

2020 annual report





A letter from Andrew, CEO and President

Dear Guardian Community,

This annual report covers an extraordinary period — a year that has presented challenges that were felt by us all. While this was an unprecedented year, our 161-year history has built us for these times. When the COVID-19 crisis began to unfold, we reaffirmed our commitment to our customers and ensured there was no impact on the quality of our service. We also adjusted policies to accommodate customers and partners in an uncertain time. Guardian employees and our partners demonstrated flexibility and resilience when we fully transitioned to remote work with one day's notice.

We achieved strong results by staying true to our values: people count, we do the right thing, and we hold ourselves to very high standards. We also strengthened our focus on diversity and inclusion against the backdrop of renewed action for racial equity and social justice. We emerged from this year a stronger, more resilient company, better positioned to serve our customers.

Reflecting on our priorities

We are proud of our 2020 financial results: we grew revenue and assets to keep the company strong, maintained top grades from all the major rating agencies, adapted our solutions to support

our employee benefits broker community and group planholder customers, and paid the highest dividend ever to our whole life policyholders. We continue to commit to our customers and our partners, focused on three priorities: growth, mutuality, and culture.

- **Growth** is critical to maintaining our top-rated balance sheet. This priority is essential if we are to offer the best possible group benefits policies, individual protection, investment products, and pay claims for generations to come.
- **Mutuality** is central to our purpose. Being a mutual company means we can do what's right for the long-term interests of our customers and remain economically strong.
- **Culture** supports growth and mutuality. We value our employees being honest, inclusive, diverse, and accountable. This focus on culture allows us to find, retain, and develop exceptional talent.

Our customers shape what we do

Our customers have never been more digitally focused, which drives us to utilize technology to serve you better. Whether digitally or in person, technology will play an essential aspect of service. We took a big step toward digital service in 2020, shifting seamlessly to remote work during the pandemic. For example, we almost doubled our video and digital chat sessions with customers while continuing to provide exceptional service for those who chose to call us.

Our performance depends on our 9,000 employees and the commitment they make every day to serving our customers. I am proud that Guardian was recognized in 2020 for our exceptional people and culture, including DALBAR service award, Great Place to Work® Institute, and the Human Rights Campaign.

We know that our culture is crucial to our success. In 2020, we reaffirmed our commitment to providing an inclusive and diverse workplace where honesty, integrity, and accountability are valued. As a mutual, our company's interests are aligned with policyholder interests. For over 160 years, we have been there for you, and our commitment has never wavered; we remain focused on the long term and in providing you financial security for decades to come.

We are proud of what we achieved in 2020, and we strive to achieve even more in the future for our customers, employees, and communities. It is a promise to act for the greater good and serve more people and families with creative solutions. We are optimistic about the future and know that we can profoundly change lives by doing our best.

Andrew J. McMahon

Andrew J. McMahon
Chief Executive Officer and President

Financial highlights and ratings

Ratings

Ratings agencies are responsible for gauging the financial strength of companies so that investors, policyholders, or partners can work with the facts. Exemplary ratings indicate that a firm holds a sufficient balance of cash reserves in proportion to its commitments, signifying stability. Guardian continues to receive high ratings across the board, a position the company has occupied for many years.

2020 ratings¹

Moody's Investors Service	Aa2	Excellent 3 rd highest of 21 ratings
A.M. Best Company	A++	Superior Highest of 15 ratings
Standard & Poor's	AA+	Very strong 2 nd highest of 20 ratings
Fitch	AA+	Very strong 2 nd highest of 21 ratings
COMDEX ²	98	Score out of 100

Financials

Guardian performed well in 2020. We ended the year with \$9.5 billion in capital and \$85.5 billion in assets under management. Additionally, operating income before tax and dividends was \$1.7 billion.

