



THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

Information Memorandum

Dated as of March 23, 2022

For Informational Purposes Only.

The information contained herein does not constitute an offer to sell any products or services

As used in this information memorandum, references to “Guardian” are 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.

RISK FACTORS

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

RISK FACTORS RELATED TO GUARDIAN

To the extent that the COVID-19 pandemic adversely affects Guardian’s business and financial results, it may also have the effect of heightening many of the other risks described in this subsection.

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 December 31, 2021, 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, 2021, the combined mark to market value of all of Guardian’s OTC derivatives positions was \$68.8

million, including \$62.7 million of foreign currency swaps and \$6.1 million of equity index options (meaning that Guardian is expected to receive from its counterparties that amount if all transactions are terminated on that date). The total notional value of these OTC derivative positions was \$2,033.3 million, including \$1,786.7 million of foreign currency swaps and \$246.6 million of equity index options gross notional. Guardian held collateral to the counterparties of approximately \$75.5 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 but has not sold attached living benefit guarantees since the first quarter of 2017. The account values of these products may be affected by 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. While the dynamic hedging program continued to be active, Guardian had no hedged positions at December 31, 2021.

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 43.8% of the carrying value of Guardian’s total cash and invested assets as of December 31, 2021. Investments in partnerships and LLCs, which represented approximately 5.7% of the carrying value of Guardian’s total cash and invested assets as of December 31, 2021, 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, 2021, Guardian had future funding commitments relating to investments in real estate, private equities, mortgage loans and private placements of \$1.7 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, 2021, of Guardian's total gross unrealized losses of \$337 million, approximately \$326 million, or 96.7%, of the gross unrealized losses fall into category (i), approximately \$2 million, or 0.6%, of the gross unrealized loss falls into category (ii) and approximately \$9 million, or 2.7%, 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, 2021, Guardian held \$5.3 billion (carrying value) of commercial real estate mortgage loans. The fair value of Guardian's commercial mortgage loan portfolio as of December 31, 2021 was \$5.5 billion, and there were no loans that were either delinquent or in the process of foreclosure as of December 31, 2021. 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, 16.7% 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. 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, 2021, GIAC had outstanding \$718 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, 2021, GIAC had bond assets with a carrying value of \$144 million maturing on or prior to December 31, 2022.
- ⊠ 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.
- ⌘ 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 interest rates may increase GIAC's exposure to liability for benefit claims under these riders.

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 amount of such assessments against Guardian was approximately \$1 million, \$2 million and \$1 million for 2021, 2020 and 2019, 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 18.04% in 2021, 18.04% in 2020 and 18.36% in 2019. 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.

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 implementing or 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, 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. Guardian is complying with Regulation 187, although in April 2021, the Appellate Division of the New York Supreme Court overturned the regulation for being unconstitutionally vague, and the NYSDFS has appealed the decision. In addition, the NAIC adopted a revised annuity suitability model regulation that also includes a best interest standard for annuity transactions, and some states have adopted the amended regulation, including Delaware, one of the domiciliary states of Guardian's insurance subsidiaries. Also in February 2020, the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth filed a new regulation that imposes a fiduciary conduct standard on broker-dealers and agents. These state regulations may have adverse effects on Guardian's business, results of operations and financial condition.

On June 5, 2019, the SEC adopted Regulation Best Interest ("Reg BI") under the Securities Exchange Act of 1934. Reg BI establishes a "best interest" standard of conduct for broker-dealers and associated persons when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities, including recommendations of types of accounts. As part of the rulemaking package, the SEC also adopted new rules and forms to require broker-dealers and investment advisers to provide a brief relationship summary, Form CRS, to retail investors. These new rules became effective on June 30, 2020, and Guardian has developed policies, procedures and controls to comply with the new rules. These new SEC rules may have adverse effects on Guardian's business, results of operations and financial condition.

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 have 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. Regulations with respect to swaps and other derivatives that are regulated by the Commodity Futures Trading Commission (the "CFTC") have been largely implemented, including final implementation for Guardian of requirements relating to initial margining of swaps that went into effect in September 2020. Regulations for security-based swaps, which are regulated by the SEC, have been largely adopted and implemented. These regulations differ in many respects from those adopted by the CFTC, the prudential regulators and regulators in the European Union (the "EU"). As a result, it is possible that the implementation of SEC regulations could adversely impact Guardian's positions in security-based swaps, such as credit default swaps and equity swaps.

Guardian is 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 Guardian and its affiliated entities have "material swaps exposure." The rules, which are applicable to Guardian, require 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. 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 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 United States, 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 the Financial Stability Oversight Council ("FSOC") which has the 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. The FSOC modified the designation process by adopting an activities-based approach for identifying and addressing potential risks to financial stability, and it enhanced 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 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 any such new or enhanced regulation will not apply to Guardian.

In addition, the Dodd-Frank Act established 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 performs 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 the implementation of the Dodd-Frank Act. It is unclear what impact the Biden administration's policies and a Democratic majority in the Senate and House of Representatives will have on potential changes to the Dodd-Frank Act and the resulting impact on Guardian's business, financial condition or results of operations. Guardian cannot currently identify the risks, if any, that may be posed to Guardian's business as a result of potential changes to, or legislative replacements for, the Dodd-Frank Act. Guardian cannot predict whether any such legislation or regulatory changes would be adopted, or what impact they would 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 lawsuits, 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, or repeal, 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 2014 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 2015-2018. 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 statutory accounting practices ("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 the reporting of Guardian's financial condition and results of operations. 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. PBR became effective on January 1, 2017 in the states where the NAIC's amended valuation manual had been adopted, which was followed by a three-year phase-in period. In New York, PBR became effective with the adoption of Insurance Regulation 213 which affirmed the New York Superintendent of Financial Services' (the "Superintendent") authority to deviate from the NAIC valuation manual to adjust the reserves of a Guardian insurance company if the NYSDFS determines that an alternative requirement would be in the best interest of New York policyholders. Regulation 213 adopted the NAIC valuation manual, but excluded certain provisions that were deemed to conflict with New York insurance law and regulation.

Guardian cannot predict whether any accounting reforms related to SAP or components of SAP 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 domiciliary states 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, 2021. 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 regulator 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 will not have a negative impact on Guardian's 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”) have developed group capital calculations or group capital standards, which are in the process of being implemented and refined. In December 2020, the NAIC adopted a group capital calculation tool that uses an RBC aggregation methodology for all entities within the insurance holding company system, including non-U.S. entities. In November 2019, the IAIS adopted its global insurance capital standard, which began a five-year monitoring period in January 2020 and, once implemented, is intended to serve as the base group capital standard applicable to all internationally active insurance groups (as defined by the IAIS and designated by group regulators). Federal regulators and the NAIC continue to engage with the IAIS with respect to how such global standards will interact with existing U.S. regulatory requirements and the NAIC’s group capital calculation. Guardian cannot predict what impact these 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 Guardian’s 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 prior to the first quarter of 2017 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 when GIAC is not immediately subject to guaranteed minimum withdrawal payments to annuity holders, it is required to establish this type of reserve to allow for 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 (\$482 million out of \$7.0 billion total account value at December 31, 2021) 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 will not directly offset the changes in the statutory carrying value of the guarantees due to, among other things, the time lag between the changes in their economic values, statutory carrying values, and corresponding changes in the hedge positions, as well as 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, 2021, the account value of all GMWB contracts was approximately \$7.0 billion before reinsurance and \$6.6 billion after reinsurance. At December 31, 2020, the account value of all GMWB contracts was approximately \$7.1 billion before reinsurance and \$6.7 billion after reinsurance. At December 31, 2019, the account value of all GMWB contracts was approximately \$7.0 billion before reinsurance and \$6.5 billion after reinsurance. In addition, the net amount at risk, as defined by the excess of Guaranteed Withdrawal Benefit Base amount over Account Value, was \$258 million, \$455 million and \$616 million at December 31, 2021, 2020, and 2019, 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, 2021, Guardian had outstanding surplus notes in the aggregate principal amount of \$1.5 billion and no other long-term indebtedness outstanding. In addition, the Issuer has issued \$3.4 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, 2021, Guardian received approximately \$43 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 Berkshire Life Insurance Company of America (“BLICOA”), First Commonwealth Insurance Company (“FCW”) and GIAC. Substantially all of the statutory surplus of Guardian's life insurance subsidiaries, including BLICOA and GIAC, of approximately \$935 million, \$1,207 million and \$1,202 million, at December 31, 2021, 2020 and 2019, 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, 2021, Guardian's life insurance subsidiaries, including BLICOA and GIAC, would have been able to pay dividends to Guardian in 2021, 2020 and 2019 of up to \$248 million, \$199 million, and \$246 million, respectively without obtaining the prior approval of their applicable insurance regulators. For the years ended December 31, 2021, 2020 and 2019, Guardian received an aggregate of \$43 million, \$97 million, and \$65 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, 2021, FCW had accumulated earnings of \$257 million and would be able to pay a dividend of up to \$257 million in 2022. As of December 31, 2020, FCW had accumulated earnings of \$218 million and would have been able to pay a dividend of up to \$218 million in 2021. As of December 31, 2019, FCW had accumulated earnings of \$136 million and would have been able to pay a dividend of up to \$136 million in 2020.

