-5	$		0.0%
3.06	NAIC-6	$	1,657,188	0.0%	P/RP-6	$	-	0.0%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assts?
Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02	Total admitted assets held in foreign investments	$	7,088,499,557	12.1%
4.03	Foreign-currency-denominated investments	$	835,536,709	1.4%
4.04	Insurance liabilities denominated in that same foreign currency	$	-	0.0%

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01 Countries rated NAIC-1	$	6,484,980,647	11.1%
5.02 Countries rated NAIC-2	$	314,314,305	0.5%
5.03 Countries rated NAIC-3 or below	$	289,204,604	0.5%

6. Largest foreign investment exposures to a single country, categorized by NAIC sovereign rating:

		1	2
Countries rated NAIC-1			
6.01 Country: UNITED KINGDOM	$	1,698,907,336	2.9%
6.02 Country: AUSTRALIA	$	1,329,414,920	2.3%
Countries rated NAIC-2:			
6.03 Country: MEXICO	$	314,314,305	0.5%
6.04 Country:	$		0.0%
Countries rated NAIC-3 or below			
6.05 Country: TRINIDAD	$	22,401,279	0.0%
6.06 Country: BAHAMAS	$	22,000,000	0.0%

7. Aggregate unhedged foreign currency exposure: $ - 0.0%

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

		1	2
8.01 Countries rated NAIC-1	$		0.0%
8.02 Countries rated NAIC-2	$		0.0%
8.03 Countries rated NAIC-3 or below	$	-	0.0%

9. Largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

		1	2
Countries rated NAIC-1:			
9.01 Country:	$		0.0%
9.02 Country:	$		0.0%
Countries rated NAIC-2:			
9.03 Country:	$		0.0%
9.04 Country:	$		0.0%
Countries rated NAIC-3 or below			
9.05 Country:	$	-	0.0%
9.06 Country:	$	-	0.0%

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	Issuer	NAIC		3	4
10.01	SHELL INTERNATIONAL FIN	1	$	194,594,315	0.3%
10.02	SUMITOMO MITSUI FINL GRP	1	$	163,727,178	0.3%
10.03	AMERICAN MOVIL SA DE CV	1	$	143,006,467	0.2%
10.04	HSBC HOLDINGS PLC	1	$	111,619,917	0.2%
10.05	MITSUBISHI UFJ FIN GRP	1	$	104,501,193	0.2%
10.06	STATOILHYDRO ASA- SPON ADR	1	$	98,518,085	0.2%
10.07	COMMONWEALTH BANK AUST	1	$	77,918,286	0.1%
10.08	BHP BILLITON FIN USA	1	$	77,037,513	0.1%
10.09	SIEMENS FINANCIERINGSMAT	1	$	73,197,245	0.1%
10.10	CREDIT SUISSE GROUP	2	$	73,011,103	0.1%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure.

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11

11.02	Total admitted assets held in Canadian investments	$	-	0.0%
11.03	Canadian-currency-denominated investments	$	-	0.0%
11.04	Canadian-denominated insurance liabilities	$	-	0.0%
11.05	Unhedged Canadian currency exposure	$	-	0.0%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1		2	3
12.02	Aggregate statement value of investments with contractual sales restrictions Largest three investments with contractual sales restrictions:			
		$	-	0.0%
12.03		$	-	0.0%
12.04		$	-	0.0%
12.05		$	-	0.0%

13. Amounts and percentages of admitted assets held in the largest ten equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?
Yes [ ] No [X]

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer		2	3
13.02	GUARDIAN INVESTOR SERVICES	$	720,060,194	1.2%
13.03	GUARDIAN INS & ANNUITY CO.	$	455,313,103	0.8%
13.04	FIRST COMMON WEALTH INS CO	$	440,355,510	0.8%
13.05	ISHARES MSCI EAFE INDEX	$	276,480,170	0.5%
13.06	BERKSHIRE LIFE INSURANCE CO	$	192,658,737	0.3%
13.07	VICTORY MUTUAL FUNDS	$	70,329,573	0.1%
13.08	SPDR GOLD TRUST	$	54,316,605	0.1%
13.09	INVESCO DB	$	53,789,935	0.1%
13.10	SPDR TRUST SERIES 1	$	53,419,150	0.1%
13.11	PARK AVENUE LIFE INSURANCE COMPANY	$	50,430,486	0.1%

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01. Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 14.01 is yes, responses are not required for the remainder of Interrogatory 14.

	1		2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities Largest three investments held in nonaffiliated, privately placed equities:	$	-	0.0%
14.03		$	-	0.0%
14.04		$	-	0.0%
14.05		$	-	0.0%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1		2	3
15.02		$		0.0%
15.03		$		0.0%
15.04		$		0.0%
15.05		$		0.0%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?
Yes [ ] No [X]

If response to 16.01 is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	Type (Residential, Commercial, Agriculature)		2	3
16.02	COMMERCIAL	$	201,125,000	0.3%
16.03	COMMERCIAL	$	195,000,000	0.3%
16.04	COMMERCIAL	$	192,800,000	0.3%
16.05	COMMERCIAL	$	152,095,332	0.3%
16.06	COMMERCIAL	$	112,128,005	0.2%
16.07	COMMERCIAL	$	111,300,000	0.2%
16.08	COMMERCIAL	$	109,706,507	0.2%
16.09	COMMERCIAL	$	100,000,000	0.2%
16.10	COMMERCIAL	$	91,927,528	0.2%
16.11	COMMERCIAL	$	91,649,851	0.2%

Amount and percentages of the reporting entity’s total admitted assets held in the following categories of mortgage loans:

			Loans	
16.12	Construction Loans	$	65,006,714	0.1%
16.13	Mortgage loans over 90 days past due	$	-	0.0%
16.14	Mortgage loans in the process of foreclosure	$	-	0.0%
16.15	Mortgage loans foreclosed	$	-	0.0%
16.16	Restructured mortgage loans	$	-	0.0%

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as

		Residential			Commercial			Agriculature	
	Loan-to-Value		1	2		3	4		5	6
17.01	above 95%	$	-	0.0%	$		0.0%	$	-	0.0%
17.02	91% to 95%	$	-	0.0%	$		0.0%	$	-	0.0%
17.03	81% to 90%	$	-	0.0%	$		0.0%	$	-	0.0%
17.04	71% to 80%	$	-	0.0%	$	7,652,966	0.1%	$	-	0.0%
17.05	below 70%	$	-	0.0%	$	4,512,735,841	7.7%	$	-	0.0%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 18.01. is yes, responses are not required for the remainder of Interrogatory 18

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1		2	3
18.02		$		0.0%
18.03		$		0.0%
18.04		$		0.0%
18.05		$		0.0%
18.06		$		0.0%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans: 0 0.00%

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loadns:		
	Largest three investments held in mezzanine real $	$ -	0.0%
19.03		$ -	0.0%
19.04		$ -	0.0%
19.05		$ -	0.0%

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year-end		At End of Each Quarter		
				1st Qtr	2nd Quarter	3rd Quarter
		1	2	3	4	5
20.01	Securities lending (do not include assets held as collateral for such transactions)	$ -	0.0%	$ -	$ -	$ -
20.02	Repurchase agreements	$ -	0.0%	$ -	$ -	$ -
20.03	Reverse repurchase agreements	$ -	0.0%	$ -	$	$ -
20.04	Dollar repurchase agreements	$ -	0.0%	$ -	$ -	$ -
20.05	Dollar reverse repurchase agreements	$ -	0.0%	$ -	$ -	$ -

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floor:

	Owned		Written	
	1	2	3	4
21.01 Hedge	$ -	0.0%	$ -	0.0%
21.02 Income generation	$ -	0.0%	$ -	0.0%
21.03 Other	$ -	0.0%	$ -	0.0%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$ 15,072,443	0.0%	$ 21,502,305	$ 13,414,894	$ 13,754,039
22.02 Income generation	$ -	0.0%	$ -	$ -	$
22.03 Replications	$ -	0.0%	$ -	$ -	$ -
22.04 Other	$	0.0%	$ -	$ -	$ -

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for future contracts:

	At Year-end		At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	1	2	3	4	5
23.01 Hedging	$ 12,884,600	0.0%	$ 12,660,280	$ 16,203,460	$ 18,460,520
23.02 Income generation	$ -	0.0%	$ -	$ -	$ -
23.03 Replications	$ -	0.0%	$ -	$ -	$ -
23.04 Other	$ -	0.0%	$ -	$ -	$ -

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA
As of December 31, 2018

Appendix A-001
Section 3. Summary Investment Schedule

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement			
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage
1. Bonds:						
1.1 US Treasury Securities	1,813,560,142	3.415%	$ 1,813,560,142		$ 1,813,560,142	3.417%
1.2 US Government agency and corporate obligations (excluding mortgage-backed securities):						
1.21 Issued by US Government Agencies	-	0.00%	-		-	0.00%
1.22 Issued by US Government-sponsored agencies	-	0.00%	-		-	0.000%
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	70,000,000	0.132%	70,000,000		70,000,000	0.132%
1.4 Securities issued by states, territories and possessions and political subdivisions in the US:						
1.41 States, territories and possessions general obligations	316,930,150	0.597%	316,930,150		316,930,150	0.597%
1.42 Political subdivisions of states, territories and possessions political subdivisions	250,801,064	0.472%	250,801,064		250,801,064	0.473%
general obligations		0.00%			-	0.00%
1.43 Revenue and assessment obligations	1,502,071,619	2.828%	1,502,071,619.00		1,502,071,619	2.830%
1.44 Industrial development and similar obligations		0.00%			-	0.00%
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	822,233	0.002%	822,233.00		822,233	0.002%
1.512 Issued or guaranteed by FNMA and FHLMC	718,027,338	1.352%	718,027,338.00		718,027,338	1.353%
1.513 All other	-	0.000%	-		-	0.000%
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	314,069,825	0.591%	314,069,825		314,069,825	0.592%
1.522 Issued by non-U.S. Government issuers and collaterized by mortgage-					-	
backed securities issued or guaranteed by agencies shown in Line 1.521		0.00%			-	0.00%
1.523 All other	3,609,007,694	6.795%	3,608,938,316		3,608,938,316	6.800%
2. Other debt and other fixed income securities (excluding short term):					-	
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	23,311,935,143	43.895%	23,311,935,143		23,311,935,143	43.926%
2.2 Unaffiliated non-U.S. securities (including Canada)	7,445,284,851	14.019%	7,445,284,851		7,445,284,851	14.029%
2.3 Affiliated securities	9,049,182	0.017%	9,049,182		9,049,182	0.017%
3. Equity interests:						
3.1 Investments in mutual funds	441,880,682	0.832%	441,880,682		441,880,682	0.833%
3.2 Preferred stocks:						
3.21 Affiliated	-	0.000%	-		-	0.00%
3.22 Unaffiliated	-	0.00%	-		-	0.00%
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated	-	0.000%	-		-	0.000%
3.32 Unaffiliated	219,397,626	0.413%	219,397,626		219,397,626	0.413%
3.4 Other equity securities:					-	
3.41 Affiliated	1,156,816,159	2.178%	1,150,134,000		1,150,134,000	2.167%
3.42 Unaffiliated		0.000%			-	0.000%
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated	-	0.000%	-		-	0.000%
3.52 Unaffiliated	-	0.000%	-		-	0.000%
4. Mortgage loans:						
4.1 Construction and land development	-	0.000%	-		-	0.00%
4.2 Agricultural	-	0.000%	-		-	0.000%
4.3 Single family residential properties	-	0.000%	-		-	0.00%
4.4 Multifamily residential properties	-	0.000%	-		-	0.000%
4.5 Commercial loans	4,482,273,809	8.440%	4,482,273,809		4,482,273,809	8.446%
4.6 Mezzanine real estate loans	38,115,000	0.072%	38,115,000		38,115,000	0.072%
5. Real Estate Investments:						
5.1 Property occupied by company	3,440,085	0.006%	3,440,085		3,440,085	0.006%
5.2 Property held for production of income (includes $26,142,802) of property acquired	-		-		-	
in satisfaction of debt)	327,680,624	0.617%	327,680,624		327,680,624	0.617%
5.3 Property held for sale ($0 including property acquired in the satisfaction of debt)	-	0.000%	-		-	0.000%
6. Contract loans	3,636,057,584	6.846%	3,634,864,040		3,634,864,040	6.849%
7. Deriatives	36,668,080	0.069%	36,668,080		36,668,080	0.069%
8. Receivables for securities	4,906,049	0.009%	4,906,049		4,906,049	0.009%
9. Securities Lending (Line 10, Asset Page reinvested collateral)	-	0.000%	-		-	
10. Cash and short-term investments	731,896,387	1.378%	731,896,387		731,896,387	1.379%
11. Other invested assets	2,668,255,046	5.024%	2,637,749,307		2,637,749,307	4.970%
12. Total Invested Assets	$ 53,108,946,373	100.00%	$ 53,070,495,553		$ 53,070,495,553	100.00%

* Gross Investment Holdings as valued in compliance with NAIC Accounting Practices & Procedures Manual

The Guardian Life Insurance Company of America

Statutory Basis Balance Sheets

(In Millions)

	As of December 31, 2017	2016
Admitted Assets		
Bonds	$ 38,125	$ 35,243
Common and preferred stocks	1,531	1,522
Mortgage loans	4,001	3,472
Real estate	345	374
Policy loans	3,520	3,405
Other invested assets	2,299	2,054
Receivable for securities	80	27
Cash, cash equivalents and short-term investments	554	822
Total invested assets	50,455	46,919
Due and accrued investment income	430	384
Premiums deferred and uncollected	1,091	1,058
Current federal and foreign income tax recoverable and interest thereon	127	106
Net deferred tax asset	587	727
Reinsurance recoverable from affiliate	2,641	2,472
Other assets	238	218
Total admitted assets	$ 55,569	$ 51,884
Liabilities		
Reserves for policy benefits	$ 41,778	$ 39,369
Policyholder dividends payable and other contract liabilities	3,550	3,107
Interest maintenance reserve	531	464
Asset valuation reserve	829	810
Other liabilities	2,197	1,962
Total liabilities	48,885	45,712
Policyholders' surplus	5,487	5,327
Surplus notes	1,197	845
Total liabilities and policyholders' surplus	$ 55,569	$ 51,884

See notes to statutory basis financial statements.

The Guardian Life Insurance Company of America

Statutory Basis Statements of Operations

(In Millions)

	For the Years Ended December 31,	
	2017	2016
Revenues		
Premiums, annuity considerations and fund deposits	$ 8,112	$ 7,768
Net investment income	2,106	2,052
Other income	441	421
Total revenues	10,659	10,241
Benefits and Expenses		
Benefit payments to policyholders and beneficiaries	4,449	4,293
Net increase to policy benefit reserves	2,409	2,330
Commissions and operating expenses	2,383	2,262
Total benefits and expenses	9,241	8,885
Gain from operations before policyholder dividends and taxes	1,418	1,356
Policyholder dividends	(903)	(839)
Gain from operations before taxes and realized capital losses	515	517
Income tax expense	(65)	(141)
Income from operations before net realized capital losses	450	376
Net realized capital losses	(27)	(8)
Net income	$ 423	$ 368

See notes to statutory basis financial statements

The Guardian Life Insurance Company of America

Statutory Basis Statements of Change in Policyholders' Surplus

(In Millions)

	For the Years Ended December 31,	
	2017	2016
Beginning of year balance	$ 6,172	$ 6,090
Adjustments to surplus:		
Net income	423	368
Change in net unrealized capital gains (losses), net of tax	26	(111)
Change in reserve on account of change in valuation basis	-	(8)
Change in asset valuation reserve	(19)	(11)
Change in surplus note	352	-
Change in net deferred taxes	(391)	92
Change in non-admitted assets	233	(84)
Change in pension funded status	(110)	(159)
Other changes, net	(2)	(5)
Net adjustments to unassigned surplus	512	82
End of year balance	$ 6,684	$ 6,172

See notes to statutory basis financial statements.

The Guardian Life Insurance Company of America

Statutory Basis Statements of Cash Flows

(In Millions)

	For the Years Ended December 31, 2017	2016
Cash flows from operating activities:		
Premiums and other income received	$ 8,097	$ 7,756
Investment income	2,110	2,110
Other income	130	196
Benefits and loss related payments	(4,582)	(4,308)
Commissions, expenses and taxes paid	(2,431)	(2,290)
Dividends paid	(847)	(822)
Other, net	(12)	22
Net cash provided by operating activities	2,465	2,664
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Bonds	14,248	15,042
Common and preferred stocks	363	538
Mortgage loans	495	574
Real estate	107	81
Other investments	398	457
Proceeds from investments sold or matured	15,611	16,692
Cost of investments acquired:		
Bonds	16,841	18,451
Common and preferred stocks	316	464
Mortgage loans	1,033	664
Real estate	85	16
Other investments	751	517
Cost of investments acquired	19,026	20,112
Net increase in policy loans, net of repayments	115	68
Net cash used in investing activities	(3,530)	(3,488)
Cash from financing and miscellaneous activities:		
Cash provided:		
Surplus note	352	-
Net deposits on deposit-type contracts and other insurance liabilities	445	868
Net cash provided by financing and miscellaneous activities	797	868
Net (decrease) increase in cash, cash equivalents and short-term invesments	(268)	44
Cash , cash equivalents and short-term investments, beginning of year	822	778
Cash, cash equivalents and short-term investments, end of year	$ 554	$ 822

See notes to statutory basis financial statements.

NOTE 1 – ORGANIZATION

The Guardian Life Insurance Company of America ("Guardian" or the "Company") provides financial services to customers throughout the United States. The Company provides a full range of insurance, investment, securities brokerage and other financial products and services including individual life and disability insurance, group life and health insurance, annuities, pension and retirement related investments and administration and asset management.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying statutory basis financial statements have been prepared on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services (the "Department"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). Insurance companies domiciled in New York are required to prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP"), subject to certain deviations prescribed or permitted by the Department.

The Department recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company ("New York SAP"). The NAIC promulgates the NAIC SAP, which include accounting guidelines referred to as Statements of Statutory Accounting Principles ("SSAPs"). The Department adopted NAIC SAP with certain modifications, through the passage of Regulation 172, effective January 1, 2001, as amended.