2020 financial highlights (on a consolidated basis)

Premiums, deposits, fees, and equiv. (excluding Avësis)	\$11.0 billion
Operating income (before taxes and dividends to policyholders)	\$1.7 billion
Capital	\$9.5 billion
Assets under management	\$85.5 billion
Policyholder dividend declared	\$1.1 billion
Benefits paid to policyholders	\$6.7 billion
Life insurance in force	\$722.4 billion

Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

“I very much appreciate Guardian already having a plan in place for payments during the COVID-19 crisis. Guardian had a plan for how to make up missed payments over the course of next year. No other company has been so organized and focused on the needs of their customers. Thank you!”

Disability insurance customer

Helping communities navigate through uncertainty

COVID-19 response

Feeding families and bolstering small business

- Provided over 200,000 meals and donated \$643,000 to support hunger relief.
- Issued \$110,000 in economic impact grants to women and minority business owners and supplied over 12,000 units of vital personal protective equipment to small business customers.

Employee engagement

Working remotely, but staying connected to what matters

- 2,500 Guardian employees provided over 7,350 hours of virtual volunteer service.
- Over \$3.65 million was donated to charitable organizations by employees and Guardian in 2020.
- The Guardian for Good webinar series engaged key external partners and educated thousands of employees on topics supporting our inclusion and diversity initiatives.

Health and wellness

Providing access to quality oral health care for underserved communities

- Our collaboration with Children’s Health Fund enabled over 23,000 free dental visits for families nationwide. Our funding also led to innovations in mobile COVID-19 testing and teledentistry, which enhanced access for underserved communities.
- We remain committed to protecting our most vulnerable populations. In 2020, elderly and medically fragile patients received more than \$5.5 million in dental care through our Dental Lifeline Network partnership.
- As part of our commitment to honor US veterans, we are a primary funder of the “Will You See One Vet?” campaign. So far, over 400 US veterans have received essential treatments.

Economic opportunity

Preparing for the future of work by addressing the digital divide

- As part of our collaboration with NPower to support veterans and young adults from underserved communities, Guardian employees volunteered nearly 500 hours to create pathways to digital careers in cybersecurity and coding.
- Through our partnership with Black Girls CODE, Guardian employees volunteered 370 hours to help prepare young women for futures in computer science and technology.
- Guardian employees have provided hundreds of hours of career mentoring to immigrant women through New Women New Yorkers' workforce entry or reintegration program.

Financial empowerment

Providing pathways to success through Community College partnerships

- Through our alliance with community colleges, we designed and implemented free, accredited personal finance courses across the country. In 2020, we crossed the threshold of serving over 15,000 students to help them achieve their financial and career goals. We have invested over \$5 million in community colleges across the country since program inception.
- As part of our ongoing program with community colleges, 385 students have been provided over \$215,000 in small debt forgiveness, putting them on the path to financial stability.
- Fostering innovation, we partnered with the University of the District of Columbia to launch a replicable pilot program — the Student Ideas Challenge.

Environmental sustainability

Environmental sustainability is smart business, and Guardian is committed to protecting our natural resources for future generations

In 2020, across all Guardian's main locations, the company saved:

- 3.8M kWh electricity
- 56K therms of natural gas
- 2.2M gallons of water
- Printed 11.4M fewer pages of paper than the year before

**In good times
and in bad,
our customer
service teams
are here for you.**

Every day, we serve our 29 million customers according to our founding values: we do the right thing, people count, and we hold ourselves to very high standards. In 2020, we were faced with unprecedented challenges, but our commitment to our customers through times of uncertainty remains our priority.

Our dedication to customers hasn't gone unnoticed, and we're honored to have been noted once again for our efforts:

- J.D. Power recognized our Individual Life Contact Center for providing "An Outstanding Customer Service Experience" for phone support.³
- DALBAR awarded our Individual Markets Life, Disability, and Retirement Contact Center teams and our Park Avenue Securities Service Desk with their 2020 Service Awards.

“Guardian has been an amazing benefit partner with our company. We have a very complex organization, and they are always willing to be flexible and provide the changes we require.”

