

FITCH AFFIRMS GUARDIAN'S 'AA+' IFS RATINGS; OUTLOOK STABLE

Fitch Ratings-New York-16 June 2009: Fitch Ratings has affirmed the 'AA+' insurer financial strength (IFS) ratings of Guardian Life Insurance Company of America and its wholly owned subsidiary, Guardian Insurance & Annuity Company, Inc. (collectively referred to as Guardian). The Rating Outlook is Stable.

Today's rating action follows Fitch's updated review of Guardian's capitalization, liquidity, financial flexibility and operating results. Guardian's very strong ratings continue to reflect the company's extremely strong balance sheet fundamentals, stable earnings performance, and favorable operating profile.

Guardian's extremely strong balance sheet fundamentals reflect the company's very strong risk-adjusted capitalization, relatively low-risk liability profile and below-average exposure to troubled asset classes that have underperformed in the current environment. While not immune to challenges associated with the deterioration in the financial markets over the past 12-18 months, Guardian is very well-positioned to manage through the difficult environment.

Guardian's risk-adjusted capitalization benefits from the company's relatively low operating leverage, no financial leverage, and limited use of reinsurance or other means to bolster reported statutory capital levels. Fitch believes that the company is well-positioned to absorb further investment losses due to its excess capital position. Fitch notes that the Guardian's capital did not benefit from permitted practices or paid-in capital.

Guardian's relatively low-risk liability profile, comprised primarily of participating whole life insurance, with only moderate exposure to retail annuities, also differentiates the group. Disintermediation and interest rate risk is low relative to peers.

Guardian's primary investment exposures include corporate bonds (61% of invested assets) and commercial real estate-related assets (15%). Fitch notes that the company's corporate bond exposure is concentrated in investment grade securities. Exposure to below-investment-grade bonds at about 40% of total adjusted capital at year-end 2008 is below average relative to the industry. Commercial real estate exposure is concentrated in commercial mortgage whole loans and commercial-mortgage backed securities. While increased investment losses in these asset classes are expected in 2009-2010, Fitch believes that the losses are very manageable in the context of the company's capital and earnings.

Exposure to non-agency residential mortgage-backed securities (RMBS) and other asset-backed securities (ABS) is limited at less than 2% of invested assets, which is well below average relative to other U.S. life insurers. Guardian has no exposure to CDOs, CLOs, SIVs or asset-backed commercial paper. Guardian has also reduced its allocation to unaffiliated common stock from about \$1.5 billion at year-end 2007 to about \$300 million at year-end 2008, and it continues to hedge this exposure through its dynamic hedging program.

Guardian's overall operating performance remains stable, with most segments contributing to positive earnings in 2008. Guardian has consistently paid out well over \$500 million in policyholder dividends in each of the past five years. Fitch believes that the ability to adjust its dividend gives Guardian considerable financial flexibility if needed. Earnings are projected to be down somewhat in 2009 due to increased assumptions for individual disability loss ratios, lower fees on asset-based business and lower investment income.

The Stable Outlook reflects Fitch's view that Guardian's risk-adjusted capitalization will continue to provide a cushion for absorbing heightened investment losses in the ongoing difficult economic environment. Fitch has some concern related to the potential for higher individual disability income

claims in a deteriorating economy, although loss ratios as of the end of May 2009 were in line with historical trends. The company also has reinsurance on this block of business.

Guardian is a mutual life insurance company based in New York City. As of March 31, 2009, the group had consolidated statutory total admitted assets and total adjusted capital of \$39 billion and \$4.2 billion, respectively.

Fitch affirms the following ratings with a Stable Outlook:

Guardian Life Insurance Company of America
--IFS at 'AA+'.

Guardian Insurance and Annuity Company
--IFS at 'AA+'.

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