A reconciliation of the Company's Net Income and Surplus at December 31, 2017 and 2016 between NAIC SAP and practices prescribed by the State of New York is shown below:

	2017	2016
Statutory Net Income, New York basis	$ 423	$ 368
State Prescribed Practices:		
Deferred premiums asset impact (1)	7	7
Admission of unearned reinsurance premium asset (2)	(5)	(5)
Statutory Net Income, NAIC SAP basis	$ 425	$ 370

	2017	2016
Statutory Surplus, New York basis	$ 6,684	$ 6,172
State Prescribed Practices:		
Deferred premiums asset impact (1)	143	133
Admission of unearned reinsurance premium asset (2)	(62)	(55)
Statutory Surplus, NAIC SAP basis	$ 6,765	$ 6,250

1) Department Circular Letter No. 11
2) Department Regulation 172

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statements prepared on a New York SAP basis vary from financial statements prepared in accordance with GAAP primarily because on a statutory basis: 1) costs related to acquiring business, principally commissions and certain policy issue expenses, are charged to income in the year incurred; 2) life insurance and annuity reserves are based on statutory mortality and interest requirements, without consideration of withdrawals and company experience; 3) life insurance enterprises are required to establish a formula-based asset valuation reserve ("AVR") by a direct charge to surplus to offset potential investment losses; 4) realized gains and losses resulting from changes in interest rates on fixed income investments are deferred in the interest maintenance reserve ("IMR") and amortized into investment income over the remaining life of the investment sold; 5) bonds are carried principally at amortized cost; 6) certain reinsurance transactions are accounted for as reinsurance for statutory purposes and as financing transactions under GAAP, and assets and liabilities are reported net of reinsurance for statutory purposes and gross of reinsurance for GAAP; 7) certain "non-admitted assets" (furniture and office equipment, leasehold improvements, capitalized internally developed non-operating system software, and prepaid pension costs) must be excluded under statutory reporting through a charge to surplus; 8) investments in common stock of the Company's wholly-owned and majority owned subsidiaries are accounted for using the equity method, where earnings of such subsidiaries are recognized in surplus; only when dividends are distributed is income recognized; 9) gross deferred tax assets and changes in deferred tax assets ("DTAs") and liabilities ("DTL's"), except those relating to changes in unrealized gains and losses, are recognized as a separate component of surplus. Deferred tax assets not meeting certain criteria are non-admitted; 10) investments in Other invested assets, where the Company has a controlling financial interest, are accounted for using the equity method for statutory purposes and consolidated under GAAP; and 11) if in the aggregate, the Company has a net negative cash balance, it is reported as a negative asset for statutory purposes and recorded as a liability under GAAP. The effect on the financial statements of the Company from the differences between New York SAP and GAAP are material and disclosed in Note 19.

Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As a provider of life insurance products, the Company's operating results in any given period depend on estimates of policy reserves required to provide for future policyholder benefits. The development of policy reserves for insurance and investment contracts requires management to make estimates and assumptions regarding mortality, lapse, expense and investment experience. Such estimates are primarily based on historical experience and, in many cases, state insurance laws that require specific mortality, morbidity, and investment assumptions to be used by the Company and may preclude the use of lapse and expense assumptions. Actual future results could differ from these estimates. Management monitors actual experience, and where circumstances warrant, revises its assumptions and the related reserve estimates. The Company regularly invests in mortgage loans, mortgage-backed securities and other securities subject to prepayment and/or call risk. Significant changes in prevailing interest rates and/or geographic conditions may adversely affect the timing and amount of cash flows on such investments, as well as their related values. In addition, the amortization of market premium and accretion of market discount for mortgage-backed securities is based on historical experience and estimates of future payment experience underlying mortgage loans. Actual prepayment timing could differ from original estimates resulting in adjustments to asset values and amortization or accretion recorded in future periods.

Admitted Assets:

Assets are stated at "admitted asset" values, which are values required by or permitted to be reported to the Department in accordance with its rules and regulations. Certain assets designated as "non-admitted assets" (approximately $156 million and $389 million at December 31, 2017 and December 31, 2016, respectively), consisting principally of deferred tax assets, leasehold improvements, electronic data processing equipment and computer software, and prepaid pension costs are charged directly to unassigned surplus.

Investments:

See Note 3 and Note 4 regarding the accounting policy, reported statement value and estimated fair value of the Company's investment in bonds, common and preferred stocks, mortgage loans, real estate and derivatives.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Short-Term Investments:
Cash includes amounts on deposit with banks. Cash equivalents are stated at amortized cost and consist of investments having maturities of three months or less at time of purchase. Money Market Funds are included in cash equivalents are stated at the Net Asset Value which is equivalent to the fair value. Certain short-term investments, are stated at amortized cost and consist primarily of investments having maturities greater than three months from date of purchase, but less than one year to maturity. Fair values for such investments approximate carrying value, because of the relatively short period of time between their origination and expected maturity and collectability.

Policy Loans:
Policy loans are stated at unpaid principal balance. The carrying amount approximates fair value since loans on policies have no defined maturity date and reduce the amount payable at death or at surrender of the contract.

Other Invested Assets:
Other invested assets consist primarily of joint ventures, limited liability companies (LLCs), and other forms of partnerships. These investments are valued at the Company’s share of equity in the partnerships’ LLC or joint ventures’ net assets. All distributions are recorded as income or return of capital based on information received from the partnerships. The change in equity is recorded as unrealized gains (losses) on the Company’s books and is charged directly to surplus. Other invested assets also include investments in surplus notes which are carried at amortized cost.

Other Assets:
Other assets consist primarily of receivables from subsidiaries (see Note 11), receivables related to reinsurance ceded (see Note 9), amounts receivable relating to Administrative Services Only (“ASO”) uninsured plans, premium tax offsets, and electronic data processing equipment.

Investment Reserves:
In compliance with statutory requirements, the Company maintains the AVR and the IMR. The AVR is intended to stabilize policyholders' surplus against market fluctuations in the value of equities and credit related declines in the value of bonds, mortgage loans and equity investments. Changes in the AVR are recorded directly to surplus. The IMR defers net after-tax realized capital gains (losses) which result from changes in the overall level of interest rates for fixed income investments and amortizes these net capital gains (losses) into income over the remaining stated life of the investments sold. The Company uses the group method of calculating the IMR.

Insurance Revenue and Expense Recognition:
Life premiums are recognized as income over the premium-paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Benefit payments to policyholders and beneficiaries include death benefits, disability benefits, matured endowments and surrender benefits and are charged to expense when incurred.

Reserves for Policy Benefits:
See Note 5 regarding the methods and assumptions used to establish the Company’s reserves for future insurance policy benefits.

Other Liabilities:
Other liabilities consist primarily of general expenses due or accrued, liabilities for employees and agents, commissions payable, unearned investment income, amounts withheld or retained by the company as agent or trustee, miscellaneous reinsurance liabilities, assessments, and tax reserves liabilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes:
The provision for federal income taxes is based on income from operations currently taxable. Realized gains and losses are reported net of the applicable federal income taxes. Deferred federal income tax assets are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with increases or decreases reflected as adjustments to surplus (See Note 8). The Company is required to establish a tax loss contingency if it is more likely than not that a tax position will not be sustained. The amount of the contingency reserve is management's best estimate of the amount of the original tax benefit that could be reversed upon audit, unless the best estimate is greater than 50% of the original tax benefit, in which case the reserve is equal to the entire tax benefit.

Dividends to Policyholders:
The liability for dividends to policyholders principally consists of dividends expected-to-be paid during the subsequent year and are determined by means of formulas that reflect the relative contribution of each group of policies to the results of operations. Policyholder dividends are approved annually by the Board of Directors, and a portion of the policyholder dividends approved annually are guaranteed by the Board of Directors.

Other Contract Liabilities
Other contract liabilities include liabilities for deposit type contracts such as funding agreements (see Note 5), claims in the course of settlement, and premiums received in advance.

Benefit Plans:
The Company has non-contributory defined benefit pension plans covering substantially all of the Company's employees. The benefits are based primarily on years of service and compensation. Assets of the pension plans are invested in a diversified portfolio that primarily consists of corporate bonds and common stocks. All assets are managed by the Company or its affiliates.

Reinsurance:
The Company enters into reinsurance agreements in the normal course of its insurance business to reduce overall risk (see Note 9 for reinsurance ceded and Note 10 for reinsurance assumed). The Company remains liable for reinsurance ceded if the reinsurer fails to meet its obligation on the business it has assumed. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Net Investment Income and Capital Gains:
Net investment income includes interest and dividends received or accrued on investments. It also includes amortization of any purchase premium or discount using the interest method, adjusted retrospectively or prospectively for any change in estimated yield to maturity. Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made. Net investment income is reduced by investment management expenses, interest expense on the Company's outstanding surplus note and real estate depreciation.

Realized investment gains and losses are reported in income based upon specific identification of securities sold. Realized losses include valuation adjustments for other-than-temporary declines in investments. Unrealized investment gains and losses on financial instruments carried at fair value represent changes in the reported fair value and are recorded directly to surplus.

Assessments:
Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants. Amounts assessed to each company are typically related to its proportion of business written in each state. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction. In certain states there must also be a final order of liquidation. As of December 31, 2017 and December 31, 2016, the liability balance included in other liabilities was $9 million and $28 million, respectively for assessments. Some states permit member insurers to recover assessments through full or partial premium tax offsets. The related premium tax offsets included in other assets were $21 million and $17 million as of December 31, 2017 and December 31, 2016, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On March 1, 2017, the Commonwealth Court of Pennsylvania entered into an order of liquidation for Penn Treaty Network America Insurance Company, and its subsidiary American Network Insurance Company ("Penn Treaty"), providers of long-term care insurance. As a result of the liquidation, the Company used the most current cost estimate provided by the National Organization of Life and Health Guaranty Associations (NOLHGA) to determine the estimated fund assessments and premium tax offsets. As of December 31, 2017, the Company recognized a discounted assessment liability of $8 million (undiscounted of $8 million) offset by a discounted premium tax offset of $16 million (undiscounted of $19 million) using a discount rate of 3.5%. The assessment is included in other liabilities of $9 million and in other assets of $21 million stated above. The Company expects a majority of the assessments to be paid over the next 2 years and a majority of the premium tax offset to be realized over the next 7 years.

The below table provide additional information on the Penn Treaty fund assessment liability and premium tax offset recoverables:

	Liability			Recoverables		
Name of the Insolvency	**Number of Jurisdictions**	**Range of Years**	**Weighted average number of years**	**Number of Jurisdictions**	**Range of Years**	**Weighted average number of years**
Penn Treaty	50	1 - 3 years	2 years	40	1 - 20 years	7 years

<u>Reclassifications:</u>

Certain amounts in prior year's presentation have been reclassified to conform to the current presentation. The reclassification had no effect on previously reported net income or surplus. The investment in surplus notes totaling $204 million have been reclassified from the Bonds to Other Invested Assets on Statutory Basis Balance Sheet for December 31, 2016.

NOTE 3 – INVESTMENTS

Investments are valued in accordance with methods prescribed by the Securities Valuation Office of the NAIC (“SVO”). The Company obtains the fair value of financial instruments held in its portfolio that are either carried at fair value on the face of the financial statements or disclosed in the notes to the financial statements at fair value, from a number of sources. These sources include published market quotes for active market exchange traded instruments, third party pricing vendors, investment banks which are lead market makers in certain markets, broker quotes and the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Unrealized gains and losses on investments carried at fair value are recorded directly in unassigned surplus. The investment portfolio is reviewed for investments that may have experienced a decline in value considered to be other-than-temporary. The Company considers several factors in determining whether other-than-temporary declines exist: duration and extent to which the fair value of the security has been less than cost; financial condition of the issuer; the near term prospects for recovery of the fair value of a security; discounted estimated future cash flows; and the intent and ability of the Company to hold the security to allow for an anticipated recovery in value. Impairments that are considered other-than-temporary are included in net realized capital losses.

The Company’s investment portfolio includes securities with a 5* NAIC designation. There were two securities that have a 5* NAIC designation with an aggregated book adjusted carrying value and aggregate fair value of $10 million as of December 31, 2017. There were two securities that have a 5* NAIC designation with a book adjusted carrying value and fair value of $14 million as of December 31, 2016.

Valuation methods for the various types of investments held are as follows:

Bonds - Bonds are stated principally at amortized cost with bond premiums and discounts amortized using the scientific interest method. Those bonds which are rated 6 by the NAIC are reported at the lower of amortized cost or fair value. Mortgage-backed bonds are carried at amortized cost using the interest method considering anticipated prepayments at the date of purchase. Significant changes in future anticipated cash flows from the original purchase assumptions are accounted for using the retrospective and prospective adjustment method utilizing the Public Securities Association standard prepayment rates. There were fifty-six securities that were sold, redeemed or disposed of with an aggregate amount of $29 million in investment income from prepayment penalties and acceleration fees as of December 31, 2017.

Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from issuers or broker- dealers through information services or internal estimates and are consistent with current interest rates and the economic environment. There were forty-six securities that were sold, redeemed or disposed of with an aggregate amount of $504 million and $8 million in investment income from prepayment penalties as of December 31, 2017.

The Company changes from the retrospective method to the prospective method when an other than temporary impairment has been recorded on a structured loan-backed security.

Preferred stocks - Preferred stocks are carried at amortized cost if they have an NAIC SVO rating of 1 to 3 or the lower of book value or fair value based on the rating of 4 to 6.

Common stocks - Common stocks of unaffiliated companies are stated at fair value, which is based on quoted market price. For common stocks without quoted market prices, fair value is estimated using independent pricing services or internally developed pricing models. Investments in subsidiaries are included in common stocks and are valued at equity in the underlying net assets. Undistributed earnings or losses of subsidiaries and unrealized appreciation or depreciation on common stocks are reflected as unrealized capital gains and losses directly in Surplus.

NOTE 3 – INVESTMENTS (CONTINUED)

Foreign Currency Translation - All of the Company's insurance operations are conducted in the United States of America on a U.S. dollar-denominated basis. The Company does make bond, equity and other investments that are denominated in foreign currencies or issued by entities doing business in other countries. Investments denominated in a foreign currency are translated to U.S. dollars at each reporting date using then-current market foreign exchange rates. Translation gains or losses relating to fluctuations in market exchange rates are reported as a change in unrealized capital gains and losses until the related investment security is sold or matures, at which time a realized capital gain or loss is reported. Transactions denominated in a foreign currency, such as receipt of foreign-denominated interest or dividends, are translated to U.S. dollars based on the actual exchange rate at the time of the transaction.

NOTE 3 – INVESTMENTS (CONTINUED)

The amortized cost basis and estimated fair value of bonds and the cost basis and estimated fair value of preferred stock and common stocks at December 31, 2017 and December 31, 2016 is as follows:

	Amortized Cost/ Cost*	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
December 31, 2017		(In millions)		
U.S. Government	$ 2,475	$ 46	$ (8)	$ 2,513
All other Government	65	-	-	65
States, Territories, and Possessions	336	52	-	388
U.S. Political Subdivisions	262	30	-	292
U.S. Special Revenue	2,517	231	(9)	2,739
Industrial and Miscellaneous	32,455	1,874	(140)	34,189
Hybrid	5	1	-	6
Affiliated Bonds	10	-	-	10
Total Bonds	$ 38,125	$ 2,234	$ (157)	$ 40,202
Common stocks - unaffiliated	$ 513	55	(32)	$ 536
Investment in subsidiaries	1,316	18	(339)	995
Total Common Stocks	1,829	$ 73	$ (371)	1,531
Preferred Stocks - Perpetual	$ -	-	-	-
Total Preferred Stocks	-	$ -	$ -	-
Total Common and Preferred Stocks	$ 1,829	$ 73	$ (371)	$ 1,531

	Amortized Cost/ Cost*	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
December 31, 2016		(In millions)		
U.S. Government	$ 1,602	$ 5	$ (31)	$ 1,576
All other Government	37	-	-	37
States, Territories and Possessions	390	47	(5)	432
U.S. Political Subdivisions	230	22	-	252
U.S. Special revenue	2,274	179	(19)	2,434
Industrial and Miscellaneous	30,662	1,313	(460)	31,515
Hybrid	48	2	(1)	49
Total Bonds	$ 35,243	$ 1,568	$ (516)	$ 36,296
Common stocks - unaffiliated	$ 445	34	(41)	$ 438
Investment in subsidiaries	1,346	39	(341)	1,044
Total Common Stocks	1,791	73	(382)	1,482
Preferred Stocks - Perpetual	$ 40	10	-	50
Total Preferred Stocks	40	$ 10	$ -	50
Total Common and Preferred Stocks	$ 1,831	$ 83	$ (382)	$ 1,532

* Includes unrealized FX adjustments

NOTE 3 – INVESTMENTS (CONTINUED)

The Company invests in high quality securities that are diversified by asset class, issuer and industry. At December 31, 2017 approximately 6.5% of the portfolio is invested in securities issued or backed by the United States Government or its agencies. No other single issuer accounts for more than 1.5% of the portfolio at December 31, 2017.

The amortized cost and estimated fair value of debt securities at December 31, 2017 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	2017	
	Amortized Cost	Estimated Fair Value
	(In millions)	
Due in one year or less	$ 461	$ 468
Due after one year through five years	9,499	9,692
Due after five years through ten years	9,572	9,937
Due after ten years	12,846	14,072
Sinking fund bonds, mortgage backed securities and asset backed securities	5,747	6,033
Total	$ 38,125	$ 40,202

The net change in unrealized capital gains (losses) included in surplus for year ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
	(In millions)	
Changes in net unrealized capital gains (losses) attributable to:		
Bonds (NAIC 6 rated)	$ 4	$ (4)
Preferred Stocks (NAIC 4, 5 and 6 rated)	-	6
Common stocks unaffiliated	31	21
Common stocks affiliated	(21)	(54)
Foreign currency translation	59	(28)
Other	(47)	(72)
Total change in net unrealized capital gains (losses)	26	(131)
Tax (expense) benefit	-	20
Total change in net unrealized gains (losses), net of tax	$ 26	$ (111)

Proceeds from sales, maturities and paydowns of investments in bonds amounted to $14,248 million and $15,522 million for the years ended December 31, 2017 and 2016, respectively. Gross gains of $413 million and $602 million and gross losses of $147 million and $202 million were realized on sales of bonds for the years ended December 31, 2017 and 2016, respectively. These amounts are pre-tax and pre-IMR.

Proceeds from sales, maturities and paydowns of investments in preferred stock amounted to $69 million and $153 million for the years ended December 31, 2017 and 2016, respectively. Gross gains of $28 million and $4 million and gross losses of $0 million and $15 million were realized on sales of preferred stock for the years ended December 31, 2017 and 2016, respectively. These amounts are pre-tax.

NOTE 3 – INVESTMENTS (CONTINUED)

Proceeds from sales, maturities and paydowns of investments in common stock amounted to $294 million and $560 million for the years ended December 31, 2017 and 2016, respectively. Gross gains of $22 million and $19 million and gross losses of $6 million and $13 million were realized on sales of common stock for the years ended December 31, 2017 and 2016, respectively. These amounts are pre-tax.

During 2017 and 2016, there were no restructured loans.

During 2017 and 2016, the Company had non-cash transactions related to the exchange or conversion of bonds that it held as investments in the amount of $2,236 million and $806 million.

During 2017 and 2016, the Company had non-cash transactions related to the exchange or merger activity related to common stock that it held as investments in the amount of $0 million and $2 million.

During 2017 and 2016, the Company had no non-cash transactions related to the exchange or conversion of preferred stock that it held as investments.