In addition to restrictions on the ability of Guardian's insurance subsidiaries to pay dividends to it, if Guardian needed 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 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 \$20 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, until terminated for new business effective December 31, 2018, 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." Effective May 18, 2020, Guardian began selling its term life plans through GIAC in excess of \$2 million per life to a pool of four reinsurers.

All life insurance reinsurance treaties are covered by a pool of reinsurers. 38% of Guardian's individual life insurance face amount is reinsured as of December 31, 2021. Of the face amount reinsured, over 91% 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. Effective

October 5, 2020, GIAC coinsured 80% of new single premium immediate annuities (“SPIA”) and deferred income annuities (“DIA”) with one reinsurer. This reinsurance agreement will allow us to increase annuity income rates which would result in increasing sales.

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—Group Benefits—Group Benefits 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 \$166 million as of December 31, 2021. Policies sold from 1996–2013 no longer have a surrender charge and account for \$155 million of the total account value. A total of \$1 million of account value at December 31, 2021 is attributed to business which came out of the surrender charge period in 2020 because it was written in 2013. 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, 2021, total statutory reserves for SPIA and DIA are \$2.1 billion and \$927 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.

Guardian's financial results may be adversely impacted by climate change.

Climate change may increase the frequency of and severity of weather-related disasters and other health incidents, such as pandemics, and their effects may increase over time. Such changes may, among other effects, lead to disruptions in Guardian's operations or increase mortality rates. In addition, such changes and government responses thereto (such as carbon taxes or limits on carbon emissions) may have a material adverse effect on the economy as a whole, which may, among other effects, harm the value of investments Guardian holds or harm Guardian's counterparties, including reinsurers. Guardian's regulators may also increasingly focus their examinations on climate-related risks.

Guardian cannot predict the long-term impacts from climate change and related regulation, which could have a material adverse effect on its business, results of operations and financial condition.

Guardian's efforts to meet environmental, social, and governance standards and to enhance the sustainability of its businesses may not meet investors' or regulators' expectations

Some of Guardian's shareholders, investors and customers, or those considering such a relationship with Guardian, evaluate its business or other practices according to a variety of environmental, social, and governance ("ESG") standards and expectations. Some of Guardian's regulators have proposed ESG rules or announced that they intend to review Guardian's practices against ESG standards; others may yet do so. Further, Guardian defines its own corporate purpose, in part, by the sustainability of its practices and its impact on all of its stakeholders.

Guardian's investors or others may evaluate Guardian's practices by ESG criteria that are continually evolving and not always clear. These standards and expectations may also, as a whole, reflect contrasting or conflicting values or agendas. Guardian's decisions or priorities must also necessarily, and simultaneously, take account of several business goals and interests. Guardian's practices may also not change in the particulars or at the rate stakeholders expect. As a result, Guardian's efforts to conduct its business in accordance with some or all these expectations may involve tradeoffs. Guardian may fail to meet its commitments or targets, and its policies and processes to evaluate and manage ESG standards in coordination with other business priorities may not prove completely effective or satisfy investors, regulators, or others. Guardian may face adverse regulatory, investor, media, or public scrutiny leading to business, reputational, or legal challenges.

A pandemic, like the global outbreak of COVID-19, or other catastrophic events could adversely affect Guardian's results of operations and financial condition.

A severe pandemic, like the global outbreak of COVID-19, has caused, and a catastrophic event in the future, may cause significant volatility in global financial markets, disruptions to commerce and reduced economic activity. In recent months, the continued spread of COVID-19 has led to disruptions to commerce, reduced economic activity and increased volatility in the global capital markets. These effects may continue or worsen or remain in the future, amplifying the negative impact on global growth and global financial markets. These conditions could materially and adversely affect Guardian's cash flows, as well as the value and liquidity of its invested assets, which could affect Guardian's creditworthiness.

Guardian's investment portfolio (and specifically, the valuations of investment assets it holds) has been, and may continue to be, adversely affected as a result of market developments related to the COVID-19 pandemic and uncertainty regarding its outcome. Moreover, changes in interest rates, adverse credit ratings migration and increased credit defaults, increased equity securities volatility, reduced liquidity or a continued slowdown in the United States or in global economic conditions may also adversely affect the cash flows of these assets, their credit ratings and the capital required to be held against them. Specifically, prolonged lower underlying interest rates may adversely affect Guardian's ability to invest at levels sufficient to meet liability cash flows, which in turn could affect Guardian's creditworthiness. Negative market conditions may result in clients becoming dissatisfied with Guardian's investment returns or products, which could lead to a decline in sales of Guardian's products and services and an increase in lapses and surrenders of certain insurance products and withdrawals of assets from investment and banking products. Further, Guardian's equity and debt investments in real estate and mortgage-backed securities could be negatively affected by delays or failures of borrowers to make payments of mortgage principal and interest when due and by delays or moratoriums on foreclosures or enforcement actions with respect to delinquent or defaulted mortgages imposed by governmental authorities related to COVID-19.

An increase in unemployment resulting from the economic impacts of the spread of COVID-19 and government reactions thereto may adversely affect the demand for and could result in elevated redemptions and withdrawals of assets from Guardian's annuity products, mutual funds and other investment products. Further, changes in mortality rates as a result of COVID-19 could impact Guardian's pricing assumptions for its insurance and annuity products, which could result in losses or the need to reprice those products in the future. In addition, increased life, disability and other policy claims as a result of COVID-19 could have a material adverse effect on Guardian's results of operations, financial condition or liquidity.

The spread of COVID-19 has caused Guardian to modify its business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and Guardian may take further actions as may be required by government authorities or that Guardian determines are in

the best interests of its employees, customers, and policyholders. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19. In addition, Guardian may experience operational disruptions as a result of the COVID-19 pandemic, including its employees being unable to work due to illness, travel restrictions, quarantines, government actions or other measures taken in response to COVID-19. These disruptions could have a negative impact on Guardian's business and operations. Despite Guardian having taken significant steps to avoid disruption to its information systems and maintain the security of its information security network, the remote working arrangements required as a protective measure for Guardian's employees could increase the risk of network instability, cyber security threats and data breaches.