Group benefits customer

Financial reports

The following condensed financial statements of The Guardian Life Insurance Company of America have been derived from audited statutory financial statements, which are available upon request.

Results are for The Guardian Life Insurance Company of America only (not consolidated).

Admitted assets

As of December 31 (in millions)

	2020	2019
Bonds	\$47,972	\$41,870
Unaffiliated common and preferred stocks	112	511
Investments in affiliates	1,205	1,210
Mortgage loans	4,816	4,879
Private and real estate equity	2,314	2,105
Policy loans	3,810	3,800
Receivable for securities, other invested assets and derivatives	1,448	1,449
Cash and short-term investments	422	778
Total invested assets	62,099	56,602
Due and accrued investment income	518	461
Premiums deferred and uncollected	1,157	1,137
Net deferred tax asset	728	694
Reinsurance recoverable from affiliate	3,176	2,989
Other assets	367	322
Total admitted assets	\$68,045	\$62,205

Liabilities and surplus

As of December 31 (in millions)

	2020	2019
Reserves for policy benefits	\$48,948	46,532
Policyholder dividends payable and other contract liabilities	6,691	4,186
Interest maintenance reserve	703	390
General expenses due or accrued	1,364	1,148
Asset valuation reserve	1,132	1,071
Other liabilities	1,447	1,262
Total liabilities	60,285	54,589
Policyholders' surplus	6,263	6,417
Surplus notes	1,497	1,199
Total liabilities and surplus	\$68,045	\$62,205

Revenues

For the year ended December 31 (in millions)

	2020	2019
Premiums, annuity considerations, and fund deposits	\$8,951	\$8,737
Net investment income	2,368	2,304
Other income	362	431
Total revenue	11,681	11,472

Benefits and expenses

For the year ended December 31 (in millions)

	2020	2019
Benefit payments to policyholders and beneficiaries	5,154	5,055
Net increase to policy benefit reserves	2,354	2,274
Commissions and operating expenses	2,744	2,677
Total benefits and expenses	10,252	10,006
Gain from operations before policyholder dividends and taxes	1,429	1,466
Policyholder dividends	(1,036)	(968)
Gain from operations before taxes and realized capital losses	393	498
Income tax benefit	100	118
Income from operations before net realized capital losses	493	616
Net realized capital losses	(346)	(67)
Net income	\$147	\$549

Investments

As of 12/31/2020, the majority of Guardian's total investment portfolio is comprised of public fixed income (59.2%) excluding surplus note debentures, private placement debt (18.0%), and commercial mortgages (7.8%). Public equity represents 0.1% of our total investment portfolio and is hedged to protect Guardian's capital from market volatility. Public fixed income holdings excluding surplus note debentures are comprised of public corporates (76.4%), structured finance (8.2%), municipal securities (4.9%), U.S. governments (4.5%), high yield public corporates & bank loans (6.0%). Our portfolio is of excellent credit quality with strong liquidity; 93.3% of our total fixed income excluding surplus notes are investment grade.

Asset class allocation

December 31, 2020

Statement value	\$ millions	% of invested assets
Public fixed income (excl. surplus note debentures)	36,777	59.2%
Private placement debt	11,195	18.0%
Commercial mortgages	4,816	7.8%
Policy loans	3,810	6.1%
Private and real estate equity	2,337	3.8%
Affiliates and subsidiaries ⁴	1,667	2.7%
Cash, short-term, and other invested assets	1,463	2.3%
Public equity ⁵	34	0.1%
Total invested assets	\$62,099	100.0%

Fixed income

December 31, 2020

Statement value	\$ millions	% of bonds
NAIC 1 (Aaa-A/AAA-A)	25,828	53.8%
NAIC 2 (Baa/BBB)	18,932	39.5%
Investment grade subtotal	44,760	93.3%
NAIC 3 (Ba/BB)	1,139	2.4%
NAIC 4 (B)	1,701	3.5%
NAIC 5&6 (Caa/CCC and below)	372	0.8%
Below investment grade subtotal	3,212	6.7%
Total bonds⁶	\$47,972	100.0%