Unrealized Losses:
The Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2017 and December 31, 2016 are shown below:

December 31, 2017	**Less than 12 Months**		**12 Months or More**		**Total**	
(In millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government	$ 967	$ (6)	$ 57	$ (2)	$ 1,024	$ (8)
All other Government	15	-	-	-	15	-
States, Territories and Possessions	13	-	17	-	30	-
U.S. Political Subdivisions	-	-	-	-	-	-
U.S. Special Revenue	207	(2)	343	(7)	550	(9)
Industrial and Miscellaneous	4,523	(54)	2,764	(86)	7,287	(140)
Hybrid	-	-	-	-	-	-
Total Bonds	$ 5,725	$ (62)	$ 3,181	$ (95)	$ 8,906	$ (157)
Common stocks - unaffiliated	8	(1)	119	(31)	127	(32)
Total temporarily impaired securities	$ 5,733	$ (63)	$ 3,300	$ (126)	$ 9,033	$ (189)

NOTE 3 – INVESTMENTS (CONTINUED)

December 31, 2016	**Less than 12 Months**		**12 Months or More**		**Total**	
(In millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government	$ 1,126	$ (31)	$ 4	$ -	$ 1,130	$ (31)
All other Government	17	-	-	-	17	-
States, Territories and Possessions	122	(5)	4	-	126	(5)
U.S. Political Subdivisions	35	-	-	-	35	-
U.S. Special Revenue	678	(18)	8	(1)	686	(19)
Industrial and Miscellaneous	10,177	(380)	985	(80)	11,162	(460)
Hybrid	1	-	21	(1)	22	(1)
Total Bonds	$ 12,156	$ (434)	$ 1,022	$ (82)	$ 13,178	$ (516)
Common stocks - unaffiliated	150	(19)	62	(22)	212	(41)
Total temporarily impaired securities	$ 12,306	$ (453)	$ 1,084	$ (104)	$ 13,390	$ (557)

The Company’s investment portfolio includes individual securities that are in an unrealized loss position and have not been recognized as other-than-temporary impairments. There were four hundred and sixty-four securities in an unrealized loss position for greater than 12 months with a book value of $3,426 million and a fair value of $3,300 as of December 31, 2017. There were six hundred and seventy two securities in an unrealized loss position for greater than 12 months with a book value of $1,188 million and a fair value of $1,084 million as of December 31, 2016.

In reaching the conclusion that these impairments are not other-than-temporary, management considered many factors including: duration and severity of impairment, discounted cash flow analysis, investment sector stability, creditworthiness, financial condition of issuer, and intent and ability to hold to allow for recovery in value.

NOTE 3 – INVESTMENTS (CONTINUED)

Mortgage Loans:
Mortgage loans are valued at amortized cost. Valuation reserves are established for potential declines in the value of the mortgage loans. As of December 31, 2017 and December 31, 2016 there were no valuation reserves established for any of the Company's mortgage loans. Other-than-temporary impairments on loans are charged to net realized capital losses and are not adjusted for subsequent recoveries in value. There were no other-than-temporary impairments on mortgage loans for the years ended December 31, 2017 and 2016, respectively.

The Company's $4,001 million and $3,472 million of investments in mortgage loans on real estate on December 31, 2017 and December 31, 2016 consist of loans on commercial real estate properties. Of these amounts $1,682 million and $1,356 million were mortgage loans in which the Company was a participant at December 31, 2017 and December 31, 2016. The Company had $0 million and $30 million in co-lender loan exposure as of December 31, 2017 and December 31, 2016. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Texas ($1,209 million or 30.24% and $351 million or 8.76%) at December 31, 2017. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Texas ($1,183 million or 34.07% and $224 million or 6.45%) at December 31, 2016. The Company estimates the fair value of mortgage loans on real estate to be $4,085 million and $3,549 million at December 31, 2017 and December 31, 2016, respectively. Fair value was determined based upon the present value of the scheduled future cash flows of each loan based on the average term to maturity discounted at the appropriate U.S. Treasury rate, adjusted for the current market spread for a similar quality mortgage. The minimum and maximum range of lending rates on new mortgage loans were between 3.20% and 4.32% originated during 2017. The maximum percentage of any single mortgage loan to the value of the security originated in 2017 was 69.92% at origination date.

Management monitors its mortgage loan portfolio on an ongoing basis for events or circumstances that could indicate that it will not receive all of its contractually due principal and interest payments in accordance with the loan agreements. In May and November of each year, the entire portfolio is screened based on debt service coverage, loan to value ratio, delinquency over 90 days and if there are indications that balloon payments due at maturity will not be made to determine if any other than temporary impairments might need to be recorded.

Interest received on impaired loans that were previously modified in a troubled debt restructuring is either applied against the principal or reported as revenue according to management's judgment as to the collectability of principal. There were no mortgages with interest more than 180 days past due at December 31, 2017 or December 31, 2016, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

The following table set forth the credit quality indicators as of December 31, 2017 and December 31, 2016, based upon the recorded investment gross of allowance for credit losses.

Mortgage Loans

	Debt Service Coverage Ratio - December 31, 2017						
	Greater than 2.0X	1.8X to 2.0X	1.5X to <1.8X	1.2X to <1.5X	1.0X to <1.2X	Less than 1.0X	Grand Total
Loan-to-Value Ratio							
0% - 49.99%	$ 939	$ 62	$ 178	$ 24	$ 19	$ -	$ 1,222
50% - 59.99%	798	263	181	120	21	-	1,383
60% - 69.99%	715	-	276	103	52	4	1,150
70% - 79.99%	140	18	-	38	47	3	246
80% - 89.99%	-	-	-	-	-	-	-
90% - 100%	-	-	-	-	-	-	-
Greater than 100%	-	-	-	-	-	-	-
Total	$ **2,592**	$ **343**	$ **635**	$ **285**	$ **139**	$ **7**	$ **4,001**

Mortgage Loans

	Debt Service Coverage Ratio - December 31, 2016						
	Greater than 2.0X	1.8X to 2.0X	1.5X to <1.8X	1.2X to <1.5X	1.0X to <1.2X	Less than 1.0X	Grand Total
Loan-to-Value Ratio							
0% - 49.99%	$ 670	$ 215	$ 131	$ 57	$ 37	$ 2	$ 1,112
50% - 59.99%	559	138	238	64	3	-	1,002
60% - 69.99%	471	18	218	245	55	5	1,012
70% - 79.99%	73	37	16	72	93	8	299
80% - 89.99%	-	22	7	-	-	-	29
90% - 100%	18	-	-	-	-	-	18
Greater than 100%	-	-	-	-	-	-	-
Total	$ **1,791**	$ **430**	$ **610**	$ **438**	$ **188**	$ **15**	$ **3,472**

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NOTE 3 – INVESTMENTS (CONTINUED)

Real Estate:
Real estate investments are reported in the financial statements at cost, less any valuation adjustment, encumbrances and accumulated depreciation of buildings and other improvements using a straight line method over a 40 year period for the buildings and the estimated useful life of the improvements. An investment in real estate is considered impaired when the projected undiscounted net cash flow from the investment is less than depreciated cost. When the Company determines that an investment in real estate is impaired, a valuation adjustment is made to reduce the carrying value to estimated fair value, after encumbrances, based on appraisal of the property. The valuation adjustment is included in realized capital gains (losses).

Real estate was comprised of the following for the years ended December 31, 2017 and December 31, 2016:

	2017	2016
	(In millions)	
Investment real estate	$ 341	$ 361
Properties held for sale - Company Occupied	-	10
Properties occupied by the Company	4	3
Total real estate	$ 345	$ 374

The Company had accumulated depreciation totaling $102 million and $121 million at December 31, 2017 and December 31, 2016, respectively. The Company recorded depreciation expense of $19 million for 2017 and $19 million for 2016. There were two properties with carrying value of $22 million, above their combined fair value of $20 million at December 31, 2017. There were four properties with carrying value of $24 million, above their combined fair value of $20 million at December 31, 2016. There was one other-than-temporary impairment of $4 million taken on real estate in 2017. There were no other-than-temporary impairment in 2016. The fair values were determined by a third party and internal appraisals. As of December 31, 2016 the Company had four home office properties held for sale with carrying value of $10 million. These properties were sold in 2017 resulting in a gain of $2 million.

Restricted Assets and Special Deposits:
The Company had admitted restricted assets of $12 million and $23 million at December 31, 2017 and 2016, respectively. Of these amounts, there were deposits with states as required by certain insurance laws of $4 million in 2017 and $4 million 2016 and pledged as collateral for futures trading of $8 million and $20 million in 2017 and 2016, respectively. These amounts are included in Bonds in the Statutory Basis Balance Sheets. Total admitted restricted assets were 0.02% and 0.05% of the Company's total admitted assets at December 31, 2017 and 2016, respectively. There were no non-admitted restricted assets in 2017 or 2016.

Investment in Subsidiaries:
Investment in affiliated limited liability subsidiaries are included in Other invested assets while investment in all other subsidiaries are included in Common stocks on the Statutory Basis Balance Sheets and totaled $1,819 million and $1,754 million at December 31, 2017 and December 31, 2016, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

The Company's major subsidiaries are as follows:

Guardian Insurance and Annuity Company ("GIAC") is a stock life insurance company organized primarily for the sale of variable deferred annuities, fixed deferred and immediate annuity contracts, and variable life insurance policies. For variable products, contracts are sold by insurance agents who are licensed by Park Avenue Securities LLC ("PAS"), wholly-owned by GIAC, and are either registered representatives of PAS or of broker-dealer firms that have entered into sales agreements with GIAC. Effective September 1, 2016, GIAC sold its Group 401(k) in-force business to Ameritas Life Insurance Corp., a Nebraska corporation ("Buyer") and entered into an indemnity reinsurance agreement with the Buyer on a 100% modified coinsurance basis for the liabilities until the Buyer can obtain all of the required regulatory and contract holder approvals to novate the GIAC Group 401(k) in-force contracts through Assumption Reinsurance.

Berkshire Life Insurance Company of America ("BLICOA") is a stock life company whose primary business is the sale and administration of disability insurance business.

Park Avenue Life Insurance Company ("PALIC") primary business is the administration of life insurance business (principally term and universal life products). Although PALIC is licensed in 48 states and the District of Columbia, it does not currently write new business.

First Commonwealth, Inc. ("FCW") provides dental care coverage and/or arranges for dental care services to be provided to its subscribers primarily on a prepaid basis. It also provides Indemnity/Preferred Provider Organization ("PPO") dental coverage, and administrative claim services. Through its subsidiary, Premier, FCW also operates as a dental health care service plan under the California Geographic Managed Care Program ("GMC") and the Los Angeles Prepaid Health Plan ("LAPHP"), which are administered by the California Department of Health Services and were created by the State legislature to ensure access, quality of care, and cost-effectiveness for beneficiaries of the Medi-Cal Program. On January 29, 2016, FCW acquired 100% interest in Avesis Incorporated at a purchase price of $262 million. The total assets acquired were $317 million which includes $268 million in goodwill and intangible assets and total liabilities acquired were $55 million.

Guardian Investor Services ("GIS") is a wholly-owned non-insurance limited liability company that provides investment advisory services and related services to the mutual funds, variable investment trusts, private investment unit trust, institutional and other clients through Park Avenue Institutional Advisers ("PAIA"), wholly-owned subsidiary of GIS. GIS also provides absence management services to organizations and dental practice management services to dental clinics. GIS holds investments in real estate operating entities and joint ventures, residual interests in collateralized loan obligation securities and investments in early stage companies.

- During 2016, GIS received $234 million of real estate operating entities and joint ventures from the Company. GIS also received a contribution of $130 million from the Company which represents the common stock of Reed Group, Ltd., a Colorado corporation that provides absence management services.

- On August 24, 2016, GIS acquired 100% interest in STX Healthcare Management Service, Inc., a dental service organization, at a purchase price of $79 million in cash. The total assets acquired were $94 million which includes $80 million in goodwill and intangible assets and total liabilities acquired were $15 million.

- On December 17, 2015, GIS entered into a definitive agreement to sell its majority interest (as of December 31, 2015, GIS owns a 94.0% interest in RS) in RS to Victory Capital. The transaction closed on July 29, 2016.

NOTE 3 – INVESTMENTS (CONTINUED)

Selected financial information for the Company's significant subsidiaries is highlighted below:

	2017	2016
	(In millions)	
GIAC (Statutory basis)		
Total assets	$ 17,360	$ 16,783
Total liabilities	17,050	16,523
Net income (loss)	$ 26	$ (140)
BLICOA (Statutory basis)		
Total assets	$ 3,718	$ 3,527
Total liabilities	3,529	3,325
Net income	$ 11	$ 18
PALIC (Statutory basis)		
Total assets	$ 236	$ 268
Total liabilities	195	204
Net income	$ 5	$ 6
FCW (GAAP basis)		
Total assets	$ 586	$ 701
Total liabilities	112	161
Net income	$ 28	$ 25
GIS (GAAP basis)		
Total assets	$ 1,962	$ 1,432
Total liabilities	1,129	712
Net income (loss)	$ 2	$ (3)

NOTE 3 – INVESTMENTS (CONTINUED)

Investment in Subsidiaries

The following table provides additional information on non-insurance subsidiaries.

December 31, 2017 (In millions)

Description of SCA Investment (Per SSAP No 97)	% of SCA Ownership	Gross Amount	Non-admitted Amount	Admitted Asset Amount	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (yes/no)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (yes/no)	Code
Managed Dental Care of California	100%	$ 4	$ -	$ 4	12/30/2016	Sub-2	Y	$ 5	no	I
First Commonwealth	100%	443	-	443	12/30/2016	Sub-2	Y	508	no	I
Innovative Underwriters	100%	6	6	-	-	Sub-2	n/a	-	n/a	I
Guardian Investors Services, LLC	100%	824	-	824	-	n/a	n/a	-	n/a	I
Guardian Acqusition I, LLC	100%	24	24	-		n/a	n/a	-	n/a	I
Aggregate Total		**$ 1,301**	**$ 30**	**$ 1,271**				**$ 513**		

December 31, 2016 (In millions)

Description of SCA Investment (Per SSAP No 97)	% of SCA Ownership	Gross Amount	Non-admitted Amount	Admitted Asset Amount	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (yes/no)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (yes/no)	Code
Managed Dental Care of California	100%	$ 5	$ -	$ 5	6/30/2016	Sub-2	Y	$ 6	no	I
First Commonwealth	100%	508	-	508	12/30/2016	Sub-2	Y	420	no	I
Innovative Underwriters	100%	6	6	-	-	Sub-2	n/a	-	n/a	I
Guardian Investors Services, LLC	100%	710	-	710	-	n/a	n/a	-	n/a	I
Aggregate Total		**$ 1,229**	**$ 6**	**$ 1,223**				**$ 426**		

NOTE 3 – INVESTMENTS (CONTINUED)

NET INVESTMENT INCOME

Net investment income, including accrual of discounts and amortization of premiums, arose from the following sources for the years ended December 31, 2017 and December 31, 2016:

	2017	2016
	(In millions)	
Bonds	$ 1,611	$ 1,545
Preferred stocks	-	7
Unaffiliated common stocks	24	9
Affiliated common stocks	47	12
Mortgage loans	166	169
Real estate	69	73
Policy loans	253	247
Cash and short-term investments	6	4
Other (mainly private equities)	155	181
Gross investment income	2,331	2,247
Less investment expenses	(225)	(195)
Net investment income	$ 2,106	$ 2,052

NET REALIZED CAPITAL (LOSSES) GAINS

Net realized capital losses were derived from the following sources for the years ended December 31, 2017 and December 31, 2016:

	2017	2016
	(In millions)	
Bonds	$ 255	$ 401
Preferred stocks	28	(11)
Common stocks (unaffiliated & affiliated)	15	5
Mortgage loans	(7)	(2)
Real estate	12	29
Other invested assets	5	(8)
Derivatives and hedging losses gains	(18)	(46)
Other realized losses	1	-
Total net realized capital gains	291	368
Capital gains tax expense	(152)	(164)
Transfer to IMR (net of tax)	(166)	(212)
Net realized capital losses	$ (27)	$ (8)

Included in Other Invested Assets is $15.5 million net losses related to the transfer of twenty real estate joint venture LLC's to GIS in 2016.

The net realized capital loss figure above includes other-than-temporary impairment losses of $54 million and $46 million for the years ended December 31, 2017 and December 31, 2016, respectively. Of the $54 million for 2017, $15 million relates to impairments that reduced surplus which consists of $11 million in bonds and $4 million in real estate. The remaining $39 million relates to private equities. The $46 million relates to private equities.

NOTE 3 – INVESTMENTS (CONTINUED)

Derivative Financial Instruments:

The Company enters into derivative transactions in order to mitigate ("hedge") certain risks pertaining to its assets, liabilities and surplus from fluctuations in interest rates, foreign currency exchange rates and market volatility. Derivatives are either exchange traded or contracted over-the-counter. The majority of the Company's over-the-counter derivatives are bilateral contracts between the Company and a single counterparty. The Company's remaining over-the-counter derivatives are cleared and settled through central clearing counterparties.

Derivatives that are designated as hedges for accounting purposes and meet the qualifications for hedge accounting are reported on a basis consistent with the asset or liability being hedged (i.e. at amortized cost). Derivatives that are used to mitigate risk but are not designated as hedges for accounting purposes or do not meet the qualifications for hedge accounting treatment are reported at fair value.

To qualify for hedge accounting the hedge relationship must be designated and formally documented at inception. This documentation details the risk management objective and strategy for the hedge, the derivative used in the hedge, the asset or liability being hedged, and the methodology for assessing hedge effectiveness. The hedge must also be "highly effective" with an assessment of its effectiveness performed both at inception and on an ongoing basis over the life of the hedge.

Derivative transactions expose the Company to the risk that the counterparty may not be able to fulfill its obligations under the terms set forth in the contract. The Company manages this counterparty risk by entering into transactions with counterparties that maintain a minimum credit rating, by performing ongoing review of a counterparties' credit standing, by adhering to established limits for credit exposure to any single counterparty and requiring collateral posting subject to thresholds and minimum transfer amounts in accordance with counterparty agreements to support credit risk associated with counterparty exposures which further reduces the company's exposure to default by the counterparty. The Company is required to establish a margin account for all of its futures contracts. All of the futures contracts that the Company has entered into are exchange traded. Margin payments are required for futures contract and contract gains or losses are settled daily in cash, therefore the futures contracts are carried at zero value on the Company's balance sheets. The contract amount of futures contracts represents the extent of the Company's involvement, but not future cash requirements, as open positions are typically closed out prior to the delivery date of the contract. The Company does not offset the statement values for derivatives executed with the same counterparty, even if a master netting arrangement is in place. The Company also does not offset the right to claim collateral against the obligation to return such collateral.

The Company has no embedded credit derivatives that expose it to the possibility of being required to make future payments. The Company also does not have any derivative contracts with financing premiums.

Hedging – Designated As Hedging Instruments

The Company designates and accounts for its foreign currency swaps as cash flow hedges and certain equity index futures, treasury futures and S&P equity option as fair value hedges.