There continue to be significant uncertainties associated with the COVID-19 pandemic, including with respect to the severity of the disease, the duration of the outbreak and actions that may be taken by governmental authorities and private businesses to attempt to contain the outbreak or to mitigate its impact. Guardian could have unexpected consequences from changes in federal, state and local regulation related to the COVID-19 pandemic, arising from the provisions of such regulations, and the short time window in which Guardian may have to implement them. Guardian continues to monitor the situation and to assess further possible implications to its business and customers. Guardian cannot predict how legal and regulatory responses to concerns about the COVID-19 pandemic and related public health issues will impact Guardian's business. Such events or conditions could result in additional regulation or restrictions affecting the conduct of Guardian's business in the future. 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 its business, including customer service, marketing and sales activities, manage its customer relationships and produce its financial statements. While Guardian has policies, procedures 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, cyberattacks, pandemics or other events beyond its control. The failure of Guardian's computer systems, or those of third parties on which Guardian relies, 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, personally identifiable 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. Cyberattacks on such third parties with whom Guardian does business and shares information may adversely impact its business. Guardian's career agents may also 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 the computer systems on which Guardian retains confidential information, including the disclosure of personally identifiable customer information, could damage Guardian's reputation, expose it to litigation or other enforcement action, 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. For instance, New York's cybersecurity regulation applies to financial services institutions, such as banking and insurance entities under the NYSDFS's jurisdiction. 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"), 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. Several states have adopted the Cybersecurity Model Law in some

form, and further implementation will be based on adoption by other state legislatures. See “Business of Guardian – Regulation - Cybersecurity and Privacy Regulation.”

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 September 30, 2020, the Company announced the decision to freeze future pension benefit accruals for all Home Office employees who have not reached the Rule of 75 as of December 31, 2020. The Rule of 75 is determined using 75 “points” when combining an employee’s age plus years of service as of December 31, 2020. The announcement of the plan change resulted in a plan curtailment as defined in Statement of Statutory Accounting Principle No. 102, Accounting for Pensions, A Replacement of SSAP No. 89 (“SSAP 102”). A curtailment is an event that significantly reduces the expected years of future service or eliminates the future accrual or defined benefits for a significant number of employees. A curtailment was measured as of September 30, 2020, which is the date the changes were communicated to Plan participants, in accordance with the practical expedient described in SSAP 102. The curtailment resulted in a reduction in projected benefit obligations (“PBO”) of \$84 million which was offset against the Plan’s unrecognized losses and recognized as a gain in surplus.

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 participate in a 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. On September 6, 2018, the Company made a \$133 million contribution to the Home Office Pension Plan and a \$67 million contribution to the Field Representative Pension Plan.

On September 13, 2019, the Company contributed \$14.4 million to the Home Office Pension Plan and \$0.1 million to the Field Representative Pension Plan. On December 20, 2019 the Company made a \$75 million contribution to the Home Office Pension Plan and a \$25 million contribution to the Field Representative 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.

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. 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 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, 2021, prepared in accordance with Statutory Accounting Practices (“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 and SAP. In addition, such reserve is included as part of total adjusted capital for risk-based capital purposes.

	December 31, 2021
	\$ in millions
Debt:	
Short-Term Debt	\$ -
Medium Term Debt	-
Long-Term Debt	-
Total Debt	-
AVR.....	1,444
Surplus:	
Surplus Notes	1,498
Policyholders’ Surplus	7,091
Total Surplus	\$ 8,589
Surplus and AVR	\$ 10,033

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 \$8.6 billion, \$7.8 billion, and \$7.6 billion as of December 31, 2021, 2020 and 2019, 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, 2021, 2020 and 2019, Guardian had total assets of \$72.1 billion, \$68.0 billion and \$62.2 billion, respectively. As of December 31, 2021, 2020 and 2019, respectively, Guardian had total life insurance in-force of \$724.8 billion, \$696.4 billion and \$691.2 billion, respectively. For the years ended December 31, 2021, 2020 and 2019, Guardian generated total premium income of \$9.5 billion, \$9.0 billion and \$8.7 billion, respectively. For the years ended December 31, 2021, 2020 and 2019, Guardian's net gain from operations totaled \$1.5 billion, \$1.4 billion and \$1.5 billion, respectively and net income totaled \$223 million, \$147 million and \$549 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 and mid-sized businesses with fewer than 5,000 employees. 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 2021, according to the 2021 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 2021 LIMRA Sales Report, Guardian's average whole life only premium per policy sold was \$12,012 while the peer group's average was \$8,066. 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 2020 LIMRA survey results, the most recent annual LIMRA survey available, Guardian's dental business ranks third 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 46 general agencies and Guardian-managed agencies. This is a critical element of Guardian's business model. Guardian's career agent system consists of over 2,390 active agents as of December 31, 2021 and enjoys one of the highest retention rates in the industry. Guardian's four-year average agent retention as of December 31, 2021 was 22.8% versus the overall 15% four-year average of the companies that participated in the 2020 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 2021, Guardian generated total revenues of \$12.5 billion, net gain from operations of \$1.5 billion and net income of \$223 million. In addition, from 2004 to 2021, Guardian's total revenue and policyholder surplus increased at a compound annual growth rate of approximately 3.6% and 6.6%, 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 93.8% of the securities in its bond portfolio, as of December 31, 2021, 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.

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. As part of this focus, products that did not meet risk-adjusted profit targets metrics have been discontinued.

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.

Focus on Environmental, Social, and Governance (“ESG”). The Company considers ESG-related matters throughout the organization with a focus on transparency and continuous improvement, including in areas such as operations, investments, product offerings, workforce, leadership and corporate social responsibility.

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.
- ☒ *Group Benefits* products include dental, vision, life, AD&D, short- and long-term disability, absence management administration and supplemental products such as accident, cancer and critical illness. In March 2020, Guardian changed the name of its Commercial and Government Markets to Group Benefits.

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 31, 2021, Guardian had over 150 group sales professionals and over 100 account managers, and over 12,700 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.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Premium Income:					
Individual Insurance:					
Individual Life Insurance.....	\$ 4,748	\$ 4,429	\$ 4,287	\$ 4,102	\$ 4,039
Individual Disability Income					
Insurance.....	696	670	651	626	601
Individual Annuity	98	109	328	464	445
Group Benefits Insurance.....	4,435	4,253	4,193	4,093	3,914
Retirement Products and Services.....	-	-	-	-	-
Other.....	108	52	122	1,694	(8)
Total premium income.....	<u>\$ 10,085</u>	<u>\$ 9,513</u>	<u>\$ 9,581</u>	<u>\$ 10,979</u>	<u>\$ 8,991</u>

Net Investment Income:

Individual Insurance:

Individual Life Insurance.....	\$ 2,263	\$ 1,961	\$ 1,977	\$ 1,824	\$ 1,824
Funding Agreement.....	105	80	60	49	34
Individual Disability Income					
Insurance.....	251	228	223	218	218
Individual Annuity.....	168	149	144	128	117
Group Benefits Insurance.....	161	152	159	146	152
Retirement Products and Services.....	-	-	-	-	-
Other.....	250	164	130	120	86
Total investment income.....	<u>\$ 3,198</u>	<u>\$ 2,734</u>	<u>\$ 2,693</u>	<u>\$ 2,485</u>	<u>\$ 2,431</u>

Net Income:

Individual Insurance:

Individual Life Insurance.....	\$ (139)	\$ (258)	\$ 142	\$ (57)	\$ 76
Funding Agreement.....	1	6	11	13	7
Individual Disability Income					
Insurance	71	72	117	71	
.....					81
.....					
Individual Annuity.....	(63)	(101)	18	123	11
Group Benefits Insurance.....	251	312	318	237	272
Retirement Products and Services.....	-	-	-	-	-
Other.....	168	(7)	74	78	8
Total net income.....	<u>\$ 289</u>	<u>\$ 24</u>	<u>\$ 680</u>	<u>\$ 465</u>	<u>\$ 455</u>

2021 CONSOLIDATED STATUTORY RESERVES

2021 consolidated statutory reserves by main product line were: individual life insurance \$46,634 million; individual disability income insurance \$4,053 million; individual annuity \$3,642 million; Group Benefits insurance \$2,124 million; and other products \$528 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 2021, 96% 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%, 0.1% and 0.1% of Guardian's total life insurance sales for 2021, 2020 and 2019, respectively. Guardian offers universal life products with secondary guarantees, but such products accounted for only 0.0%, 0.0% and 0.3% of sales in 2021, 2020 and 2019, 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. While not currently available to the general public, GIAC also has a legacy variable universal life product 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, new sales of this product line are limited to sales of additional coverage of existing employees of existing policyholders.