Our leadership team

Executive leadership



Andrew J. McMahon
Chief Executive Officer
and President



Kermitt Brooks
Executive Vice President,
General Counsel



Dean Del Vecchio
Executive Vice President,
Chief Information Officer,
and Chief of Operations



Michael Ferik
Executive Vice President,
Individual Markets



Stacey Hoin
Executive Vice President and
Chief Human Resources Officer



Jean LaTorre
Executive Vice President
and Chief Investment Officer



Kevin Molloy
Executive Vice President
and Chief Financial Officer



Brian Scanlon
Executive Vice President,
Strategy, Business Development,
Marketing, and Communications



Christopher B. Smith
Executive Vice President,
Group Benefits

Board of Directors

John J. Brennan
Chairman Emeritus, Vanguard
Director since 2011

Lloyd E. Campbell
Consultant, Spenser Stuart
Director since 2006

Richard E. Cavanagh
Retired President and Chief Executive Officer,
The Conference Board, Inc.
Director since 1998

Nancy E. Cooper
Retired Executive Vice President and
Chief Financial Officer, CA Technologies, Inc.
Director since 2012

Deborah L. Duncan (Lead Director)
Senior Advisor, Member of the Board
of Advisors, and Former Executive Vice
President and Chief Financial Officer,
Fremont Group, L.L.C.
Director since 2006

William C. Freda
Retired Senior Partner and
Vice Chairman, Deloitte LLP
Director since 2014

Christopher T. Jenny
Chairman and Chief Executive Officer,
Jennus Innovation
Director since 2017

Andrew J. McMahon
Chief Executive Officer and President, Guardian
Director since 2020

Eileen K. Murray
Former Co-Chief Executive Officer,
Bridgewater Associates, LP
Director since 2020

Gary A. Norcross
Chairman, President and Chief Executive Officer, FIS
Director since 2017

Karen B. Peetz
Chief Administrative Officer, Citigroup Inc.
Director since 2019

Vivek Sankaran
President and Chief Executive Officer,
Albertsons Companies, Inc.
Director since 2018

Important information

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Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

- 1 Ratings as of 12/2020 and are subject to change. Source: Vital Signs and Third Party Rating Agencies. The ratings earned by Guardian do not apply to the investments issued by GIAC or distributed through PAS.
- 2 Comdex is not a rating, but a composite of all ratings that a company has received from the major rating agencies (A.M. Best, Standard & Poor's, Moody's, and Fitch). Comdex percentile ranks the companies, on a scale of 1 to 100 (with 100 being the best).
- 3 J.D. Power 2020 Certified Customer Service Program recognition is based on successful completion of an evaluation and exceeding a customer satisfaction benchmark through a survey of recent servicing interactions. For more information, visit www.jdpower.com/cc
- 4 Affiliates and Subsidiaries includes \$462 million in affiliates classified as LLCs on the annual statement that are not private equity.
- 5 Public Equity excludes Bond & Cash Mutual Funds.
- 6 Total Bonds includes public and private debt but excludes surplus note debentures classified as Schedule BA invested assets, commercial mortgages and preferred stock.

Financial information concerning Guardian as of December 31, 2020, on a statutory basis: Admitted Assets= \$68.1 Billion; Liabilities = \$60.3 Billion (including \$48.9 Billion of Reserves); and Surplus = \$7.8 Billion.

Financial information concerning GIAC as of December 31, 2020, on a statutory basis: Admitted Assets = \$14.2 Billion; Liabilities = \$13.7 Billion (including \$4.0 Billion of Reserves); and Capital and Surplus = \$0.5 Billion.

Financial information for Berkshire Life Insurance Company of America as of December 31, 2020, on a statutory basis: Admitted Assets = \$4.4 Billion; Liabilities = \$4.2 Billion (including \$0.9 Billion in Reserves); and Capital and Surplus = \$0.2 Billion.



**The Guardian Life Insurance
Company of America**

guardianlife.com