Foreign currency swaps are used to mitigate the foreign exchange risk for investments for specifically identified private placement bonds denominated in foreign currencies over a period of up to 15 years. Foreign currency swaps obligate the Company and a counterparty to exchange the foreign currency denominated interest and principal payments receivable on foreign denominated bonds for U.S. dollar payments based on currency exchange rates specified at the inception of the transaction. Foreign exchange gains or losses on these contracts are reported as a change in unrealized gains or losses until the maturity or sale of the hedged foreign currency bond at which time a realized capital gain or loss is recognized.

Equity index futures are used to mitigate the change in value of the liability the Company has to participants in its deferred compensation plans that allocate their plan account balances to equity funds offered under the plan. Equity index futures obligate the Company to pay or to receive an amount based on a specified equity market index as of a future date applied to the notional amount of the contract. The change in the fair value of the futures contracts are recorded as income or expense which offsets the impact on gain from operation of the change in value of its deferred compensation liability. If the hedge is deemed to be ineffective for any period of time, the change in the fair value of the futures contracts for that time period is recorded in surplus as an unrealized gain or loss.

NOTE 3 – INVESTMENTS (CONTINUED)

Treasury futures are used to mitigate the portion of the change in fair value related to a change in interest rates on specifically identified assets acquired by the Company and held in its general account to support the Funding Agreements ("FA") and the specifically identified portion of a liability incurred by the Company pertaining to FA that are issued by the Company to back Medium Term Notes ("MTN") issued by a special purpose entity.

The Company enters into short positions (sells) treasury futures contracts prior to the issuance of the FA-MTN in order to lock-in the interest rate component of the return of the designated assets at their date of acquisition. When the FA-MTN is issued the Company enters into long position (purchases) treasury futures contracts in order to mitigate the change in the fair value of the designated net liability due to the effects of interest rate changes. The change in the fair value of the futures contracts are recorded in current period earnings as income or expense which offsets the operating gain or loss incurred by the Company on the change in value of its FA liability.

Treasury futures obligate the Company to take or receive delivery of certain Treasury Bonds at a specified price at a future date.

S&P equity options are used by the Company as a risk management strategy to reduce the projected dividend liability exposure on its Index Participation Feature ("IPF") which is a rider on certain whole life contracts. The Company uses a combination of short positions (sell) and long positions (purchases) of over-the-counter European call options on the S&P 500 index with expiration of one year to mitigate the dividend liability exposure based on the future return on S&P 500 index for the annual period of the monthly segment being hedged between the guaranteed floor rate and the cap rate on the participating balances. The change in the fair value of the options contracts are recorded in current period earnings as income or expense which offsets the operating gain or loss incurred by the Company on the change in the amount of the dividend liability.

<u>Hedging – Not Designated As Hedging Instruments</u>

The Company enters into other derivative transactions that mitigate economic risks but are not designated as a hedge for accounting purposes or do not qualify for hedge accounting treatment. These derivative instruments are reported at fair value on the balance sheet as either other invested assets or other liabilities. Changes in the fair value of these instruments are reported as a change in unrealized capital gains or losses until the maturity or termination of the contract, at which time a realized capital gain or loss is recorded.

Treasury futures are used to mitigate the key rate duration mismatch between the designated segment of the general account asset portfolio and the custom composite benchmarks for that segment designed to incorporate certain interest rate characteristics of the liabilities that those assets support. Treasury futures obligate the Company to take or receive delivery of certain Treasury Bonds at a specified price at a future date.

Foreign currency futures are used to mitigate the foreign exchange risk of investments in foreign denominated bonds securities. Foreign currency futures are exchange traded and settled daily. Foreign currency futures obligate the Company to exchange a specified amount of foreign currency at a specified rate on a future date.

Equity index futures are used to mitigate market fluctuations of the Company's portfolio of unaffiliated common stock and other mark to market assets and to minimize the volatility associated with certain liabilities. Equity index futures obligate the Company to pay or receive from a counterparty a cash amount based on a specified equity market index at a predefine price as of a future date applied to the notional amount of the contracts.

NOTE 3 – INVESTMENTS (CONTINUED)

Foreign currency forwards are used to mitigate the foreign exchange risk for investments in foreign denominated bonds or foreign denominated equity investments. Foreign currency forwards obligate the Company and the counterparty to exchange U.S. dollars and another currency at a specified future date and at a specified price.

Credit default swaps index ("CDX") are used to reduce the credit risk exposure on a specified portfolio of corporate bonds. The Company purchases CDX contracts in which it receives payments if there is a credit event on one or more of the specified securities contained in the index. These payments would be used to offset any credit losses recorded on portfolio of bonds being hedged.

The Company also entered into short positions (sells) treasury futures contracts in order to lock in the interest rate as of the date the hedge was entered into for a surplus note that was issued in January 2017.

Replications

The Company purchased treasury futures as part of a replication transaction used to manage interest rate exposure. Statutory accounting guidance requires a cash instrument (high quality bond) with the same par value as the notional amount of the derivative and at least the same duration as the treasury futures to be held by the Company in order to cover the change in value of the treasury futures. The combining of the treasury futures and the cash instrument creates the replication (synthetic bond). If the replicated asset and cash instrument are carried at amortized cost so is the derivative. Otherwise, the derivative is carried at fair value.

NOTE 3 – INVESTMENTS (CONTINUED)

The effects of the Company's use of derivative instruments on the Balance Sheets and Statements of Operations:

December 31, 2017	Notional Amount	Statement Value: Assets	Statement Value: Liabilities	Change in Unrealized Capital Gains (Losses)	Net Realized Capital Gains (Losses)	Net Investment Income	Gain/(loss) from Operations
			(in millions)				
Derivatives designated as hedging instruments:							
Foreign currency swaps	$ 816	$ 13	$ -	$ (63)	$ -	$ -	$ -
Equity index futures	213	-	-	-	-	-	36
Treasury futures	88	-	-	-	(15)	-	-
S&P equity options	5	-	-	-	-	-	-
Derivatives not designated as hedging instruments:							
Treasury futures	45	-	-	1	(1)	-	-
Equity index futures	1	-	-	-	-	-	-
Credit default swap index	-	-	-	-	(1)	-	-
Total derivatives	$ 1,168	$ 13	$ -	$ (62)	$ (17)	$ -	$ 36

December 31, 2016	Notional Amount	Statement Value: Assets	Statement Value: Liabilities	Change in Unrealized Capital Gains (Losses)	Net Realized Capital Gains (Losses)	Net Investment Income	Gain/(loss) from Operations
			(in millions)				
Derivatives designated as hedging instruments:							
Foreign currency swaps	$ 422	$ 34	$ -	$ 24	$ -	$ -	$ -
Equity index futures	-	-	-	-	-	-	20
Treasury futures	-	-	-	-	-	-	-
S&P equity options	1	-	-	-	-	-	-
Derivatives not designated as hedging instruments:							
Treasury futures	-	-	-	(1)	(41)	-	-
Foreign currency futures	-	-	-	-	-	-	-
Equity index futures	3	-	-	-	-	-	-
Foreign currency forwards	-	-	-	-	-	-	-
Credit default swap index	950	-	15	-	(4)	-	-
Total derivatives	$ 1,376	$ 34	$ 15	$ 23	$ (45)	$ -	$ 20

Repurchase Agreements:
The Company periodically enters into repurchase agreements whereby securities will be resold at a specified date and price. There were no repurchase agreements as of December 31, 2017 and December 31, 2016, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

Reverse Repurchase Agreements:

The Company periodically enters into reverse repurchase arrangements whereby certain securities are loaned, primarily with major brokerage firms. The Company's policy requires a minimum of 95% of the fair value of the loaned securities as collateral, calculated on a daily basis, in the form of either cash or securities. Collateral assets received and related liabilities due counterparties are included in the Statutory Basis Balance Sheets as "Other Liabilities". There were no open reverse repurchase agreements on December 31, 2017 or December 31, 2016.

Securities Lending

There were no securities on loan at December 31, 2017 or December 31, 2016.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Statutory guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions based on internally developed data in the absence of observable market information. The guidance requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when determining the fair value of an asset or liability. The statement classifies all assets and liabilities carried or disclosed at fair value in one of the following three categories:

Level 1 – inputs are quoted market prices available in active markets for identical assets or liabilities on the reporting date. Assets included in this category include fixed maturity instruments.

Level 2 – inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations whose inputs are observable or whose significant value drivers are observable. These types of instruments include fixed maturity instruments (impaired bonds), unaffiliated common stock, and derivative instruments that are not actively traded.

Level 3 – inputs are unobservable where there is little or no market activity for the asset or liability and the Company makes estimates and assumptions based on internally derived information. Instruments held in this category include fixed maturity instruments (impaired bonds).

The estimated fair values presented below have been determined using available information and valuation methodologies. The estimated fair value for financial instruments held by the Company was determined by management after considering the following sources of information: published market quotes for active exchange traded instruments, third party pricing vendors, quotes from investment banks that are lead market makers in certain markets, independent broker quotations, or the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Accordingly, such amounts are management's estimate of the value that would be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies from period to period based on available information and market conditions could have a material effect on the estimated fair values.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Bonds, preferred and common stocks:
Estimated fair values for bonds, other than private placement securities, preferred stock and common stock are valued based on quoted prices from active markets when available (Level 1).

When the Company cannot obtain a quoted market price directly it relies on values provided by a third party pricing vendor. This is the pricing source for the majority of the Company's marketable securities. Prices received from a third party vendor are generally considered to be Level 2.

Pricing vendors utilize pricing models developed for individual asset classes which incorporate available market data. These market inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data which include market research publications. The pricing vendor may obtain broker quotes for securities when sufficient information is not available to fully evaluate a security. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants.

Portfolio managers review the values assigned by the pricing vendor for reasonableness. In doing so, they compare the prices received from the pricing vendor to prices of similar securities, price ranges in that asset class or industry or prices from internally generated position reports. If there is a discrepancy with the price received from the vendor, the portfolio manager may communicate this difference to the pricing vendor and present the vendor with additional market data regarding that security in order to insure the pricing vendor has sufficient information needed to accurately price the security. The pricing vendor will then independently validate and evaluate that data and determine if a price change is warranted.

In the rare instance when a portfolio manager finds a difference in his or her assessment of fair value and the vendor price, after performing the preceding procedures, the portfolio manager may request replacement of the vendor price by a supportable value that is believed to be more representative of the security price. Any replacement of the vendor price is subject to an internal approval process.

The fair values of private placement bonds are determined by using an internal pricing model or for a small amount of securities, assigned individual broker prices. There were seventy-seven private placement bonds that were individually priced. These assigned individual prices are usually obtained from an external broker ("hand priced") and are considered to be Level 3.

The significant inputs used for the internal pricing model consist of (i) a broker supplied price matrix, (ii) treasury rates and (iii) credit ratings from certain nationally recognized securities rating organizations ("NRSRO") ("external ratings") or a credit rating assigned internally by the Company's Private Placement Investment Management Group ("internal ratings").

Private placement bonds with an applicable external credit rating of BB or above, for which the corresponding matrix price is used, are classified as Level 2. A private placement bond with an applicable external credit rating of below BB is classified as Level 3 due to the limited amount of market data available for these securities.

Bonds are carried at amortized cost unless they are rated 6 by the NAIC SVO in which case they are reported at the lower of amortized cost or fair value. There no bonds rated 6 by the NAIC SVO and carried at fair value on December 31, 2017 and December 31, 2016. Impaired bonds carried at fair value on December 31, 2017 and December 31, 2016 were $7 million and $2 million, respectively.

Preferred stock is carried at amortized cost if they have a NAIC SVO rating of 1, 2 or 3 and at lower or cost or fair value if the rating assigned is 4, 5 or 6. There were no preferred stocks carried at fair value on December 31, 2017 and December 31, 2016.

Unaffiliated common stocks are reported at fair value.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives:
Derivative instruments are valued through the use of quoted market prices for exchange-traded derivatives (Level 1), third party pricing model and a third party pricing service for over-the-counter ("OTC") traded derivatives (Level 2) and by using internally developed estimates and assumptions when no quoted market price or third party vendor price is available (Level 3).

The third party pricing model used to determine fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what market participants would use when pricing the instruments. The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant observable inputs include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility.

The methodology used by the third party pricing service for derivative investments is the same as that described above under the bonds, preferred and common stocks section.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables summarize the Company's financial instruments carried at fair value by their fair value hierarchy levels for the period ending December 31, 2017 and December 31, 2016:

	December 31, 2017					
	Level 1	Level 2	Level 3	Total Fair Value	NAV	Carrying Amount
Assets			(In millions)			
Impaired Bonds	$ -	$ -	$ 7	$ 7	$ -	$ 7
Common Stock	-	457	-	457	79	536
Total Assets	$ -	$ 457	$ 7	$ 464	$ 79	$ 543
Liabilities						
Derivative instruments	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	$ -	$ -	$ -	$ -	$ -	$ -

	December 31, 2016					
	Level 1	Level 2	Level 3	Total Fair Value	NAV	Carrying Amount
Assets			(In millions)			
Impaired Bonds	$ -	$ 2	$ -	$ 2	$ -	$ 2
Common Stock	-	366	-	366	72	438
Total Assets	$ -	$ 368	$ -	$ 368	72	440
Liabilities						
Derivative instruments	$ -	$ 15	$ -	$ 15	$ -	$ 15
Total Liabilities	$ -	$ 15	$ -	$ 15	$ -	$ 15

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes changes to the Company's financial instruments carried at fair value and classified as level 3 in the fair value hierarchy for the year ended December 31, 2017.

Level 3 Roll Forward	As of December 31, 2017		
(In Millions)	NAIC 6 Bonds	Impaired Bonds	Total
Fair Value , beginning of period	$ -	$ -	$ -
Total gains or (losses) (realized or unrealized):			-
Included in net income	-	-	-
Included in surplus	-	-	-
Purchases, sales, issuances, and settlements:			-
Purchases	-	-	-
Sales	-	-	-
Issuances	-	-	-
Settlements	-	-	-
Transfers into Level 3	-	7	7
Transfers out of Level 3	-	-	-
Fair value, end of period	$ -	$ 7	$ 7

Transfers into and out of Level 3 are recognized at the end of the reporting period. During 2017, the Company transferred one security into Level 3. The transfers in and out of level 3 were determined by the observable/unobservable inputs used in pricing the securities.

Level 3 Roll Forward	As of December 31, 2016		
(In Millions)	NAIC 6 Bonds	Impaired Bonds	Total
Fair Value , beginning of period	$ -	$ 8	$ 8
Total gains or (losses) (realized or unrealized):			-
Included in net income	-	-	-
Included in surplus	-	-	-
Purchases, sales, issuances, and settlements:			-
Purchases	-	-	-
Sales	-	(8)	(8)
Issuances	-	-	-
Settlements	-	-	-
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Fair value, end of period	$ -	$ -	$ -

Transfers into and out of Level 3 are recognized at the end of the reporting period. During 2016, the Company transferred no securities into and out of Level 3. The transfers in and out of level 3 were determined by the observable/unobservable inputs used in pricing the securities.

NOTE 5 – RESERVES FOR POLICY BENEFITS

Reserves for policy benefits represent the estimated net present value of future policy benefits, less future policy premiums, established using actuarial methods based on mortality and morbidity experience tables and valuation interest rates prescribed by the Department. Actual future experience will generally differ from assumptions used to determine these reserves.

Reserves for future policy benefits on life insurance issued in 1988 and later are calculated principally on the New Jersey Reserve Method or the Commissioners Reserve Valuation Method using the 1980 Commissioners' Standard Ordinary ("CSO") and the 2001 CSO mortality tables. Reserves on life policies issued before 1988 are calculated principally on the Net Level Premium Reserve Method using the American Experience, 1941, 1958 and 1980 CSO mortality tables. Annuity contract reserves are principally calculated using the 1983 Group Mortality table and the various Individual Annuity mortality tables. Assumed interest rates principally range from 2.5% to 5.5 % for direct business.

The reserves for Group Life Waiver and LTD reported claims are determined on a seriatim basis. Life waiver of premium reserves are determined primarily using the 1970 Inter-company Group Life Disability Table for claims incurred on or before December 31, 2008 and the 2005 Group Term Life Waiver Reserve Valuation Table for claims incurred on or after January 1, 2009. The interest rate is 4.0% for claims incurred on or before December 31, 2012 and 3.5% for claims incurred on or after January 1, 2013. Long-term disability reserves are determined using the 2012 Group Long-Term Disability Valuation Table for claims incurred on or after January 1, 2017 and Table 95a for claims incurred on or before December 31, 2016 for the first 24 months after disablement, and the 1987 Commissioners' Group Disability Table for greater than 24 months of disablement. The interest rates range from 2.75% to 5.0%, depending on the year of incurral. Short Term Disability (STD), Dental, and Medical claims incurred but not yet reported ("IBNR") reserves are estimated based on the Company's historical experience. Dental and Medical reserves include reasonable allowances for potential adverse deviation.

The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium paid beyond the date of death. The larger of legally computed reserves and cash surrender values on a policy-by-policy basis are held as liabilities. Plans, except for second-to-die plans, charge additional premiums for substandard lives based upon actual issue age. Second-to-die plans develop substandard reserves using the rated up age. Mean reserves are based on appropriate multiples of standard rates of mortality. As of December 31, 2017, the Company had $14 billion of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of New York. The reserves to cover the above insurance totaled $32 million. The Tabular Interest, the Tabular Less Actual Reserve Released and the Tabular Cost have been determined by formula. For the determination of Tabular Interest on funds not involving life for each valuation rate of interest, the tabular interest is calculated as the product of such valuation rate of interest times the average of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

NOTE 5 – RESERVES FOR POLICY BENEFITS (CONTINUED)

At December 31, 2017 and December 31, 2016 the withdrawal characteristics of the Company's annuity reserves and deposit liabilities were as follows:

	As of December 31, 2017				
	(1) General Account	(2) Separate Account with Guarantees	(3) Separate Account Non Guaranteed	(4) Total	(4) % of Total
A. Subject to discretionary withdrawal:					
(1) With market value adjustment	$ 10	$ -	$ -	$ 10	0.5%
(2) At book value less current surrender charge of 5% or more	60	-	-	60	3.3%
(3) At fair value	-	-	-	-	-
(4) Total with adjustment or at fair value (Total of 1 through 3)	$ 70	$ -	$ -	$ 70	3.8%
(5) At book value without adjustment (with minimal or no charge or adjustment)	$ 546	$ -	$ -	$ 546	29.6%
B. Not subject to discretionary withdrawal	$ 1,227	$ -	$ -	$ 1,227	66.6%
C. Total (gross: direct + assumed)	$ 1,843	$ -	$ -	$ 1,843	100.0%
D. Reinsurance ceded	-	-	-	-	-
E. Total (net)* (C)- (D)	$ 1,843	$ -	$ -	$ 1843	100.0%

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities

	As of December 31, 2016				
	(1) General Account	(2) Separate Account with Guarantees	(3) Separate Account Non Guaranteed	(4) Total	(4) % of Total
A. Subject to discretionary withdrawal:					
(1) With market value adjustment	$ 10	$ -	$ -	$ 10	0.7%
(2) At book value less current surrender charge of 5% or more	63	-	-	63	4.3%
(3) At fair value	-	-	-	-	-
(4) Total with adjustment or at fair value (Total of 1 through 3)	$ 73	$ -	$ -	$ 73	5.0%
(5) At book value without adjustment (with minimal or no charge or adjustment)	$ 548	$ -	$ -	$ 548	37.4%
B. Not subject to discretionary withdrawal	$ 846	$ -	$ -	$ 846	57.7%
C. Total (gross: direct + assumed)	$ 1,467	$ -	$ -	$ 1,467	100.0%
D. Reinsurance ceded	-	-	-	-	-
	$ 1,467	$ -	$ -	$ 1467	100.0%

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities

NOTE 5 – RESERVES FOR POLICY BENEFITS (CONTINUED)

Note Programs

Funding agreements are investment contracts whose reserve liabilities are equal to the account value and are established by contract deposits, increased by interest credited and decreased by contract coupon payments and maturities. Contract holders do not have the right to terminate the contract prior to the contractually stated maturity date. Credited interest rates vary by contract and can be fixed or floating.