Term Life. Term life insurance provides life insurance protection for a fixed period and has no cash value. GIAC 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, 2021, Guardian sells its Individual Markets products primarily through 46 general agencies, Guardian-managed agencies and career development managers that oversee over 2,398 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 wholly owns. PAS also provides securities brokerage and investment management services.

Guardian has 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 assurance 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 20 years and 13.9 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 B-Share contract. The B-Share contract has a seven-year surrender charge period. This contract does not offer a living benefit rider.

Fixed-Index Annuities. Fixed-Index Annuities ("FIAs") are individual contracts which typically allow for a single premium which may be directed to a crediting strategy tied to the positive performance of an equity index like the S&P 500, but without participating in the negative performance. The contract owner is not directly invested in the index itself. The crediting strategy and resulting contract value are backed by the insurer's general account. All FIAs 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 FIA contract that is available in every U.S. state and the District of Columbia except New York and California. The FIA has a ten-year surrender charge period. This contract offers a living benefit rider.

Living Benefit Riders. As of February 17, 2017, GIAC no longer offers variable annuities with living benefit riders. As of March 7, 2022, GIAC offers a fixed-index annuity with a living benefit rider.

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 end of the 12th 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, aside from the most recent version of the product, which does allow for an early one-time market-value adjusted withdrawal of up to 80% of the "term certain" portion of the income stream.

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) or a set period of time. 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, 2021, GIAC's total VA assets totaled \$9.7 billion, while fixed annuity assets totaled \$3.5 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 PAS and offered at the retail level through selling agreements with insurance agencies and registered broker-dealers, in addition to PAS, except for the FIA contract, which is currently distributed only through PAS.

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, USAA and Western & Southern.

GIAC's current fixed product offerings include SPDA, SPIA, FIA 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 contract owners who own these fixed annuities.

GROUP BENEFITS

Insurance Products

Guardian entered the group insurance business in 1957, and Guardian's current Group Benefits 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 Group Benefits 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. Group Benefits products are marketed on an employer funded, an employee contributory and on a voluntary (*i.e.*, employee pay all) basis. Each Group Benefits 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.

Below is a description of the principal Group Benefits 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. As of December 31, 2021, Guardian maintains a network of over 133,000 individual dentists throughout the United States. Currently, 71.8% 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. Guardian has partnerships with three alternative vision networks, Vision Services Plan, Davis Vision and Avēsis, to support the PPO product.

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 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.

Mental Wellness: Mental wellness benefits improve the overall mental well-being of employees through a comprehensive set of services that include in-person and virtual therapy, mental health assessments, mindfulness exercises and life coaching. Guardian has a partnership with Spring Health to offer this benefit to its group customers. Spring Health's services are clinically proven to drive faster recovery times, reduce absenteeism, and improve overall well-being.

Absence Management Administration: Guardian provides employers administration and management services of (regulatory/statutory and employer defined) leave of absence programs. Additionally, through its wholly owned subsidiary, The Reed Group, Guardian also provides administrative services (for leave management, short and long term disability), software, and content subscriptions to large employers (primarily over 10K lives) 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 Group Benefits 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. Guardian renews over 80% of the inforce customers annually. Guardian

maintains what it believes to be competitively priced products by managing what it considers key fundamentals, including underwriting, expense management and claim costs.

Group Benefits Principal Markets, Marketing and Distribution

Sales of Guardian's Group Benefits products are primarily targeted to employers with two to 5,000 employees. The Group Benefits portfolio has a wide range of options to serve the needs of varying customer segments.

Guardian sells its Group Benefits products primarily through independent brokers. As of December 31, 2021, Guardian maintains a staff of over 150 group sales professionals plus over 100 account managers located in over 35 offices across the country who cultivate and manage relationships with independent brokers. As of December 31, 2021, over 12,700 brokers have group insurance product business in force with Guardian.

In addition, Guardian maintains a group of over 400 contracted enrollers across the country. These individuals are part of the sales process and conduct employee enrollment meetings for Group Benefits products that are sold on a voluntary basis.

Group Benefits Product Underwriting

Guardian's underwriting is balanced and performed at the issuance of new business and the 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.

Group Benefits 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 \$66.0 billion at December 31, 2021.

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 recognizes that it is important to consider ESG factors in its investment process, as these factors can influence an investment's risk and return profile. As a result, Guardian integrates the consideration of ESG factors into its decision making as it executes investments for its general account portfolio. Guardian will look to expand its

ESG investing initiatives in the future. These initiatives may include making investments that support diversity and inclusion and contribute toward mitigating climate change.

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. Park Avenue Institutional Advisers LLC (“PAIA”), a GIS subsidiary, manages several collateralized loan obligation special purpose vehicles (“CLO”) that currently have debt and equity instruments outstanding pursuant to the table below. Guardian purchased almost all of the equity at issue in each CLO, however, it has sold some of the equity it purchased and may sell more in the future. 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.

CLO Deal Name	Close Date	Reset/Refi Date	Debt	Equity	Total Size
					(\$ in millions)
PAIA 2016-1	August 23, 2016	August 23, 2018	366	43	409
PAIA 2017-1	November 14, 2017	February 14, 2021	377	42	419
PAIA 2018-1	November 9, 2018	April 20, 2021	366	38	404
PAIA 2019-1	May 9, 2019		366	33	399
PAIA 2019-2	October 15, 2019	October 15, 2021	368	37	405
PAIA 2021-1	January 26, 2021		365	34	399
PAIA 2021-2	August 26, 2021		368	34	402
PAIA 2022-1	March 17, 2022		368	40	408

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, 2021, 2020 and 2019 was \$331 million, \$259 million and \$271 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 \$20.0 million of death benefit per life. Any death benefit in excess of the \$20.0 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, until terminated for new business May 18, 2020, 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, 2014 until terminated for new business December 31, 2018, 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.

Effective May 18, 2020, GIAC ceded 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.

As of December 31, 2021, Guardian ceded \$154 billion of individual participating whole life, individual universal life and individual term death benefit to reinsurers, or 38% 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

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 had a yearly renewable term first dollar quota-share program under which Guardian ceded 90% of universal life policies without secondary guarantee, issued directly by Guardian since June 1, 2015, to two reinsurers until November 17, 2020, to two reinsurers. Guardian cedes 36% to one reinsurer starting November 18, 2020.

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. Starting May 18, 2020, this term business was ceded by GIAC. Also, beginning May 1, 2014 until terminated for new business December 31, 2018, 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, 2021, Guardian's two largest reinsurance counterparties accounted for 49% and 19%, respectively, of the outstanding individual life insurance reinsurance in-force by face amount. As of December 31, 2021, measured by reference to reserve credit taken by Guardian, Guardian's five largest life reinsurers had financial strength ratings from S&P of AA- or better. These five companies represented more than 95% 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, 2021 has \$29.78 million of direct premium in-force (\$2.98 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, 2021, the account value of all GMWB contracts was approximately \$7.0 billion before reinsurance and \$6.6 billion after reinsurance. At December 31, 2020, the account value of all GMWB contracts was approximately \$7.1 billion before reinsurance and \$6.1 billion after reinsurance. At December 31, 2019, the account value of all GMWB contracts was approximately \$7.0 billion before reinsurance and \$6.5 billion after reinsurance. In addition, the net amount at risk, as defined by the excess of Guaranteed Withdrawal Benefit Base amount over Account Value, was \$258 million, \$455 million and \$616 million at December 31, 2021, 2020 and 2019, respectively. In addition, the account value associated with the GMIB risk is 100% reinsured with a third-party reinsurer, representing \$51 million, \$52 million and \$52 million of related account value as of December 31, 2021, 2020 and 2019, 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.

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, fixed annuity, 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 \$523 million as of December 31, 2021. 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

General. 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, Berkshire Life Insurance Company of America ("BLICOA") and The Guardian Insurance & Annuity Company, Inc. ("GIAC"). 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.

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 condition or results of operations.

Holding Company Regulation. Guardian is subject to the New York Insurance Law which governs 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. All states have adopted the NAIC's Risk Management and Own Risk and Solvency Assessment Model Act, which 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 (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 state regulator and made available to other domiciliary regulators within the holding company group. Guardian filed its latest ORSA Report in September 2021.

The NAIC's Corporate Governance Annual Disclosure Model Act, which has also been adopted by all states, requires insurers, such as Guardian, to adopt a corporate governance framework that is appropriate for their complexity and to annually file detailed information regarding their corporate governance policies.

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 2021 statutory annual statement, Guardian provided an actuarial opinion without qualifications regarding these reserve requirements as of December 31, 2021.

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, 2021, 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, 2021, 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.

The NAIC has approved RBC revisions for corporate bonds, real estate equity and longevity risk that took effect at year-end 2021 and they had a modest net negative impact on the RBC ratio.

The NAIC developed a group capital calculation ("GCC") tool using an RBC aggregation methodology for all entities within the insurance holding company system, including non-U.S. entities. In 2020, the NAIC amended the Insurance Holding Company System Regulatory Act and Regulation to adopt the GCC Template and Instructions and to implement the annual GCC filing requirement with an insurance group's lead state regulator. The filing requirement will not become effective until the holding company amendments are adopted by the states, including New York. Guardian cannot predict what impact such regulatory tool may have on its business.

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 insurance departments of two or three other states under guidelines promulgated by the NAIC. In June 2020, the NYSDFS completed its last statutory examination of Guardian for the five-year period ended December 31, 2018. There were no material findings.

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 2021, 2020 and 2019.

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.

Annuity Suitability. The NAIC and certain state regulators have considered, or 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, the NYSDFS amended Regulation 187 to add 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. In April 2021, the Appellate Division of the New York Supreme Court overturned the regulation for being unconstitutionally vague, and the NYSDFS has appealed the decision. The NAIC also adopted a revised annuity suitability model regulation that includes a best interest standard for annuity transactions. Some states have adopted the amended model regulation, including Delaware, one of the domiciliary states of Guardian's insurance subsidiaries. Guardian is continually assessing the impact of changes to the regulations on its business since it may have adverse effects on its business, results of operations and financial condition.

Reserves for Policy Benefits. The NAIC has approved a valuation manual containing a principle-based approach to the calculation of life insurance reserves. Principle-based reserving ("PBR") is designed to better address reserving for life insurance and annuity products, including the current generation of products for which a formulaic basis for reserve determination does not work effectively. In New York, PBR became effective with the adoption of Insurance Regulation 213, which affirmed the Superintendent's authority to deviate from the NAIC's valuation manual to adjust the reserves of a New York life insurance company if the NYSDFS determines that an alternative requirement would be in the best interest of New York policyholders. PBR has also been adopted in the domiciliary states of GIAC and BLICOA.

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. As of December 31, 2021, Guardian is currently 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. Each of Guardian and 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 is currently in compliance with all such laws and regulations.

New York Insurance Regulation 210. Insurance Regulation 210 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 a listing of any adverse changes in the current scale of NGEs of any existing policy that occurred in the prior calendar year.

Tax

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, 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, or repeal, the estate tax, sales of Guardian’s products could be adversely affected.

On December 27, 2020, in response to the COVID-19 pandemic, Congress enacted the Consolidated Appropriations Act of 2021 (“CAA”). The CAA includes a provision that changes the floor interest rates used for life insurance testing under Section 7702 of the Code, and modified endowment contract testing under Section 7702A of the Code. The change is intended to better reflect the current low interest rate environment and, for contracts issued on or after January 1, 2021, may increase the testing limits and allow more premium payments relative to the death benefit. Guardian is currently evaluating the impacts that this change may have on its products.

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

Cybersecurity and Privacy Regulation

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 under its jurisdiction, requires these entities to establish and maintain a cybersecurity program designed to protect consumers’ private data. The regulation requires covered entities, such as Guardian, to assess risks associated with their

information systems and establish and maintain a cybersecurity program designed to protect the confidentiality, integrity, and availability of such systems and data. Specifically, it provides for: (i) controls relating to the governance framework for a cybersecurity program; (ii) risk-based minimum standards for technology systems for data protection; (iii) minimum standards for cyber breach responses, including notice to the NYSDFS of material events; and (iv) identification and documentation of material deficiencies, remediation plans and annual certifications of regulatory compliance to the NYSDFS.

The NAIC's Insurance Data Security Model Law (the "Cybersecurity Model Law") established 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 regulatory requirements intended to protect the confidentiality, integrity, and availability of information systems. Several states have adopted the Cybersecurity Model Law, including Delaware.

The California Consumer Privacy Act (the "CCPA"), which took effect on January 1, 2020, gives California residents expanded rights to access, and request deletion of, personal information a business has collected from them; to opt out of certain sales of personal information; and to know further detail on the business's use, sourcing and sharing of that personal information. The CCPA's definition of "personal information" is more expansive than those found in other privacy laws in the United States. Failure to comply with the CCPA could result in regulatory fines. The CCPA also grants a private right of action, following a data breach, if the breach was attributable to a failure to maintain reasonable data security procedures. The California Attorney General has promulgated regulations pursuant to CCPA that detail certain of the business' obligations. Guardian expects that certain exceptions under the CCPA will apply to a significant portion of Guardian's business. Additionally, on November 3, 2020, California voters passed a ballot initiative, the California Privacy Rights Act (the "CPRA"), that adjusts and, in some respects, expands consumer rights and business obligations created by the CCPA. The CPRA imposes additional obligations on companies that collect California residents' personal information, including to provide a right to correct personal information, additional protections for certain uses of sensitive personal information, and certain limitations on data use and on data sharing that does not involve a sale. The CPRA also creates a new California Privacy Protection Agency which will be charged with enforcing both the CCPA and the CPRA. The CPRA will take effect on January 1, 2023. It may require additional compliance investment as well as additional changes to policies, procedures and operations.

Securities Regulation

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, Park Avenue Investment Advisory, LLC, and Park Avenue Institutional Advisers LLC ("PAIA") and Broadshore Capital Partners, LLC 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 Initiatives and Legislation

Federal Insurance Initiatives. Although state regulation is currently the primary form of regulation of insurance, the federal government has considered proposals that could impact the industry, including the creation of an optional federal charter for insurers, minimum solvency requirements, and other proposals at the federal level to streamline state insurance regulatory processes. Guardian cannot predict what other proposals will be made or adopted or the effect, if any, that 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."