Under the note programs, the Company creates special purpose entities ("SPEs"), which are investment vehicles or trusts, for the purpose of issuing medium-term notes to investors. Proceeds from the sale of the medium-term notes issued by these SPEs are used to purchase funding agreements from the Company. The medium term notes are secured by the funding agreements with the note issuer granting a security interest in the funding agreement to the indenture trustee for the notes. The payment terms of any particular series of notes are matched by the payment terms of the funding agreement securing the series. The Company has a $3.0 billion Global Medium-Term Note Program of which $1.2 billion notes have been issued with $1.2 billion remaining outstanding as of December 31, 2017. The $1.2 billion and $800 million is included in "Policyholder dividends payable and other contract liabilities" in the Statutory Basis Balance Sheets as of December 31, 2017 and December 31, 2016, respectively.

NOTE 6 – PREMIUM AND ANNUITY CONSIDERATIONS DEFERRED AND UNCOLLECTED

Gross deferred and uncollected life insurance premiums represent premiums due to be received from policy owners through the next policy anniversary date. Net deferred and uncollected life insurance premiums represent only the portion of gross premiums related to mortality charges and interest. Deferred and uncollected life insurance premiums at December 31, 2017 and December 31, 2016 were as follows:

	2017 (In millions)		2016 (In millions)	
Type	**Gross**	**Net**	**Gross**	**Net**
Ordinary new business	$ 64	$ 64	$ 67	$ 67
Ordinary renewal	674	581	656	569
Group life	175	351	168	341
Totals	$ 913	$ 996	$ 891	$ 977

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS

Defined Benefit Plans:
The Company sponsors non-contributory defined benefit pension plans covering all eligible employees. These include tax-qualified plans, as well as nonqualified plans that provide benefits to certain participants in excess of ERISA limits for qualified plans. The Company's policy is to fully fund the obligations of qualified plans in accordance with ERISA requirements.

In addition to pension benefits, the Company provides certain health care, dental and life insurance benefits ("postretirement benefits") for retired employees. Substantially all of the employees and representatives may become eligible for these benefits if they reach retirement age while working for the Company.

In accordance with NAIC SAP, the costs associated with these required benefits are expensed over the period that the participant provides services to the Company, including recognition of assets and liabilities based on the funded status of the related plans. Pension assets are then non-admitted and thereby excluded from surplus.

Effective January 1, 2013, the Company adopted Statement of Statutory Accounting Principle No. 92, Accounting for Postretirement Benefits Other Than Pensions, A Replacement of SSAP No. 14 ("SSAP 92") and Statement of Statutory Accounting Principle No. 102, Accounting for Pensions, A Replacement of SSAP No. 89 ("SSAP 102"). These new statutory accounting standards require that estimates of the projected benefit obligations and accumulated benefit obligations include future benefit obligations due to non-vested participants. They also require that the Company's surplus as reported in the statements of financial position fully reflect any net liability related to the plans' projected benefit obligations, reduced by the fair value of any plan assets, including unrecognized net experience losses and prior service costs. Based on the funded status of the plans at December 31, 2012, the new standards reduced surplus by approximately $260 million. The new standard permitted the Company an election to recognized this surplus reduction over a period of up to ten years, which the Company elected.

Plan Amendments
On September 8, 2016, the Company announced a plan amendment to freeze The Guardian Retirement Plan for Field Clerical Employees effective December 31, 2016. The plan amendment affects only the Field Clerical defined benefit pension plan. The announcement of the plan freeze resulted in a plan curtailment. As a result of this amendment, all plan participants ceased accruing additional benefits under the plan effective December 31, 2016. As of December 31, 2016, all active plan participants who completed one year of service (were hired no later than January 1, 2016) were fully vested in their accrued benefit. On September 26, 2016, the Company filed a determination letter with the Internal Revenue Service requesting approval to terminate the plan.

On May 23, 2017, the Company received a favorable determination letter from the IRS. From September to October 2017, Plan participants who were not yet receiving annuity payments were offered a one-time opportunity to receive their benefit in a lump sum payment. Lump sum payments were mailed to participants in December 2017 and paid out using the Field Clerical defined benefit pension plan assets. The December 2017 Lump Sum payments attributable to Field Clerical defined benefit pension plan were $35.3 million and resulted in a partial settlement. As a result, a settlement charge of $10.5 million was recognized as of December 31, 2017, equal to a pro rata portion of the aggregate unamortized net loss (including the gain or loss resulting from re-measurement of the plan assets at fair value). The pro rata factor is computed as the percentage reduction in the projected benefit obligation due to the partial settlement.

On September 8, 2016, the Company announced that all postretirement benefits offered to Field Clerical employees, Full Time Agents and General Agents ended on December 31, 2016. Field Clerical employees, Full Time Agents and General Agents eligible for postretirement benefits received a Special Transition Benefit in December 2016. The Special Transition Benefit was a one-time, lump sum cash payment in lieu of life insurance coverage and the contribution Guardian provides to retirees to help pay for retiree medical and dental coverage. The Company recorded a curtailment gain to recognize a reduction in the accrued postretirement benefit obligation for removing Field Clerical employees, Full Time Agents and General Agents who were not eligible for postretirement benefits as of December 31, 2016.

On February 21, 2017, the Company announced a plan amendment to close the Home Office Employees' Retirement Plan to employees hired on or after January 1, 2018. Home Office employees hired on or after January 1, 2018 will be offered a new defined contribution plan.

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The table below discloses the remaining unrecognized transition impact:

Surplus Impact at Transition		
Transition Liability	$	260
Amount Recognized on January 1, 2013		(59)
Accelerated Transition Liability recognized due to funded status gains – December 31, 2013		(120)
Remaining Transition Liability - December 31, 2013		81
Transition amount recognized during 2014		(19)
Transition amount recognized during 2015		(33)
Transition amount recognized during 2016		(13)
Transition amount recognized during 2017		(13)
Remaining Transition Liability - December 31, 2017	$	3

The table below discloses the anticipated recognition of the remaining transition impact:

Minimum Transition Liability:	Anticipated Amortization	Remaining Transition Liability
2018	3	-

Components of Net Periodic Benefit Expense

The components of net periodic pension and postretirement benefits expense including the amount of unrecognized items amortized into expense for the years ended December 31 are as follows:

	Pension Benefits		Postretirement Benefit	
	2017	2016	2017	2016
	(In millions)			
Service cost	$ 76	$ 71	$ 6	$ 6
Interest cost	100	95	9	11
Expected return on plan assets	(131)	(132)	(9)	(10)
Amortization of transition amount	1	1	-	-
Amortization of prior service costs	-	-	(2)	(8)
Amortization of actuarial net loss	58	46	3	17
Curtailment	-	-	-	(6)
Settlement	11	-	-	2
Net periodic expense	$ 115	$ 81	$ 7	$ 12

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Changes in the projected benefit obligations and plan assets during the years ended December 31, 2017 and December 31, 2016 were as follows (in millions):

	Pension Benefits		Postretirement Benefits	
Change in benefit obligation	**2017**	**2016**	**2017**	**2016**
Benefit obligation, at beginning of period	$ 2,352	$ 2,038	$ 226	$ 240
Service cost	76	71	6	6
Interest cost	101	95	9	11
Actuarial loss	282	229	20	9
Curtailments	-	(9)	-	(9)
Settlements	(37)	-	-	(18)
Benefits paid	(74)	(72)	(12)	(13)
Other	19	-	-	-
Benefit obligation, at end of period	$ 2,719	$ 2,352	$ 249	$ 226

	Pension Benefits		Postretirement	
Change in fair value of plan assets	**2017**	**2016**	**2017**	**2016**
Plan assets, at beginning of period	$ 1,766	$ 1,672	$ 134	$ 134
Actual return on plan assets	252	151	23	13
Employer contributions	146	15	-	-
Settlements	(37)	-	-	-
Benefits paid	(74)	(72)	(12)	(13)
Other	19	-	-	-
Plan assets, at end of period	$ 2,072	$ 1,766	$ 145	$ 134

	Pension Benefits		Postretirement	
Funded status	**2017**	**2016**	**2017**	**2016**
Funded status at end of period	$ (647)	$ (586)	$ (104)	$ (92)
Unrecognized transition liability	1	2	-	-
Unrecognized prior service costs	1	1	4	2
Unrecognized actuarial net loss	889	796	61	58
Net amount recognized	$ 244	$ 213	$ (39)	$ (32)

	Pension Benefits		Postretirement	
Recognized as of December 31	**2017**	**2016**	**2017**	**2016**
Prepaid benefit cost	$ -	$ -	$ 11	$ 9
Less assets non admitted	-	-	(11)	(9)
Accrued liability	(647)	(586)	(112)	(85)
Net amount recognized	$ (647)	$ (586)	$ (112)	$ (85)

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Unrecognized actuarial net gains or losses represent cumulative amounts by which plan experience for return on plan assets or changes in benefit obligations has been more or less favorable than assumed. These net differences are recognized in surplus, and in future years recognized as components of expense.

The amounts below are estimated to be amortized from surplus into net periodic benefit cost in 2018 as follows:

	Pension Benefits	Other Benefits
	(In millions)	
Net transition obligation	$ 1	$ -
Net prior service cost	-	(2)
Net loss	75	4
	$ 76	$ 2

Assumptions

Weighted average assumptions used in calculating the benefit obligations were as follows:

	Pension Benefits		Post Retirement Benefits	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Discount rate	3.80%	4.35%	3.75%	4.30%
Rate of compensation increase	3.00%	3.00%	n/a	n/a

Weighted average assumptions used in calculating the net periodic benefit cost were as follows:

	Pension Benefits For the Years Ended		Post Retirement Benefits For the Years Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Discount rate	4.35%	4.75%	4.30%	4.70%
Rate of compensation increase	3.00%	3.00%	n/a	3.00%
Expected return on plan assets:				
Assets in trust account	7.80%	8.00%	7.80%	8.00%
Assets held under insurance contract/other	n/a	4.35%	n/a	4.35%

Assumed health care cost trend rates were as follows:

	As of December 31, 2017	As of December 31, 2016
Medical & Prescription Pre - Age 65	7.5%, grading to 4.5% over 13 years	6.3%, grading to 4.5% over 10 years

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The trend rates above reflect the Company's current claim experience and management's expectation that future rates of growth will decline. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. At December 31, 2017, a one-percent-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated postretirement benefit obligation ("APBO") for postretirement benefits by $0.1 million and $2.0 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated postretirement benefit obligation for postretirement benefits by $0.1 million and $1.9 million, respectively. At December 31, 2016, a one-percentage-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated postretirement benefit obligation for postretirement benefits by $0.1 million and $1.5 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated postretirement benefit obligation for postretirement benefits by $0.1 million and $1.4 million, respectively.

The accumulated benefit obligations ("ABO") for the funded and unfunded pension plans were $2,072 million and $413 million, respectively, at December 31, 2017 and $1,754 million and $335 million, respectively, at December 31, 2016. The APBO for the postretirement plans was $249 million at December 31, 2017 and $226 million at December 31, 2016.

For the pension plans with ABO in excess of plan assets, the projected benefit obligations, accumulated benefit obligations, and fair value of plan assets were $2,719 million, $2,485 million, and $2,072 million respectively at December 31, 2017 and $1,033 million, $917 million, and $583 million respectively at December 31, 2016.

Prior to 2017, the pension plans held immediate participation guarantee group annuity ("IPG") contracts purchased from the Company. These contracts were expected to provide future benefits to plan participants specifically covered by these contracts of $18 million at December 31, 2016. During 2017, the contract liabilities totaling $19 million were transferred into the obligations of the pension plans and are reflected in the Projected Benefit Obligations of the plans. The IPG contracts are no longer active.

With respect to the Company's pension plans, the actuarially calculated funding amount ranges from the minimum amount the Company would be required to contribute to the maximum amount that would be deductible for tax purposes. Contribution amounts in excess of the minimum amounts are deemed voluntary. Amounts in excess of the maximum amount would be subject to an excise tax and may not be deductible under the Internal Revenue Code. The Company made contributions totaling $142 million in 2017 to its pension plans and expects to make a $18.1 million contribution in 2018 to its field clerical defined benefit pension plan.

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Benefit Payments

The following table disclosed the expected benefit payments for the Company's pension and postretirement plans. The expected benefit payments for 2018 include the payments associated with the decision to terminate the Field Clerical defined benefit pension plan.

	Pension Benefits	Other Benefits
Estimated Future Payments	(In millions)	
2018	$ 235	$ 13
2019	140	14
2020	142	14
2021	152	15
2022	149	15
2023-2027	822	85

Plan Assets

The Company's pension and postretirement plans' asset allocation by major asset class at December 31, 2017 and December 31, 2016, and the target allocation for 2018, are as follows:

	Target Allocation	Percentage of Plan Assets at	
Asset Category	**2018**	**As of December 31, 2017**	**As of December 31, 2016**
U.S. Stocks	10%-50%	31%	36%
International Stocks	5%-15%	6%	7%
Non-convertible Bonds	45%-75%	63%	57%
Convertible Bonds	0%-10%	0%	0%
		100%	100%

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The investment strategy with respect to the Company's pension plan assets is to preserve capital and to seek investment returns with a goal of fully funding the plan.

The expected rate of return was 7.8% for the year ending December 31, 2017 and 8.0% for the year ending December 31, 2016. These rates of return are an aggregation of expected returns within each asset category. The return with respect to each asset class considers both historical returns and the future expectations for such returns.

Target allocations of assets are determined with the objective of maximizing returns and minimizing volatility of net assets through adequate asset diversification and partial liability immunization. Adjustments are made to target allocations based on the Company's assessment of the impact of economic factors and market conditions.

The following table summarizes the Master Trust's financial instruments carried at fair value hierarchy levels. The fair values were estimated using the same methodology described in Note 4.

	As of December 31, 2017 (In millions)			
Description	**Level 1**	**Level 2**	**Level 3**	**Estimated Fair Value**
Common stocks	$ -	$ 639	$ -	$ 639
Fixed maturities				
U.S. Government	144	-	-	144
All other Government	-	5	-	5
States, Territories	-	3	-	3
Political Subdivisions	-	1	-	1
Special revenue	-	6	-	6
Industrial and Miscellaneous	-	1,207	-	1,207
Total Fixed maturities	144	1,222	-	1,366
Total	$ 144	$ 1,861	$ -	$ 2,005

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

	As of December 31, 2016 (In millions)			
Description	**Level 1**	**Level 2**	**Level 3**	**Estimated Fair Value**
Common stocks	$ -	$ 643	$ -	$ 643
Fixed maturities				
U.S. Government	2	-	-	2
All other Government	-	7	-	7
States, Territories	-	3	-	3
Political Subdivisions	-	1	-	1
Special revenue	-	6	-	6
Industrial and Miscellaneous	-	1,025	-	1,025
Total Fixed maturities	2	1,042	-	1,044
Total	$ 2	$ 1,685	$ -	$ 1,687

There were no financial instruments carried at fair value and classified as Level 3 for the years ending December 31, 2017 and 2016.

<u>Defined Contribution Plans</u>

The Company sponsors defined contribution plans. Home office employees are covered by investment and profit sharing plan pension plans 401(k)/401(a). Employees can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 10% (if not highly paid) of non-matched contributions. In addition, the Company provides a profit sharing allocation in proportion to salary. Field representatives are covered by a 401(k)/401(a) investment plan in which they can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 12% (if not highly paid) of non-matched contributions. The assets for the home office employees and field representatives' plans are held in a trust. Full time agents and general agents are covered by non-contributory plans. The Company contributed $29 million to these plans in 2017 and $24 million in 2016. The Company funds these plans and reflects the funded amounts as a liability.

NOTE 8 – INCOME TAXES

Consolidated Federal Income Tax Return

The Company's federal income tax return is consolidated with the following entities:

- Guardian Insurance & Annuity Company, Inc. and its subsidiaries,
- Park Avenue Life Insurance Company,
- Sentinel American Life Insurance Company,
- Family Service Life Insurance Company,
- Managed Dental Care of California,
- Managed Dental Guard of Texas,
- Managed Dental Guard of New Jersey,
- Innovative Underwriters Inc.,
- Berkshire Life Insurance Company of America
- First Commonwealth, Inc. and its subsidiaries
- Reed Group Ltd,
- GIS Canada Holdings Corp,
- Guardian Abbey LLC,
- STX Healthcare Management Services, Inc.,
- Vital Smiles, Inc.

The Company files a consolidated federal income tax return as parent, with its subsidiaries. The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net capital losses, which it may incur, or to recoup its net operating or capital losses carried forward as an offset to future net income or capital gains subject to federal income taxes.

The Internal Revenue Code limits the amount of non-life insurance losses that may offset life insurance company taxable income. The consolidated income tax liability is allocated among the members of the group pursuant to a tax allocation agreement. In accordance with the tax allocation agreement, each qualifying member of the group computes its tax provision and liability on a separate return basis, but may, where applicable, recognize benefits of net operating losses and capital losses utilized in the consolidated group. Subsidiary tax liabilities/benefits are settled subsequent to the filing of the federal income tax return.

The Company does not anticipate any significant changes to its tax contingencies within the next 12 months.

NOTE 8 – INCOME TAXES (CONTINUED)

Deferred income taxes are generally recognized, based on enacted tax rates, when assets and liabilities have different values for financial statement and tax purposes.

The Tax Cuts and Jobs Act ("the Act") was enacted into law on December 22, 2017. Effective January 1, 2018, the Act reduces the corporate tax rate to 21%. The Act also included several provisions that impact life insurance companies, including the elimination of the net operating loss carryback and changing the calculation of life insurance tax reserves. As a result, the Company performed a review of its grouping of temporary differences and modified its grouping methodology for advanced premium in the admissibility calculation. The net surplus impact primarily as a result of the Act was $140 million reduction in unassigned surplus.

The Company included reasonable estimates for certain effects of the Act and recorded provisional amounts as of December 31, 2017. The Company recorded provisional amounts for tax reserves which resulted in an increase in both deferred tax assets and deferred tax liabilities of $142 million. The Company also recorded a provisional amount of $28 million for the amount of deferred tax assets expected to be realized following the balance sheet date as part of 11 (b) of the admissibility calculation. The Company is currently evaluating these provisional amounts and expects to be complete within one year of the enactment date of the Act. Future changes to these provisional amounts, if any, will be recognized as a change in accounting estimate as the necessary information to update the provisional amounts becomes available.

The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2017		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 1,385	$ 37	$ 1,422
Statutory valuation allowance adjustments	-	-	-
Adjusted Gross Deferred Tax Assets	1,385	37	1,422
Deferred Tax Assets Nonadmitted	23	-	23
Subtotal Net Admitted Deferred Tax Asset	1,362	37	1,399
Deferred Tax Liabilities	737	75	812
Net Admitted Deferred Tax Asset	$ 625	$ (38)	$ 587

	December 31, 2016		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 1,895	$ 45	$ 1,940
Statutory valuation allowance adjustments	-	-	-
Adjusted Gross Deferred Tax Assets	1,895	45	1,940
Deferred Tax Assets Nonadmitted	274	-	274
Subtotal Net Admitted Deferred Tax Asset	1,621	45	1,666
Deferred Tax Liabilities	817	122	939
Net Admitted Deferred Tax Asset	$ 804	$ (77)	$ 727

	Change		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ (510)	$ (8)	$ (518)
Statutory valuation allowance adjustments	-	-	-
Adjusted Gross Deferred Tax Assets	(510)	(8)	(518)
Deferred Tax Assets Nonadmitted	(251)	-	(251)
Subtotal Net Admitted Deferred Tax Asset	(259)	(8)	(267)
Deferred Tax Liabilities	(80)	(47)	(127)
Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability)	$ (179)	$ 39	$ (140)

As a result of the new tax law and rate, gross DTAs and DTLs were reduced by $947 million and $541 million, respectively.

A valuation allowance is recorded if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company's management has concluded that the deferred income tax assets are more likely than not to be realized. Therefore, no valuation allowance has been provided.

NOTE 8 – INCOME TAXES (CONTINUED)

Admission calculation components SSAP No. 101 (Paragraph 11)

The Company follows the guidance in Statement of Statutory Accounting Principles No. 101 - Income Taxes, A Replacement of SSAP No. 10R and SSAP No.10 ("SSAP 101"). SSAP 101 included a similar calculation for limitation of gross deferred tax assets as SSAP 10R for insurers that maintain a minimum of 300% of their authorized control level RBC computed without net deferred tax assets. The Company exceeded the 300% minimum RBC requirement at December 31, 2017 and 2016.

	December 31, 2017		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks.*	$ -	$ 37	$ 37
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below)	550	-	550
The lesser of:			
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	550	-	550
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	N/A	N/A	914
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.	812	-	812
Deferred tax assets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	$ 1,362	$ 37	$ 1,399

	December 31, 2016		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	$ 683	$ 44	$ 727
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below)	-	-	-
The lesser of:			
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	N/A	N/A	-
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.	938	1	939
Deferred tax assets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	$ 1,621	$ 45	$ 1,666

	Change		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	$ (683)	$ (7)	$ (690)
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below)	550	-	550
The lesser of:			
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	550	-	550
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	N/A	N/A	914
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and	(126)	(1)	(127)
Deferred tax assets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	$ (259)	$ (8)	$ (267)

*Due to the new tax law eliminating the net operating loss carryback, the Company can no longer admit its ordinary DTA under SSAP 101 Paragraph 11a.

	2017	2016
Ratio percentage used to determine recovery period and threshold limitation amount	1050%	996%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	$ 7,458	$ 6,743

NOTE 8 – INCOME TAXES (CONTINUED)

Impact of Tax Planning Strategies

	December 31, 2017	
	Ordinary	Capital
1. Adjusted Gross DTAs amount	$ 1,385	37
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.0%	2.5%
3. Net Admitted Adjusted Gross DTAs amount	1,362	37
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.0%	6.1%

	December 31, 2016	
	Ordinary	Capital
1. Adjusted Gross DTAs amount	1,895	45
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.0%	2.3%
3. Net Admitted Adjusted Gross DTAs amount	1,621	45
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.0%	6.0%

	Change	
	Ordinary	Capital
1. Adjusted Gross DTAs amount	(510)	(8)
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax	0.0%	0.2%
3. Net Admitted Adjusted Gross DTAs amount from	(259)	(8)
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the	0.0%	0.1%

Does the Company's tax-planning strategies include the use of reinsurance? Yes ______ No __X__

All DTL were recognized as of December 31, 2017 and December 31, 2016

<u>Current income taxes incurred consisted of the following major components:</u>

Description	December 31, 2017	December 31, 2016	Change
(In millions)			
Federal income tax expense on operating income	$ 97	$ 169	$ (72)
Prior year overaccrual	(32)	(28)	(4)
Contingent tax	-	-	-
Current Federal operations income tax expense	$ 65	$ 141	$ (76)
Federal income tax expense on capital gains	$ 141	$ 136	$ 5
Prior year underaccrual	11	28	(17)
Current Federal capital gain income tax expense	$ 152	$ 164	$ (12)
Federal and foreign income taxes incurred	$ 217	$ 305	$ (88)

NOTE 8 – INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2017	2016	Change
DTAs Resulting from Book/Income Tax Differences In:		(In millions)	
Ordinary:			
Reserves	$ 582	$ 617	$ (35)
Policy acquisition costs	258	411	(153)
Dividend provision	180	298	(118)
Liabilities for employees and agents	100	152	(52)
Non admitted assets	222	335	(113)
Contract liabilities and unpaid claims	1	1	-
Leasehold improvement	12	12	-
Other	30	69	(39)
Gross ordinary DTA - (admitted and nonadmitted)	$ 1,385	$ 1,895	$ (510)
Statutory valuation allowance adjustment - ordinary	-	-	-
Total ordinary DTA - (nonadmitted)	23	274	(251)
Admitted ordinary DTA	1,362	1,621	(259)
Capital:			
Impaired securities	32	39	(7)
Other	5	6	(1)
Gross capital DTA - (admitted and nonadmitted)	37	45	(8)
Total capital DTA - (nonadmitted)	-	-	-
Admitted capital DTA	37	45	(8)
Total admitted DTA	$ 1,399	$ 1,666	$ (267)
DTLs Resulting from Book/Income Tax Differences In:			
Ordinary:			
Deferred and uncollected premiums	$ 229	$ 370	$ (141)
Advanced Premium	66	-	66
Reserve Transition Adjustment (8 Year)	142	-	142
Guaranteed dividend	120	202	(82)
Other invested assets	68	86	(18)
Pension	43	64	(21)
Reserves 10 Year spread	13	27	(14)
Other	56	68	(12)
Ordinary DTL	$ 737	$ 817	$ (80)
Capital:			
Unrealized capital gains	25	26	(1)
Deferred gain	49	92	(43)
Other	1	4	(3)
Capital DTL	75	122	(47)
Total DTL	$ 812	$ 939	$ (127)
Net admitted DTA/(DTL)	$ 587	$ 727	$ (140)

The Change in net deferred income taxes is comprised of the following:

	2017	2016	Change
Adjusted gross deferred tax assets	$ 1,422	$ 1,940	$ (518)
Total Deferred Tax Liabilities	812	939	(127)
Net deferred tax assets (liabilities)	$ 610	$ 1,001	$ (391)
Tax effect of net unrealized gains (losses)			-
Change in net deferred income tax			$ (391)

Changes in net deferred income tax, including changes attributable to changes in tax rates and changes in tax status, if any, shall be recognized as a separate component of gains and losses in unassigned funds (Surplus).

NOTE 8 – INCOME TAXES (CONTINUED)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant book to tax adjustments causing this difference were the following:

	December 31, 2017	Effective Tax Rate
	(In millions)	
Net gain from operations after dividends to policyholders and before Federal income tax @ 35%	$ 181	
Net realized capital gains (losses) @ 35%	43	
Provision calculated at statutory rate	224	35.00%
Tax effect of:		
Interest maintenance reserve	24	3.75%
Affiliated Dividends	(18)	(2.81%)
Pension Adjustment	(38)	(5.94%)
Change in Tax law and rate	423	66.09%
Other	(7)	(1.09%)
Total statutory income taxes	$ 608	95.00%
Federal income taxes incurred	217	33.91%
Change in net deferred income taxes	391	61.09%
Total statutory income taxes	$ 608	95.00%

<u>Operating Loss and Tax Credit Carryforwards</u>

As of December 31, 2017, the Company does not have any net ordinary loss carryforwards, capital loss carryforwards or tax credit carryforwards.

The following are income taxes incurred in prior years that are available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
		(In millions)	
2017	$ -	$ 135	$ 135
2016	-	152	152
2015	-	137	137
Total	$ -	$ 424	$ 424

As of December 31, 2017, the Company does not have any deposits admitted pursuant to the Internal Revenue Code Section 6603.

NOTE 9 – REINSURANCE CEDED

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding business to reinsurers under various modified coinsurance agreements, coinsurance agreements, and combinations thereof, and yearly renewable term agreements. These agreements provide for reinsurance of selected individual life and disability policies and group life and group health contracts. Under the terms of the modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the Company. The Company retains the primary obligation to the policyholder for reinsured policies. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, the Company evaluates the financial condition of its reinsurers in order to minimize its exposure to losses from reinsurer insolvencies.

The effects of these ceding agreements on the components of gain from operations in the accompanying statutory basis statements of operations are as follows:

	2017	2016
	(In millions)	
Premiums, annuity considerations and fund deposits	$ (463)	$ (460)
Commissions and expense allowances (other income)	121	119
Total revenues	(342)	(341)
Benefit payments to policyholders and beneficiaries	(350)	(359)
Net reductions to policy benefit reserves	(49)	(86)
Commissions and operating expenses	2	5
Total expenses	(397)	(440)
Net gain on operations from reinsurance ceded	$ 55	$ 99

NOTE 10 – REINSURANCE ASSUMED

The Company enters into various modified coinsurance agreements, coinsurance agreements, and combinations thereof and yearly renewable term agreements that provide reinsurance on life insurance, annuities, credit life, disability insurance, and credit accident and health business. Under the terms of the various reinsurance treaties, the Company assumed (net of retrocession) approximately $3.3 billion face amount of life insurance at December 31, 2017 and $3.4 billion at December 31, 2016. Under the terms of modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the ceding company.

The Company entered into a coinsurance agreement with BLICOA an affiliated insurance company effective January 1, 2013. Under the agreement, the Company assumed 80% of the net individual disability insurance (IDI) originally ceded to BLICOA from the Company via the July 1, 2001 coinsurance treaty as well as 80% of the IDI and multi-life (ML) business written by BLICOA since the 2001 treaty. The reinsurance is done on a funds withheld basis with supporting invested assets remaining in BLICOA.

Also, as part of the terms of the agreement, the Company can request that BLICOA pay an amount equal to the Annual Funds Withheld Increase to the Company. In 2017 the Company did not request that BLICOA pay an amount equal to the Annual Funds Withheld Increase it recorded in 2016. In January 2016, as part of the terms of its reinsurance agreement with BLICOA, the Company requested that BLICOA pay a partial amount of the Annual Funds Withheld Increase it recorded in 2015. BLICOA paid the Company the agreed upon settlement amount of $65 million in January 2016. The settlement consisted of $33 million of bonds and $32 million of cash.

The Company entered into one Individual Life Yearly Renewable Term reinsurance agreement with an affiliated insurance company GIAC, effective January 1, 2011. The agreement covers GIAC’s current form Secondary Guarantee Universal Life and Survivorship Universal Life plans having policy effective dates of January 1, 2011 and later. Reinsurance under the agreement is assumed on an automatic 90% first dollar quota share basis.

NOTE 10 – REINSURANCE ASSUMED (CONTINUED)

The following tables outline the effects of these assumption agreements on the accompanying Statutory Basis Statements of Operations.

Reinsurance Assumed from Affiliates

	2017	2016
	(In millions)	
Premiums, annuity considerations and fund deposits	$ 659	$ 639
Reserve adjustments on reinsurance (other income)	22	23
Total revenues	681	662
Benefit payments to policyholders and beneficiaries	258	275
Net additions to policy benefit reserves	138	126
Commissions and operating expenses	225	210
Total expenses	621	611
Net gain on operations from reinsurance assumed	$ 60	$ 51

Reinsurance Assumed from Non-Affiliates

	2017	2016
	(In millions)	
Premiums, annuity considerations and fund deposits	$ 3	$ 2
Total revenues	3	2
Benefit payments to policyholders and beneficiaries	(1)	(2)
Net reductions to policy benefit reserves	(2)	(1)
Commissions and operating expenses	4	7
Total expenses	1	4
Net gain/(loss) on operations from reinsurance assumed	$ 2	$ (2)

Total Reinsurance Assumed

	2017	2016
	(In millions)	
Premiums, annuity considerations and fund deposits	$ 662	$ 641
Reserve adjustments on reinsurance (other income)	22	23
Total revenues	684	664
Benefit payments to policyholders and beneficiaries	257	273
Net additions to policy benefit reserves	136	125
Commissions and operating expenses	229	217
Total expenses	622	615
Net gain on operations from reinsurance assumed	$ 62	$ 49

NOTE 11 – RELATED PARTY TRANSACTIONS

During 2016, the Company sold $27 million of bank loans that it held in its general account to a downstream affiliate, Park Avenue Institutional Advisers CLO LTD 2016-1 (“PAIA CLO 2016-1”). The Company recorded a $1 million loss on the sale of the bank loans in 2016. PAIA CLO 2016-1 is a special purpose vehicle (“SPV”) that was established in the Cayman Islands whose purpose is to be the “Issuer” of one or more classes of notes that are secured by a portfolio of investments held by the Issuer and rated by at least one rating agency (the "Rated Notes"), and one or more classes of notes that are unrated and subordinate in right of payment to the Rated Notes (the "Subordinated Notes"). PAIA CLO 2016-1 issued $363 million in notes in August 2016.

In 2017 and 2016, the Company made the following capital contributions to its real estate joint ventures and affiliates which are an addition to Other invested assets in the Statutory Basis Balance Sheets:

	2017	2016
	(In millions)	
Guardian CapCo, LLC	$ -	$ 3
Truamerica Properties, LLC	-	7
Truamerica Properties II, LLC	-	1
Lowes Capital Partners 2A, LLC	-	3
Lowes Capital Partners 2B, LLC	-	2
Guardian Abbey, LLC	1	1
Guardian Shores, LLC	-	16
Total	$ 1	$ 33

In 2017 and 2016, the Company made the following capital contributions to its subsidiaries:

	2017	2016
	(In millions)	
GIAC	$ 50	$ 100
GIS	112	365
FCW	58	204
Guardian Acquisition I, LLC	25	-
Total	$ 245	$ 669

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

The capital contribution to GIS and Guardian Acquisition I, LLC are recorded as an addition to Other invested assets in the Statutory Basis Balance Sheets, while the capital contributions to GIAC and FCW are recorded as an addition to Common and preferred stocks in the Statutory Basis Balance Sheets.

Of the $112 million contribution to GIS in 2017, $90 million was made by transferring Access Professional Dental Care, LLC and Access Dental Services, LLC and its subsidiaries, previously wholly owned subsidiaries of FCW, and $2 million was related to the transfer of real estate joint venture LLCs.

Of the $365 million contribution to GIS in 2016, $235 million was made by transferring real estate joint venture LLCs and $130 million was made by transferring Reed Group, Ltd., a previously wholly owned subsidiary of FCW.

In 2017, the Company received no returns of capital from its real estate affiliates. In 2016, the Company received returns of capital from its real estate affiliates as follows, which are a reduction to Other invested assets in the Statutory Basis Balance Sheets:

		2016
		(In millions)
Guardian LCP Hospitality I, LLC	$	1
Guardian Westwood Holdings, LLC		10
Guardian LCP Hospitality Finance, LLC		3
Total	$	14

In 2017 and 2016, the Company received net returns of capital of $60 million and $56 million respectively from its real estate joint ventures. These distributions are a reduction to Other invested assets in the Statutory Basis Balance Sheets.

In 2017 and 2016, the Company also received returns of capital from its subsidiaries as follows:

		2017		2016
		(In millions)		
BLICOA	$	-	$	20
FCW		113		158
GIS		-		178
PALIC		25		-
Total	$	138	$	356

The return of capital from GIS is recorded as a reduction to Other invested assets in the Statutory Basis Balance Sheets, while the returns of capital from BLICOA, FCW, and PALIC are recorded as an reduction to Common and preferred stocks in the Statutory Basis Balance Sheets.

Of the $113 million return of capital from FCW in 2017, $90 million was a transfer of Access Professional Dental Care, LLC and Access Dental Services, LLC and its subsidiaries, wholly owned subsidiaries of FCW.

Of the $158 million return of capital from FCW in 2016, $130 million was a transfer of Reed Group Ltd., a wholly owned subsidiary of FCW.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

In 2017 and 2016, the Company received the following dividends from its affiliates and subsidiaries which are recorded as Net investment income in the Statutory Basis Statements of Operations:

	2017	2016
	(In millions)	
BLICOA	$ 3	$ 6
Managed Dental Care of California ("MDC")	5	5
Managed Dental Guard of Texas, Inc. (TX)	1	1
FCW	37	-
Innovative Underwriters, Inc.	1	-
	$ 47	$ 12

The Company has expense sharing agreements with its subsidiaries. During 2017 and 2016, the Company had net billings of $278 million and $296 million, respectively, under the expense sharing agreements. Amounts billed to subsidiaries are included in Commissions and operating expenses in the Statutory Basis Statements of Operations. The unpaid net receivable balance due from subsidiaries relevant to these agreements was $31 million and $29 million on December 31, 2017 and December 31, 2016, respectively, and are included in Other assets and Other liabilities in the Statutory Basis Balance Sheets.