The Dodd-Frank Act significantly changed financial regulation in the U.S. It established a general framework for systemic regulation that imposes mandatory clearing, exchange trading and margin requirements on many derivatives transactions. Regulations with respect to swaps and other derivatives that are regulated by the Commodity Futures Trading Commission (the "CFTC") have been largely implemented, including final implementation for Guardian of requirements relating to initial margining of swaps that went into effect in September 2020. Regulations for security-based swaps, which are regulated by the SEC, have been largely adopted and 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 the implementation of SEC regulations could adversely impact Guardian's positions in security-based swaps, such as credit default swaps and equity swaps.

As of September 2020, Guardian is 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 Guardian and its affiliated entities have "material swaps exposure." The rules, which are applicable to Guardian, require 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. 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 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 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 the 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. The FSOC modified the designation process for non-bank SIFIs by adopting an activities-based approach for identifying and addressing potential risks to financial stability, and it enhanced 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 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 any 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. It is unclear what impact the Biden administration's policies and a Democratic majority in the Senate and House of Representatives will have on potential changes to the Dodd-Frank Act and the resulting impact on Guardian's business, financial condition or results of operations. Guardian cannot currently identify the risks, if any, that may be posed to Guardian's business as a result of potential changes to, or legislative replacements for, the Dodd-Frank Act. Guardian cannot predict whether any such legislation or regulatory changes would be adopted, or what impact they would 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.

Employee Benefits and 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.

On April 27, 2021, House Ways & Means Chairman Neal introduced a bill to establish a new universal paid family and medical leave program for all employees. The "Building An Economy For Families Act" directs the US Treasury to administer the new paid leave program through a tax incentive program. As currently understood, the bill,

if adopted in unamended form, would allow existing state and employer plans to continue and allows the private administration of such plans. Guardian is currently reviewing the proposal.

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 December 2019, all 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 announced in 2019 that it plans to issue revised fiduciary investment advice regulations. At this time, Guardian cannot predict when those regulations may be issued, what form they may take, or their potential impact on Guardian.

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 Regulation

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 such 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.

Climate Change and Financial Risks. The topic of climate risk has come under increased scrutiny by insurance regulators. In September 2020, the NYSDFS issued a circular letter to New York domestic and foreign authorized insurers stating that the NYSDFS expects insurers to integrate financial risks related to climate change into their governance frameworks, risk management processes and business strategies.

On November 15, 2021, the NYSDFS issued guidance for New York domestic insurers, such as Guardian, stating that insurers are expected to manage financial risks from climate change by taking actions that are proportionate to the nature, scale and complexity of their businesses. For instance, insurers should incorporate climate risk into their financial risk management and manage this risk through their enterprise risk management functions. Insurers must have an implementation plan in place by August 15, 2022 with respect to the NYSDFS's expectations for corporate governance and organizational structure changes (*e.g.*, defining roles and responsibilities related to managing climate risk). With respect to implementing more involved changes (*e.g.*, reflecting climate risks in the ORSA and using scenario analysis when developing business strategies), insurers are encouraged to start working on these changes, although the NYSDFS plans to issue further guidance with more specific timing information.

The NYSDFS also adopted an amendment to the regulation governing enterprise risk management, effective August 13, 2021, that requires certain additional risks, including climate change risk, to be specifically included in a New York domestic insurer's enterprise risk management function.

In addition, the FIO was instructed by President Biden's Executive Order on Climate-Related Financial Risk, dated May 20, 2021, to seek public comment on a series of questions that "will help inform FIO's assessment of climate-related financial risks for the insurance sector." The FIO's Request for Information notes that it "plans to ... take a leadership role in analyzing how the insurance sector may help mitigate climate-related risks and to that end, it will engage with the insurance sector to assess how the sector may help achieve national climate related goals, including mitigation, adaptation, and transition to a lower carbon economy." Comments were due in November 2021, and the FIO intends to publish a climate report by the end of 2022 that focuses on insurance supervision and regulation.

Diversity

Diversity and Corporate Governance. Insurance regulators are also focused on the topic of race, diversity and inclusion. On March 16, 2021, the NYSDFS issued a circular letter stating that it expects the insurers it regulates to make diversity of their leadership a business priority and a key element of their corporate governance. The NYSDFS collected data from insurers that met certain New York premium thresholds, including Guardian, regarding the diversity of their corporate boards and management. The NYSDFS plans to publish such data on an aggregate basis to measure progress in the industry, and it will include diversity-related questions in its examination process starting in 2022. The NAIC is also evaluating issues related to race, diversity and inclusion, and it is examining practices in the insurance industry in order to determine how barriers are created that disadvantage people of color or historically underrepresented groups.

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

Set forth below is a description of the properties as of February 1, 2022.

Guardian's Northeast Regional Office campus, located in Bethlehem, Pennsylvania, consists of one leased property totaling 281,745 rentable square feet and Guardian's annual rental obligation under this lease is approximately \$8.1 million.

Guardian owns a 136,677 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 \$1.2 million. In addition, until December 2020 Guardian owned and occupied a 106,390 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 were approximately \$1.1 million. On December 10, 2020, the Company sold the Appleton facility and recognized an accounting gain of \$8.8 million. The Company signed a five-year agreement to lease back 34,270 square feet on the third floor of the location from the new owner. The Company began paying rent on the leased space on April 1, 2021 and is obligated to pay approximately \$0.7 million in annual base rent plus operating expenses and taxes.

Guardian subleases 148,318 rentable square feet at 10 Hudson Yards in New York, New York, which is the current site of Guardian's Corporate Headquarters. The average annual rental obligation under this sublease is approximately \$15.8 million, and its term expires on June 29, 2036. Guardian also leases 91,319 rentable square feet of office space at the BellWorks facility in Holmdel, New Jersey that is occupied by certain headquarters staff. This lease expires on December 31, 2032, and the annual rent obligation is approximately \$3.1 million.

Guardian also has 41 leases totaling 363,373 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 \$12.9 million. Guardian sold the majority of its leased dental center sites effective December 31, 2018. Guardian remains as a tenant under 1 dental center lease totaling 15,669 rentable square feet, which has a remaining term of 1.5 years. Guardian's annual rental obligation under these leases is approximately \$0.3 million.

Guardian also has four Reed Group leased locations comprising 115,605 rentable square feet, with annual rental obligations of approximately \$3.8 million. In addition, Guardian has executed leases for 2 Guardian India locations comprising of 222,387 rentable square feet with annual rental obligations of approximately \$3.4 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 9 leases totaling 37,050 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 \$1.1 million. In addition, Guardian is listed as a guarantor on 4 General Agency site leases totaling 51,220 square feet with an annual rental obligation of approximately \$2.3 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, 2022, Guardian and its subsidiaries employed approximately 9,200 people. In addition, as of December 31, 2021, over 2,390 full-time career agents are engaged in the sale of Guardian's products. Approximately 35 entities have selling and servicing agreements for GIAC annuities (including PAS) and 334 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 financial information included herein has been prepared in conformity with the statutory accounting practices prescribed by the New York State Department of Financial Services (“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 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 Guardian’s wholly-owned and majority owned subsidiaries are accounted for using the equity method, where earnings of such subsidiaries are recognized in surplus, that is, 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, 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 (“SVO”). 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 gains of \$145 million and \$371 million as of December 31, 2021 and 2020, respectively, were deferred into the IMR. Amortization of the IMR into net investment income amounted to \$68 million for the year ended December 31, 2021 and \$58 million for the year ended December 31, 2020.

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. 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.

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

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

In addition to pension benefits, Guardian provides certain health care, dental and life insurance benefits ("post-retirement benefits") for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while working for Guardian. On June 30, 2020, the Company announced the decision to eliminate the post-Medicare HRA subsidy for all Home Office employees that retire after December 31, 2020. The announcement of the plan change resulted in a plan amendment as defined in Statement of Statutory Accounting Principle No. 92, Accounting for Postretirement Benefits Other Than Pensions, A Replacement of SSAP No. 14 ("SSAP 92"). The plan was remeasured as of June 30, 2020, which is the month end closest to the date the changes were communicated to Plan participants, in accordance with the practical expedient described in SSAP 92. The amendment resulted in a reduction in PBO of \$67 million which offset existing unrecognized prior service costs of \$14 million with the remaining \$53 million recognized as a new prior service credit and recognized as a gain in surplus.

In accordance with NAIC SAP, the costs associated with these required benefits are expensed over the period that the participant provides services to Guardian, 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 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. 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's or limited liability company's 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 incurrual 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. Reserves for term policies and riders issued in 2020 use the valuation methods specified in Valuation Manual ("VM") 20. 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. LTD reserves are determined using the 1987 Commissioners’ Group Disability Table and Table 95a; interest rates vary by the year the claim was incurred, typically 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.

SELECTED HISTORICAL STATUTORY FINANCIAL INFORMATION OF GUARDIAN

The table presented below sets forth selected financial information for Guardian which 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.” Prospective investors should read the table below in conjunction with “Financial and Accounting Matters,” “Summary of Certain Third Quarter Financial Information” and Guardian’s statutory financial statements. The selected financial information for Guardian as of and for each of the years ended December 31, 2021, 2020 and 2019 has been derived from the annual audited statutory financial statements.

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.

The following table sets forth Guardian’s Statements of Income Data and Balance Sheet Data.

	Years Ended December 31,		
	2021	2020	2019
	(\$ in Millions)		
Condensed Financial Information			
Statements of Income Data:			
Total revenue.....	\$ 12,539	\$ 11,681	\$ 11,472
Dividends to policyholders.....	1,114	1,036	968
Gain from operations before federal income taxes.....	371	393	498
Net income	223	147	549
Balance Sheet Data:			
Total admitted assets	\$ 72,127	\$ 68,045	\$ 62,205
Total liabilities.....	\$ 63,538	\$ 60,285	\$ 54,589
Surplus:			
Surplus notes	\$ 1,498	\$ 1,497	\$ 1,199
Policyholders’ Surplus.....	7,091	6,263	6,417
Total Surplus	8,589	7,760	7,616
AVR.....	1,444	1,132	1,071
Total surplus and AVR.....	\$ 10,033	\$ 8,892	\$ 8,687

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, 2021, 2020, and 2019, Guardian’s results of operations for the years ended December 31, 2021, 2020, and 2019, 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 \$223 million for the year ended December 31, 2021, \$147 million for the year ended December 31, 2020 and \$549 million for the year ended December 31, 2019. As of and for the year ended December 31, 2021, Guardian had \$72.1 billion in total statutory assets, net gain from operations (before dividends to policyholders and taxes) of \$1.5 billion, over 1.1 million individual policies in-force, and \$724.8 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.”

RECENT DEVELOPMENTS

On February 7, 2022, a wholly owned indirect subsidiary of Guardian acquired a minority equity stake in HPS Investment Partners (“HPS”), a leading global investment firm that currently manages \$80 billion in assets. As part of the transaction, Guardian and HPS entered into a strategic partnership that will enable close collaboration and allow the two companies to share best practices and investment insights. Guardian will also provide HPS with capital to invest and manage across a range of private-credit strategies.

ANALYSIS OF RESULTS OF OPERATIONS—FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019.

The following table sets forth the components of statutory net income for the years ended December 31, 2021, 2020, and 2019.

	Years Ended December 31,		
	2021	2020	2019
	(\$ in Millions)		
Revenue:			
Premiums, annuity considerations and fund deposits.....	\$ 9,445	\$ 8,951	\$ 8,737
Net investment income.....	2,704	2,368	2,304
Amortization of IMR.....	68	58	53
Other income.....	322	304	378
Total revenue.....	\$ 12,539	\$ 11,681	\$ 11,472
Benefits and expenses:			
Benefit payments to policyholders and beneficiaries	5,347	\$ 5,154	\$ 5,055
Net increase to policy benefit reserves.....	2,826	2,354	2,274
Commissions and operating expenses.....	2,881	2,744	2,677
Total benefits and expenses.....	\$ 11,054	\$ 10,252	\$ 10,006
Gain from operations before dividends and federal income taxes	1,485	1,429	1,466
Dividends to policyholders.....	(1,114)	(1,036)	(968)
Gain from operations before federal income taxes.....	371	\$ 393	\$ 498
Federal income tax (expense)/benefit.....	(9)	100	118
Net gain from operations.....	\$ 362	\$ 493	\$ 616
Net realized capital (losses) after taxes and transfers to IMR	(139)	(346)	(67)
Net income	\$ 223	\$ 147	\$ 549

Net Income

Total revenue increased \$0.8 billion from \$11.7 billion in 2020 to \$12.5 billion in 2021, driven primarily by higher premiums, annuity considerations and fund deposits and net investment income. Total benefits and expenses increased \$0.8 billion from \$10.3 billion in 2020 to \$11.1 billion in 2021, due to higher benefit payments to policyholders and beneficiaries, commissions and operating expenses, and net increase to policy benefit reserves. Net realized capital losses after taxes and transfers to IMR decreased in 2021. See “—Net Realized Capital Gains After Tax and Transfers to IMR”.

Total revenue increased \$0.2 billion from \$11.5 billion in 2019 to \$11.7 billion in 2020, driven primarily by higher premiums, annuity considerations and fund deposits and net investment income. Total benefits and expenses increased \$0.3 billion from \$10.0 billion in 2019 to \$10.3 billion in 2020, due to higher benefit payments to policyholders and beneficiaries, commissions and operating expenses, and net increase to policy benefit reserves.

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
	2021	2020	2019	2021 vs. 2020	2021 vs. 2020	2020 vs. 2019	2020 vs. 2019
	(\$ in Millions)			(\$ in Millions)			
Premium income:							
Whole life.....	\$ 4,525	\$ 4,247	\$ 4,132	\$ 278	6.5%	\$ 115	2.8%
Disability.....	557	536	520	21	3.9%	16	3.1%
Term, universal, and variable life.....	167	157	151	10	6.4%	6	4.0%
Group Benefits.....	4,194	3,974	3,903	220	5.5%	71	1.8%
Reinsurance and Other.....	2	37	31	-35	-94.6%	6	19.4%
Total.....	<u>\$9,445</u>	<u>\$8,951</u>	<u>\$8,737</u>	<u>\$ 494</u>	<u>5.5%</u>	<u>\$ 214</u>	<u>2.4%</u>

For the year ended December 31, 2021, premium income as compared to the year ended December 31, 2020 increased \$494 million, primarily due to an increase in Whole life premiums due to natural growth and a general increase in sales, and an increase in Group Benefits premiums. The increase in Group Benefits premiums was primarily due to an increase in Health products and the new Massachusetts mandatory short-term disability and paid family leave products.

For the year ended December 31, 2020, premium income as compared to the year ended December 31, 2019 increased \$214 million, primarily due to an increase in Whole life premiums due to natural growth and persistency and an increase in Group Benefits premiums. The increase in Group Benefits premiums was due primarily to improved Life, Disability and Supplemental Health partially offset by Covid-19 driven lower Dental premiums and discounts provided to planholders.