Effective May 1, 2017, the Company (Lender) amended its revolving line of credit agreement with GIAC (Borrower) from $350 million to $750 million. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to (a) the Prime Rate plus 1.00% if a Prime Rate Loan or (b) the Eurodollar Rate plus 1.00% if a Eurodollar Rate Loan. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to 0.125% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in quarterly installments on the last day of each March, June, September and December or on the termination of this line of credit. For Value Received, the Borrower, promises to pay on the maturity date or dates determined by the Lender, the principal sum of $750 million or the aggregate unpaid principal sum of all Loans which the Lender actually makes to the Borrower, whichever amount is less, together with interest in arrears payable on each Interest Due Date at a rate computed on the basis of a 360-day year for the actual number of days in each interest period. The line of credit agreement shall have an initial term of 364 days beginning with the date first stated above, and shall automatically renew for successive periods of 364 days, unless the Lender shall notify the Borrower of its intention not to renew the line of credit agreement not less than sixty (60) days prior to the expiration of the then existing term. GIAC is in compliance with certain financial covenants imposed by the line of credit agreement. As of December 31, 2017, and 2016 the amounts of drawings on the line of credit amounted to $0 million and $148 million, respectively, and are included in Cash, cash equivalents and short-term investments in the Statutory Basis Balance Sheets. Interest income and commitment income of $3 million and $2 million as of December 31, 2017 and 2016, respectively, are included in Net investment income in the Statutory Basis Statements of Operations.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

Effective January 3, 2017, the Company (Lender) has a revolving line of credit agreement with GIS (Borrower) for $300 million. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to (a) the Prime Rate plus 1.00% if a Prime Rate Loan or (b) the Eurodollar Rate plus 1.00% if a Eurodollar Rate Loan. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to 0.125% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in monthly installments no later than the last day of each month or on the termination of this line of credit. For Value Received, the Borrower, promises to pay on the maturity date or dates determined by the Lender, the principal sum of $300 million, or the aggregate unpaid principal sum of all Loans which the Lender actually makes to the Borrower, whichever amount is less, together with interest in arrears payable on each Interest Due Date at a rate computed on the basis of a 360-day year for the actual number of days in each interest period. The line of credit agreement shall have an initial term of 364 days beginning with the date first stated above, and shall automatically renew for successive periods of 364 days, unless the Lender shall notify the Borrower of its intention not to renew the line of credit agreement not less than sixty (60) days prior to the expiration of the then existing term. GIS is in compliance with certain financial covenants imposed by the line of credit agreement. As of December 31, 2017, the amounts of drawings on the line of credit amounted to $25 million, and are included in Cash, cash equivalents and short-term investments in the Statutory Basis Balance Sheets. Interest income and commitment income of $1 million as of December 31, 2017, are included in Net investment income in the Statutory Basis Statements of Operations.

The Company (Lender) had a revolving line of credit agreement with RS (Borrower) for $15 million which terminated upon the sale of RS on July 29, 2016.

Related Party Commitments:

The Company provides financial guarantees on behalf of some of its subsidiaries and affiliates as listed below. Per the statutory accounting guidance SSAP 5R, a liability has not been recorded on the Company's Statutory Basis Balance Sheets for any of these guarantees.

The Company continues to provide MDC, a subsidiary, a written letter of financial support for $5 million of which $1.5 million was funded in prior years. This amount was recorded as an additional investment in MDC. The letter was necessary for regulatory purposes in order to guarantee additional capital infusion to its California dental subsidiary as needed. At this time, MDC is not expected to further draw on the remaining $3.5 million as the subsidiary has $5 million more capital than is required by California.

As of December 31, 2017 and 2016, the Company had no commitments to make capital contributions to its' subsidiaries.

Settlement of Intercompany Transactions:

In accordance with NAIC SAP, all transactions between related parties are required to have a written agreement that provides for a timely settlement of amounts owed, including a specific due date. Amounts over ninety days due are to be non-admitted along with any uncollected receivable from a related party that is not part of a written agreement. The Company has determined that written agreements are in place for all intercompany transactions and that these written agreements contain specific due dates. As of December 31, 2017, there was no intercompany receivable that was more than 90 days past due.

NOTE 12 – LIABILITY FOR UNPAID CLAIMS AND CLAIM RESERVES

Activity in the liability for unpaid accident and health claims and claim reserves is summarized as follows and is included in Reserves for policy benefits on the Statutory Basis Balance Sheets:

	2017	2016
	(In millions)	
Balance of unpaid claims and claim reserves, net of reinsurance recoverable, at January 1	$ 3,788	$ 3,574
Incurred related to:		
Current year	2,349	2,283
Prior years	(146)	(90)
Affiliated reinsurance	87	106
Total incurred	2,290	2,299
Paid related to:		
Current year	1,531	1,526
Prior years	354	332
Affiliated reinsurance	236	227
Total paid	2,121	2,085
Balance of unpaid claims and claim reserves, net of reinsurance recoverable, at December 31	$ 3,957	$ 3,788

The affiliated reinsurance for the years ended December 31, 2017 and December 31, 2016 is primarily due to an intercompany reinsurance agreement between the Company and BLICOA effective January 1, 2013.

The amount of incurred claims related to prior years was a reduction $146 million and $90 million for the years ended December 31, 2017 and December 31, 2016, respectively, primarily due to favorable claim experience on the Company's long-term disability reserves, driven by favorable development of both the reported and unreported claim reserves.

Loss / Claim Adjustment Expenses:
The balance in the liability for unpaid accident and health claim adjustment expenses was $84 million and $79 million as of December 31, 2017 and December 31, 2016, respectively. The Company incurred $55 million and paid $50 million of claims adjustment expenses in 2017 of which $15 million of the paid amount was attributable to insured or covered events of prior years. The Company did not increase or decrease the provision for insured events of prior years. Estimated anticipated salvage and subrogation related to the liability for unpaid claims / losses is not material and therefore does not reduce the liability.

The liability for unpaid accident and health claims and claim adjustment expenses represents the Company's best estimate with a margin; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant and result in increase in liabilities. As of December 31, 2017, and 2016, the Company had no significant changes in methodologies and assumptions used in calculating the liability. The Company updates its experience study annually for recent company claim experience used to set the liability for unpaid claims.

NOTE 13 – ASO PLANS

The net gain from operations from ASO uninsured plans and the uninsured portion of partially insured plans was as follows during the years ended December 31, 2017 and December 31, 2016:

	2017		
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
		(In millions)	
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	$ 23.3	$ -	$ 23.3
Total net other income or expenses (including interest paid to or received from plans)	8.2	-	8.2
Net gain from operations	15.1	-	15.1
Total claim payment volume	519	-	519

	2016		
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
		(In millions)	
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	$ 4.4	$ -	$ 4.4
Total net other income or expenses (including interest paid to or received from plans)	1.5	-	1.5
Net gain from operations	2.9	-	2.9
Total claim payment volume	488	-	488

NOTE 14 – LEASES

New York Home Office Building:
In June 1998, the Company executed a 21-year lease for its New York home office facility. A portion of the property is subleased to tenants under lease terms expiring through 2019. The lease is classified as operating. Rental expense for the property was $21 million for the year ended December 31, 2017 and $21 million for the year ended December 31, 2016. Sublease income was $9 million for the year ended December 31, 2017 and $9 million for the year ended December 31, 2016.

On January 9, 2017, the Company exercised its purchase option on the building. If the terms contained in the purchase option agreement are met the Company will be required to pay the $147 million purchase price to the seller on September 30, 2019. During 2017, the Company entered into an agreement to sell the building which is expected to close in late 2019 and is not expected to result in a loss.

The following is a schedule by year of the minimum rental payments due under the lease:

		(In millions)
Year ending December 31,		
2018	$	21
2019		16
Total	$	37

The minimum aggregate sublease income is as follows:

		(In millions)
Year ending December 31,		
2018	$	9
2019		7
Total	$	16

NOTE 14 – LEASES (CONTINUED)

Other Leases:
The Company has additional lease agreements that are operating leases principally for the rental of real estate. Rental expense for these properties was $22 million for year ended December 31, 2017 and $20 million for the year ended December 31, 2016.

The Company's major office facility leases are primarily used for administrative and business support operations are as follows:

- On September 13, 2017, the Company signed a seventeen-year five month lease agreement for its New York home office facility. The Company expects to begin using the building in January 2019 as a replacement of the current New York home office facility. The Company is obligated to pay approximately $15 million in annual base rent plus operating expenses and taxes.
- On March 8, 2017, the Company signed a fifteen-year lease agreement for its New Jersey home office facility. The Company expects to begin using the building in quarter one of 2018 and is obligated to pay approximately $3 million in annual base rent plus operating expenses and taxes.
- On August 11, 2016, the Company signed a ten-year lease agreement for its Spokane home office facility. The Company began using the building in March.

The following is a schedule by year of the minimum rental payments due under the lease:

		(In millions)
Year ending December 31,		
2018	$	23
2019		36
2020		34
2021		32
2022 - and Thereafter		30
Total	$	155

The minimum aggregate sublease income is as follows:

		(In millions)
Year ending December 31,		
2018	$	6
2019		6
2020		6
2021		5
2022 - and Thereafter		4
Total	$	27

The Company guarantees the leases for some of its agents. The fair value of the guarantees as of December 31, 2017 is estimated to be $1 million. The remaining lease obligations that are guaranteed as of December 31, 2017 is $22 million.

NOTE 15 – COMMITMENTS

Commitments to fund real estate, private equities, mortgage loans, and private placements in the normal course of business totaled $1,393 million and $1,416 million as of December 31, 2017 and December 31, 2016, respectively.

NOTE 16 – LITIGATION

The Company is engaged in various legal actions, in the ordinary course of business, arising out of its insurance, broker-dealer and investment operations. In the opinion of management, any losses together with the ultimate liability resulting from such actions would not have a material adverse effect on the financial position of the Company.

NOTE 17 – LINES OF CREDIT

The Company has $75 million in unsecured credit available. The interest rate on these lines is calculated on a base rate such as the bank's Prime rate plus a spread which varies from 0 - 125bps depending on the bank, or LIBOR plus a spread which varies from 75 - 125bps depending on the bank. The Company did not use the lines of credit during 2017 or 2016 and had $0 outstanding liability at December 31, 2017 and December 31, 2016.

NOTE 18 – POLICYHOLDERS' SURPLUS

There were no special contingency reserves included in policyholder's surplus at December 31, 2017 or December 31, 2016. The Company holds other reserves totaling $46 million at December 31, 2017 and $4 million at December 31, 2016 as required by New York State law for aviation business and Arkansas permanent surplus requirements. Surplus at December 31, 2017 and December 31, 2016 is as follows:

	2017	2016
	(In millions)	
Accumulated earnings	$ 7,921	$ 7,676
Unrealized loss - common stock	(298)	(309)
Asset valuation reserve	(829)	(810)
Nonadmitted asset values	(156)	(389)
Total unassigned surplus	6,638	6,168
State required segregated surplus	46	4
Surplus	$ 6,684	$ 6,172

NOTE 19 – FINANCIAL INFORMATION

The following reconciles the New York SAP net income and surplus of Guardian as reported to regulatory authorities to consolidated GAAP income and GAAP equity:

	2017	2016
	(In millions)	
Statutory net income	$ 423	$ 368
Adjustments to GAAP basis:		
Realized capital gains	328	257
Capitalization of deferred policy acquisition costs	64	61
Future policy benefits	(1,131)	(1,080)
Elimination of IMR amortization	(99)	(122)
Establishment of deferred federal income taxes	404	(1)
Service fees	1,131	1,086
Policyholder dividends	34	5
Elimination of interest on affiliate reinsurance	(146)	(140)
Other	(101)	49
Consolidated GAAP income	$ 907	$ 483

	2017	2016
	(In millions)	
Statutory surplus	$ 6,684	$ 6,172
Adjustments to GAAP basis:		
Capitalization of deferred policy acquisition costs	3,442	3,817
Deferred software costs	22	37
Future policy benefits	(7,835)	(7,342)
Elimination of IMR	531	464
Elimination of AVR	829	810
Establishment of additional deferred federal income taxes	(1,206)	(1,240)
Policyholder dividends	435	401
Notes payable	(1,977)	(1,210)
Unrealized gains on investments and GAAP adjustments of affiliates	11,203	8,714
Consolidated GAAP equity	$ 12,128	$ 10,623

NOTE 20 – SURPLUS NOTE

On October 6, 2009, the Company issued Surplus Notes (“2009 Notes”) with a principal balance of $400 million, bearing interest at 7.375%, and a maturity date of September 30, 2039. Proceeds from the issuance of the 2009 Notes were $392.4 million, net of discounts and fees. The 2009 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these 2009 Notes is scheduled to be paid semiannually on March 31 and September 30 of each year. The 2009 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2009 Notes are not part of the legal liabilities of the Company. The 2009 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2009 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the 2009 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2009 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 50 basis points. On December 28, 2017 and January 9, 2018, the Company redeemed 2009 Notes with a principal balance of $166.9 million and a carrying value of $165.7 million as part of an exchange transaction (see paragraph regarding the exchange transaction below). The Company paid $33 million in interest for the years ended December 31, 2017 and $30 million in 2016, respectively.

On June 19, 2014 the Company issued Surplus Notes (“2014 Notes”) with a principal balance of $450 million, bearing interest at 4.875%, and a maturity date of June 19, 2064. Proceeds from the issuance of the 2014 Notes were $444.6 million, net of discounts and fees. The 2014 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these 2014 Notes is scheduled to be paid semiannually on June 19 and December 19 of each year. The 2014 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2014 Notes are not part of the legal liabilities of the Company. The 2014 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2014 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the 2014 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2014 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 25 basis points. The Company paid $22 million in interest for the years ended December 31, 2017 and 2016, respectively.

On January 24, 2017, the Company issued a Surplus 2017 Notes (“2017 Notes”) with a principal balance of $350 million, bearing interest at 4.850%, and a maturity date of January 24, 2077. Proceeds from the issuance were $343.6 million, net of discounts and fees. On December 28, 2017 and January 9, 2018, the Company issued an additional amount of the 2017 Notes with a principal balance of $229.3 million as part of an exchange transaction (see paragraph regarding the exchange transaction below). All of the 2017 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these 2017 Notes is scheduled to be paid semiannually on January 24 and July 24 of each year. The 2017 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2017 Notes are not part of the legal liabilities of the Company. The 2017 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2017 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the 2017 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2017 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 30 basis points. The Company paid $8 million in interest for the year ended December 31, 2017.

NOTE 20 – SURPLUS NOTE (CONTINUED)

The Company completed an exchange transaction in which it issued additional 2017 Notes in exchange for redeemed 2009 Notes. They was settled predominately on December 27, 2017 with a minimal amount settling on January 8, 2018. The 2009 Notes had a principal balance of $166.9 million ($165.7 million carrying value) and the additional 2017 Notes had a principal balance of $229.3 million ($170.5 million carrying value). Of the $63.6 million discount at the time of the exchange, $4.8 million pertaining to inducement for note holders to exchange their notes, was recorded as expense on the transaction date along with an increase to the carrying value of 2017 Notes. The remaining $58.8 million will be charged to the Statutory Basis Statements of Operations over the life of the 2017 Notes.

NOTE 21 – UNCLAIMED PROPERTY

The Company holds reserves for potential liability totaling $7 million at December 31, 2017 and $12 million at December 31, 2016, respectively. The Company has recorded paid claims of $3 million in 2017 and $0 million in 2016.

NOTE 22 – AFFORDABLE CARE ACT FEE

The health insurance industry assessment mandated by the Patient Protection and Affordable Care Act of 2010 was levied on health insurers beginning in 2014 based on a ratio of an insurer's net health insurance premiums written for the previous calendar year compared to the total premiums written by U.S. health insurance industry for that year. On January 1, 2018, the Company will record a liability in the amount of $42 million for estimated fee to be paid in September 2018. The estimated fee is based on $2,106 million of dental and vision premiums written in 2017. The Company's Total Adjusted Capital on December 31, 2017 was $8,044 million and the Authorized Control Level reported on its December 31, 2017 RBC was $709 million. After adjusting for $42 million recorded in special surplus that pertains to the estimated 2018 fee the Company's Total Adjusted Capital was $8,002 million and its RBC Authorized Control Level was $709 million. An RBC action level would not have been triggered had the fee for 2018 been reported as of December 31, 2017.

The Consolidated Appropriations Act, 2016 imposed a moratorium on the health insurance industry assessment mandated by the Affordable Care Act for the 2017 calendar year. Therefore there were no health insurance provider fees paid in 2017 and no liability was established.

NOTE 23 – SUBSEQUENT EVENTS

The Company considers events occurring after the balance sheet date but prior to February 27, 2018, the issuance of the financial statements to be subsequent events requiring disclosure. There were no subsequent events for the period ended December 31, 2017.

Guardian Life Insurance Company of America
Annual Statement for the Year Ended December 31, 2017
Schedule 1 - Selected Financial Data

The following is a summary of certain financial data included in other exhibits and schedules subjected to audit procedures by independent auditors and utilized by actuaries in the determination of reserves.

		2017 Annual Statement References
Investment Income Earned		Exhibit of Net Investment Income
Government Bonds	$ 50,594,566	
Bonds Exempt From US Tax		
Other Bonds (unaffiliated)	1,560,400,863	
Bonds of Affiliates		
Preferred Stocks (unaffiliated)		
Preferred Stocks of Affiliates		
Common Stocks (unaffiliated)	24,165,460	
Common Stocks of Affiliates	46,561,675	
Mortgages Loans	166,157,174	
Real Estate	68,979,212	
Contract Loans	253,409,506	
Cash/Short-term Investments	10,263,142	
Other Invested Assets		
Derivative Instruments	161,889,175	
Aggregate Write-Ins for Investment Income	(11,486,758)	
Gross Investment Income	$ 2,330,934,015	
Real Estate Owned - Book Value less Encumbrances	$ 345,067,002	Schedule A - Part 1
Mortgage Loans - Book Value:		
Farm Mortgages	$ -	Schedule B - Part 1
Residential Mortgages	-	
Commercial Mortgages	4,000,576,006	
Total Mortgage Loans	$ 4,000,576,006	
Mortgage Loans by Standing - Book Value:		
Good Standing	4,000,576,006	Schedule B, Part 1
Good Standing with Restructured Terms	-	Schedule B, Part 1
Interest overdue more than 90 days, not in foreclosure	-	Schedule B, Part 1
Foreclosure in Process	-	Schedule B, Part 1
Other Long Term Assets - Statement Value	2,368,508,831	Schedule BA, Part 1
Bonds and Stocks of Parents, Subsidiaries and Affiliates - Book Value		Schedule D - Summary by Country
Bonds	38,124,689,784	
Preferred Stocks	-	
Common Stocks	1,537,827,041	

Schedule 1 - Selected Financial Data - Continued

		2017 Annual Statement References
Bonds and Short Term Investments by Class & Maturity		Schedule D, Part 1A Sec 1
Bonds by Maturity - Statement Value		
Due within one year or less	$ 1,448,993,968	
Over 1 year through 5 years	8,317,634,879	
Over 5 years through 10 years	12,791,918,163	
Over 10 years through 20 years	4,506,262,890	
Over 20 years	11,639,736,750	
Total by Maturity	$ 38,704,546,650	
Bonds by Class - Statement Value		
Class 1	$ 22,232,692,691	
Class 2	14,685,469,862	
Class 3	752,751,004	
Class 4	869,002,798	
Class 5	163,654,737	
Class 6	975,558	
Total by Class	$ 38,704,546,650	
Total Bonds Publicly Traded	26,676,970,920	
Total Bonds Privately Placed	12,027,575,730	
Preferred Stocks - Statement Value	-	Schedule D, Part 2, Sec. 1
Common Stocks - Market Value	1,537,827,055	Schedule D, Part 2, Sec. 2
Short Term Investments - Book Value	25,310,000	Schedule DA, Part 1
Options, Caps Floors, Collars, Swaps and Forwards	(29,961,206)	Schedule DB, Part A,
Futures Contracts	7,795,385	Schedule DB, Part B,
Cash on Deposit	(26,348,883)	Schedule E, Part 1
Life Insurance In Force		Exhibit of Life Insurance
Industrial	-	
Ordinary	370,963,866	
Credit Life	-	
Group Life	59,637	
Amount of Accidental Death Insurance In Force Under		
Ordinary Policies	1,034,677	Exhibit of Life Insurance
Life Insurance Policies with Disability Provisions In Force		Exhibit of Life Insurance
Industrial	-	
Ordinary	199,960,487	
Credit Life	-	
Group Life	-	
Supplementary Contracts In Force		Exhibit of Number of Policies,
Ordinary - Not Involving Life Contingencies	-	Contracts,Certificates,Income Payable,
Amount on Deposit	227,509,779	Account Values In Force for Supplementary
Income Payable	86,209	Contracts, Annuities, A&H and Other Policies
Ordinary - Involving Life Contingencies		
Income Payable	338	

Schedule 1 - Selected Financial Data - Continued

		2017 Annual Statement References
Group - Not Involving Life Contingencies		
Amount on Deposit	44,095,258	
Income Payable	-	
Group - Involving Life Contingencies		
Amount on Deposit	-	
Income Payable	-	
Annuities - Ordinary		Exhibit of Number of Policies,
Immediate - Amount of Income Payable	588,539	Contracts,Certificates,Income Payable,
Deferred - Fully Paid Account Balance	70,480,187	Account Values In Force for Supplementary
Deferred - Not Fully Paid - Account Balance	142,461,177	Contracts, Annuities, A&H and Other Policies
Annuities - Group		
Amount of Income Payable	79,643	Exhibit of Number of Policies,
Fully Paid Account Balance	-	Contracts,Certificates,Income Payable,
Not Fully Paid - Account Balance	-	Account Values In Force for Supplementary
		Contracts, Annuities, A&H and Other Policies
Accident and Health Insurance - Premiums In Force		
Ordinary	-	
Group	3,085,350,014	
Credit	-	
Other	505,734,414	
Deposit Funds and Dividend Accumulations		Exhibit of Number of Policies,
Deposit Funds - Account Balance	25,306,757	Contracts,Certificates,Income Payable,
Dividend Accumulations - Account Balance	99,331,551	Account Values In Force for Supplementary
		Contracts, Annuities, A&H and Other Policies
Claim Payments 2017		Schedule O, Part 1
Group Accident and Health Year - Ended December 31, 2015		Section A
2017	1,523,992	
2016	1,725,073	
2015	1,673,781	
2014	1,588,682	
2013	1,545,258	
Prior	2,101,014	
Other Accident & Health		Section B
2017	29,891	
2016	29,691	
2015	31,526	
2014	21,585	
2013	17,494	
Prior	130,947	
Credit Accident & Health	-	Section C
2017	-	
2016	-	
2015	-	
2014	-	
2013	-	
Prior	-	

Schedule 1 - Selected Financial Data - Continued

		2017 Annual Statement References
Other Coverages that use developmental methods to calculate Claims Reserves:		Section D
2017	-	
2016	-	
2015	-	
2014	-	
2013	-	
Prior	-	
Other Coverages that use developmental methods to calculate Claims Reserves:		Section E
2017	-	
2016	-	
2015	-	
2014	-	
2013	-	
Prior	-	
Other Coverages that use developmental methods to calculate Claims Reserves:		Section F
2017	-	
2016	-	
2015		
2014	-	
2013	-	
Prior	-	
Other Coverages that use developmental methods to calculate Claims Reserves:		Section G
2017	-	
2016	-	
2015	-	
2014	-	
2013	-	
Prior	-	

The Guardian Life Insurance Company of America
Investments of Reporting Entities
December 31, 2017

Section 2 Investment Risk Interrogatories

Answer the following interrogatories by stating the applicable U.S dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of the annual statement.
$55,568,820,448

2. Ten largest exposures to a single issuer/borrower/investment.

	Issuer	Description of Exposure		Amount	Percentage of Total Admitted Assets
2.01	GUARDIAN INVESTOR SERVICES	STOCK	$	823,561,817	1.5%
2.02	FIRST COMMON WEALTH INSURANCE COMPANY	STOCK	$	443,456,590	0.8%
2.03	GUARDIAN INS & ANNUITY CO NY, NY	STOCK	$	310,222,464	0.6%
2.04	JP MORGAN CHASE	BONDS/STOCK	$	261,097,193	0.5%
2.05	ISHARES MSCI EAFE	STOCK	$	220,889,121	0.4%
2.06	GOLDMAN SACHS GROUP INC	BONDS/STOCK	$	205,027,746	0.4%
2.07	GILEAD SCIENCES	BONDS/STOCK	$	201,892,562	0.4%
2.08	AT&T INC	BONDS/STOCK	$	199,265,081	0.4%
2.09	BERKSHIRE LIFE INSURANCE CO OF AMERICA	STOCK	$	189,096,958	0.3%
2.10	SIMON PROPERTY GROUP	BONDS	$	186,745,869	0.3%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating:

	Bonds		Amount	% of Total Admitted Assets	Preferred Stocks		Amount	% of Total Admitted Assets
3.01	NAIC-1	$	22,232,692,692	57.4%	P/RP-1	$	-	0.0%
3.02	NAIC-2	$	14,685,469,862	37.9%	P/RP-2	$		0.0%
3.03	NAIC-3	$	752,751,004	1.9%	P/RP-3	$		0.0%
3.04	NAIC-4	$	869,002,798	2.2%	P/RP-4	$		0.0%
3.05	NAIC-5	$	163,654,737	0.4%	P/RP-5	$		0.0%
3.06	NAIC-6	$	975,558	0.0%	P/RP-6	$	-	0.0%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assts?
Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02	Total admitted assets held in foreign investments	$	7,842,827,286	20.3%
4.03	Foreign-currency-denominated investments	$	852,015,647	2.2%
4.04	Insurance liabilities denominated in that same foreign currency	$	-	0.0%

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01 Countries rated NAIC-1	$	7,275,941,339	18.8%
5.02 Countries rated NAIC-2	$	385,877,296	1.0%
5.03 Countries rated NAIC-3 or below	$	181,008,651	0.5%

6. Largest foreign investment exposures to a single country, categorized by NAIC sovereign rating:

		1	2
Countries rated NAIC-1			
6.01 Country: UNITED KINGDOM	$	1,770,675,039	4.6%
6.02 Country: AUSTRALIA	$	1,210,071,991	3.1%
Countries rated NAIC-2:			
6.03 Country: MEXICO	$	311,696,274	0.8%
6.04 Country: SPAIN	$	64,181,022	0.2%
Countries rated NAIC-3 or below			
6.05 Country: BAHAMAS	$	22,000,000	0.1%
6.06 Country: TRINIDAD	$	18,578,833	0.0%

7. Aggregate unhedged foreign currency exposure:	$	-	0.0%

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

		1	2
8.01 Countries rated NAIC-1	$		0.0%
8.02 Countries rated NAIC-2	$		0.0%
8.03 Countries rated NAIC-3 or below	$	-	0.0%

9. Largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

		1	2
Countries rated NAIC-1:			
9.01 Country:	$		0.0%
9.02 Country:	$		0.0%
Countries rated NAIC-2:			
9.03 Country:	$		0.0%
9.04 Country:	$		0.0%
Countries rated NAIC-3 or below			
9.05 Country:	$	-	0.0%
9.06 Country:	$	-	0.0%

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	Issuer	NAIC	3		4
10.01	SHELL INTERNATIONAL	1	$	177,418,795	0.5%
10.02	AMERICAN MOVIL	1	$	137,647,489	0.4%
10.03	GE CAPITAL INTL FUNDING	1	$	94,138,297	0.2%
10.04	STATOILHYDRO ASA	1	$	91,420,961	0.2%
10.05	BP CAPITAL MARKETS	1	$	86,898,573	0.2%
10.06	TRANSCANADA PIPELINES	1	$	78,465,295	0.2%
10.07	HSBC HOLDINGS	1	$	78,310,511	0.2%
10.08	SIEMENS FINANCIERINGSMAT	1	$	73,202,410	0.2%
10.09	COMMONWEALTH BANK	1	$	73,198,150	0.2%
10.10	TELEFONICA EMISIONES	2	$	64,181,022	0.2%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure.

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11

11.02	Total admitted assets held in Canadian investments	$	-	0.0%
11.03	Canadian-currency-denominated investments	$	-	0.0%
11.04	Canadian-denominated insurance liabilities	$	-	0.0%
11.05	Unhedged Canadian currency exposure	$	-	0.0%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2		3
12.02	Aggregate statement value of investments with contractual sales restrictions			
	Largest three investments with contractual sales restrictions:			
		$	-	0.0%
12.03		$	-	0.0%
12.04		$	-	0.0%
12.05		$	-	0.0%

13. Amounts and percentages of admitted assets held in the largest ten equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?
Yes [ ] No [X]

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer		2	3
13.02	GUARDIAN INVESTOR SERVICES	$	823,561,817	2.1%
13.03	FIRST COMMON WEALTH INSURANCE COMPANY	$	443,456,590	1.1%
13.04	GUARDIAN INS & ANNUITY CO NY, NY	$	310,222,464	0.8%
13.05	ISHARED MSCI EAFE	$	220,889,121	0.6%
13.06	BERKSHIRE LIFE INSURANCE CO OF AMERICA	$	189,096,958	0.5%
13.07	VICTORY MUTUAL FUNDS	$	73,889,308	0.2%
13.08	POWERSHARES	$	68,460,290	0.2%
13.09	SPDR GOLD TRUST	$	61,471,113	0.2%
13.10	PARK AVENUE LIFE INS COMP	$	41,186,135	0.1%
13.11	ISHARES SILVER TRUST	$	15,081,895	0.0%

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01. Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 14.01 is yes, responses are not required for the remainder of Interrogatory 14.

	1		2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities Largest three investments held in nonaffiliated, privately placed equities:	$	-	0.0%
14.03		$	-	0.0%
14.04		$	-	0.0%
14.05		$	-	0.0%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1		2	3
15.02		$		0.0%
15.03		$		0.0%
15.04		$		0.0%
15.05		$		0.0%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?
Yes [ ] No [X]

If response to 16.01 is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	Type (Residential, Commercial, Agriculature)		2	3
16.02	COMMERCIAL	$	195,000,000	0.2%
16.03	COMMERCIAL	$	127,625,000	0.2%
16.04	COMMERCIAL	$	116,885,000	0.2%
16.05	COMMERCIAL	$	113,363,464	0.2%
16.06	COMMERCIAL	$	112,498,309	0.1%
16.07	COMMERCIAL	$	111,300,000	0.1%
16.08	COMMERCIAL	$	110,627,860	0.1%
16.09	COMMERCIAL	$	98,504,636	0.1%
16.10	COMMERCIAL	$	93,077,172	0.1%
16.11	COMMERCIAL	$	85,618,153	0.1%

Amount and percentages of the reporting entity’s total admitted assets held in the following categories of mortgage loans:

			Loans	
16.12	Construction Loans	$	82,568,916	0.3%
16.13	Mortgage loans over 90 days past due	$	-	0.0%
16.14	Mortgage loans in the process of foreclosure	$	-	0.0%
16.15	Mortgage loans foreclosed	$	-	0.0%
16.16	Restructured mortgage loans	$	-	0.0%

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as

		Residential			Commercial			Agriculature		
	Loan-to-Value		1	2		3	4		5	6
17.01	above 95%	$	-	0.0%	$		0.0%	$	-	0.0%
17.02	91% to 95%	$	-	0.0%	$		0.1%	$	-	0.0%
17.03	81% to 90%	$	-	0.0%	$	40,386,223	0.0%	$	-	0.0%
17.04	71% to 80%	$	-	0.0%	$	56,722,796	0.1%	$	-	0.0%
17.05	below 70%	$	-	0.0%	$	3,903,466,987	6.8%	$	-	0.0%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 18.01. is yes, responses are not required for the remainder of Interrogatory 18

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1		2	3
18.02		$		0.0%
18.03		$		0.0%
18.04		$		0.0%
18.05		$		0.0%
18.06		$		0.0%

19. Report aggregate amounts and percentages of the reporting entity’s total admitted assets held in investments held in mezzanine real estate loans: 0 0.00%

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity’s total admitted assets?
Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

	1		2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loadns:			
	Largest three investments held in mezzanine real $	$	-	0.0%
19.03		$	-	0.0%
19.04		$	-	0.0%
19.05		$	-	0.0%

20. Amounts and percentages of the reporting entity’s total admitted assets subject to the following types of agreements:

		At Year-end			At End of Each Quarter				
					1st Qtr		2nd Quarter		3rd Quarter
		1	2		3		4		5
20.01	Securities lending (do not include assets held as collateral for such transactions)	$ -	0.0%	$	-	$	-	$	-
20.02	Repurchase agreements	$ -	0.0%	$	-	$	-	$	-
20.03	Reverse repurchase agreements	$ -	0.0%	$	-	$		$	-
20.04	Dollar repurchase agreements	$ -	0.0%	$	-	$	-	$	-
20.05	Dollar reverse repurchase agreements	$ -	0.0%	$	-	$	-	$	-

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floor:

	Owned			Written	
		1	2	3	4
21.01 Hedge	$	-	0.0%	$ -	0.0%
21.02 Income generation	$	-	0.0%	$ -	0.0%
21.03 Other	$	-	0.0%	$ -	0.0%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter					
				1st Qtr		2nd Qtr		3rd Qtr
	1	2		3		4		5
22.01 Hedging	$ 12,540,911	0.0%	$	6,976,680	$	10,440,493	$	12,188,113
22.02 Income generation	$ -	0.0%	$	-	$	-	$	
22.03 Replications	$ -	0.0%	$	-	$	-	$	-
22.04 Other	$	0.0%	$	-	$	-	$	-

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for future contracts:

	At Year-end		At End of Each Quarter					
				1st Quarter		2nd Quarter		3rd Quarter
	1	2		3		4		5
23.01 Hedging	$ 8,159,950	0.0%	$	9,988,750	$	7,772,850	$	7,795,500
23.02 Income generation	$ -	0.0%	$	-	$	-	$	-
23.03 Replications	$ -	0.0%	$	-	$	-	$	-
23.04 Other	$ -	0.0%	$	-	$	-	$	-

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA
As of December 31, 2017

Appendix A-001
Section 3. Summary Investment Schedule

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement			
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage
1. Bonds:						
1.1 US Treasury Securities	$ 1,597,534,014	3.405%	$ 1,597,534,014		$ 1,597,534,014	3.405%
1.2 US Government agency and corporate obligations (excluding mortgage-backed securities):						
1.21 Issued by US Government Agencies	3,678,572	0.008%	3,678,572		3,678,572	0.008%
1.22 Issued by US Government-sponsored agencies	-	0.00%	-		-	0.000%
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	36,856,331	0.079%	36,856,331		36,856,331	0.079%
1.4 Securities issued by states, territories and possessions and political subdivisions in the US:						
1.41 States, territories and possessions general obligations	390,426,205	0.832%	390,426,205		390,426,205	0.832%
1.42 Political subdivisions of states, territories and possessions political subdivisions		0.00%				
general obligations	229,725,568	0.490%	229,725,568		229,725,568	0.490%
1.43 Revenue and assessment obligations	1,619,718,445	3.452%	1,619,718,445		1,619,718,445	3.452%
1.44 Industrial development and similar obligations	6,089,325	0.013%	6,089,325		6,089,325	0.013%
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA		0.00%			-	0.00%
1.512 Issued or guaranteed by FNMA and FHLMC		0.00%			-	0.00%
1.513 All other	-	0.000%	-		-	0.000%
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000%			-	0.000%
1.522 Issued by non-U.S. Government issuers and collaterized by mortgage-					-	
backed securities issued or guaranteed by agencies shown in Line 1.521	16,757,832	0.036%	16,757,832		16,757,832	0.036%
1.523 All other	1,456,799,939	3.105%	1,456,799,939		1,456,799,939	3.105%
2. Other debt and other fixed income securities (excluding short term):					-	
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	23,082,259,525	49.193%	23,082,259,525		23,082,259,525	49.197%
2.2 Unaffiliated non-U.S. securities (including Canada)	7,007,505,012	14.935%	7,007,505,012		7,007,505,012	14.936%
2.3 Affiliated securities	1,043,744,923	2.224%	1,043,744,923		1,043,744,923	2.225%
3. Equity interests:						
3.1 Investments in mutual funds	143,257,585	0.305%	143,257,585		143,257,585	0.305%
3.2 Preferred stocks:						
3.21 Affiliated	-	0.000%	-		-	0.00%
3.22 Unaffiliated	40,486,681	0.086%	40,486,681		40,486,681	0.086%
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated	-	0.000%	-		-	0.000%
3.32 Unaffiliated	294,659,581	0.628%	294,659,581		294,659,581	0.628%
3.4 Other equity securities:					-	
3.41 Affiliated	-	0.00%	-		-	0.00%
3.42 Unaffiliated		0.000%			-	0.000%
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated	-	0.000%	-		-	0.000%
3.52 Unaffiliated	-	0.000%	-		-	0.000%
4. Mortgage loans:						
4.1 Construction and land development	93,317,998	0.199%	93,317,998		93,317,998	0.199%
4.2 Agricultural	-	0.000%	-		-	0.000%
4.3 Single family residential properties	-	0.000%	-		-	0.00%
4.4 Multifamily residential properties	-	0.000%	-		-	0.000%
4.5 Commercial loans	3,378,243,690	7.200%	3,378,243,690		3,378,243,690	7.200%
4.6 Mezzanine real estate loans	-	0.00%	-		-	0.00%
5. Real Estate Investments:						
5.1 Property occupied by company	2,965,563	0.006%	2,965,563		2,965,563	0.006%
5.2 Property held for production of income (includes $0 of property acquired					-	
in satisfaction of debt)	360,971,455	0.769%	360,971,455		360,971,455	0.769%
5.3 Property held for sale ($0 including property acquired in the satisfaction of debt)	10,263,514	0.022%	10,263,514		10,263,514	0.022%
6. Contract loans	3,405,117,738	7.257%	3,405,117,738		3,405,117,738	7.258%
7. Deriatives	41,050,789	0.087%	41,050,789		41,050,789	0.087%
8. Receivables for securities	26,819,916	0.057%	26,819,916		26,819,916	0.057%
9. Securities Lending (Line 10, Asset Page reinvested collateral)	-	0.000%	-		-	
10. Cash and short-term investments	821,842,798	1.752%	821,842,798		821,842,798	1.752%
11. Other invested assets	1,811,428,489	3.861%	1,808,240,510		1,808,240,510	3.854%
12. Total Invested Assets	$46,921,521,488	100.00%	$46,918,333,509		$46,918,333,509	100.00%

* Gross Investment Holdings as valued in compliance with NAIC Accounting Practices & Procedures Manual

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