Net Investment Income

The components of net investment income are set forth below:

	Years Ended December 31		
	2021	2020	2019
	(\$ in Millions)		
Net investment income:			
Bonds.....	\$ 1,903	\$ 1,751	\$ 1,723
Preferred stocks.....	-	-	-
Common stocks—subsidiaries and affiliates.....	43	97	65
Common stocks—unaffiliated.....	5	8	18
Mortgage loans.....	227	204	193
Policy loans.....	271	277	271
Real estate.....	63	61	65
Derivatives and other invested assets.....	432	197	175
Cash, cash equivalents and short-term investments.....	1	6	23
Total gross investment income.....	\$ 2,945	\$ 2,601	\$ 2,533
Investment expenses.....	(241)	(233)	(229)
Net investment income.....	\$ 2,704	\$ 2,368	\$ 2,304
Amortization of IMR.....	68	58	53
Net investment income including IMR amortization.....	<u>\$ 2,772</u>	<u>\$ 2,426</u>	<u>\$ 2,357</u>

For the year ended December 31, 2021, net investment income, including IMR amortization, increased \$346 million primarily due to increased investment income from the bond and mortgage portfolios, and income

distributions from private equity investments which is reflected in the Derivatives and other invested assets category. This increase was partially offset primarily by lower dividends received from affiliated subsidiaries, interest income generated by the cash, cash equivalents and short-term investment positions and higher investment expenses.

For the year ended December 31, 2020, net investment income, including IMR amortization, increased \$69 million primarily due to increased investment income from the bond and mortgage portfolios, dividends received from affiliated subsidiaries and income distributions from private equity investments which is reflected in the Derivatives and other invested assets category. This increase was partially offset primarily by lower unaffiliated common stock dividends and interest income generated by the cash, cash equivalents and short-term investment positions.

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, 4.31% for the year ended December 31, 2021, 4.07% for the year ended December 31, 2020 and 4.29% for the year ended December 31, 2019.

Bond gross investment income increased \$152 million in 2021 as compared to 2020 due to increased average assets and increased prepayment fees associated with private placements and called or tendered bonds. Bond gross investment income increased \$28 million in 2020 as compared to 2019 due to increased average assets. Average bond asset balances were \$49.0 billion, \$44.9 billion and \$40.6 billion in 2021, 2020 and 2019, respectively. Average bond portfolio yields increased from 4.24% in 2019, decreased to 3.90% in 2020 and decreased to 3.88% in 2021. Prepayment fees on private placements, which are included in gross investment income, were \$20 million in 2021, \$10 million in 2020 and \$11 million in 2019. Prepayment fees on called or tendered bonds, which are included in gross investment income, were \$76 million in 2021, \$8 million in 2020 and \$14 million in 2019.

Income from common stocks—unaffiliated decreased by \$3 million in 2021, as compared to 2020. The majority of the unaffiliated common stock positions were sold at the end of the first quarter of 2020. Income from common stocks—unaffiliated decreased by \$10 million in 2020, as compared to 2019.

Mortgage loan gross investment income increased \$23 million in 2021 as compared to 2020 due to increased average assets and increased mortgage prepayment fees. Mortgage loan gross investment income increased \$11 million in 2020 as compared to 2019 due to increased average assets and increased mortgage prepayment fees. Average mortgage portfolio yields were 4.47% in 2021, 4.21% in 2020 and 4.11% in 2019. Mortgage prepayment fees, which are included in gross investment income, were \$30 million in 2021, \$14 million in 2020 and \$5 million in 2019.

The \$6 million decrease in policy loan gross investment income in 2021 as compared to 2020 is primarily due to an increase in average asset balance which declined \$45 million in 2021 which is considered cyclical and consistent with past experience. The \$6 million increase in policy loan gross investment income in 2020 as compared to 2019 is primarily due to an increase in average asset balance which rose from \$3.7 billion in 2019 to \$3.8 billion in 2020.

Real estate income increased slightly by \$2 million in 2021 as compared to the prior year. Real estate income decreased by \$4 million in 2020 as compared to the prior year.

In 2021, the increase in derivatives and other invested assets gross investment income of \$235 million was primarily due to a \$234 million increase in private equity income distributions in 2021 as compared to 2020. In 2020, the increase in derivatives and other invested assets gross investment income of \$22 million was primarily due to a \$25 million increase in private equity income distributions in 2020 as compared to 2019.

The cash, cash equivalents and short-term investment gross investment income decreased by \$5 million in 2021 as compared to 2020 due to short-term interest rates declining during 2021. The cash, cash equivalents and short-term investment gross investment income decreased by \$17 million in 2020 as compared to 2019 due to short-term interest rates declining during 2020.

Amortization of IMR increased \$10 million in 2021 as a result of larger deferred bond sale gains being generated in 2021 as compared to 2020. Amortization of IMR increased \$5 million in 2020 as a result of larger deferred bond sale gains being generated in 2020 as compared to 2019.

Other income

Other income, which includes miscellaneous income, commissions and expense allowances on reinsurance ceded, and reserve adjustments on reinsurance, increased \$18 million for the year ended December 31, 2021, as compared to December 31, 2020, primarily due to increased interest income on assumed reinsurance funds and higher amortization of the Interest Maintenance Reserve.

Other income, which includes miscellaneous income, commissions and expense allowances on reinsurance ceded, and reserve adjustments on reinsurance, decreased \$74 million for the year ended December 31, 2020, as compared to December 31, 2019, primarily due to a decreased experience refund, lower commissions and expense allowances and reinsurance ceded, and reserve adjustments on reinsurance assumed that were negatively impacted by investment market returns.

Benefit payments to policyholders and beneficiaries

Benefit payments to policyholders and beneficiaries increased \$193 million for the year ended December 31, 2021 as compared to December 31, 2020. The increase is primarily due to higher group Benefit claims due to increased Dental utilization, partially offset by lower surrender benefits and lower death benefits. The lower surrender benefits are due to greater persistency in the Individual Life business, and death benefits declined due to lower Individual Life claims. Death benefits were unusually high in 2020 due to the COVID-19 pandemic. Partially offsetting this decline was an increase in Group Benefit death claims due to COVID-19.

Benefit payments to policyholders and beneficiaries increased \$99 million for the year ended December 31, 2020 as compared to December 31, 2019. The increase is primarily due to higher death benefits, partially offset by lower disability benefits and surrenders. The lower disability benefits was driven primarily by the COVID-19 pandemic closing dental provider offices.

Additions to policy benefit reserves

Net additions to policy benefit reserves increased \$472 million in the year ended December 31, 2021 compared to the year ended December 31, 2020. The policyholders' reserves increased primarily as a result of increased Individual Life reserves attributed to the natural growth of the business and fewer surrenders.

Net additions to policy benefit reserves increased \$80 million in the year ended December 31, 2020 compared to the year ended December 31, 2019. The policyholders' reserves increased primarily as a result of increased Individual Life and Individual Disability reserves, partially offset by lower Group Benefits reserves higher Life and Long-Term Disability waiver claim terminations.

Commissions and operating expenses

Commissions and operating expenses increased \$137 million in the year ended December 31, 2021 compared to the year ended December 31, 2020, due to higher Group Benefits commissions on premiums and higher insurance taxes, higher general expenses, and reserve adjustments on reinsurance assumed. Partially offsetting these increases were lower taxes, licenses and fees due to the termination of the 2020 Affordable Care Act Annual Health Insurers fee.

Commissions and operating expenses increased \$67 million in the year ended December 31, 2020 compared to the year ended December 31, 2019, due to higher Group Benefits commissions on premiums and higher insurance taxes, licenses and fees due to the 2020 Affordable Care Act Annual Health Insurers fee. In 2019, there was a moratorium on this fee. Partially offsetting these increases were lower general insurance expenses.

Dividends to Policyholders

Dividends to policyholders increased \$78 million for the year ended December 31, 2021 as compared to the year ended December 31, 2020, due to natural growth.

Dividends to policyholders increased \$68 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019, due to natural growth.

Guardian Federal Income Tax Expense

Federal income tax expense on operations increased \$109 million for the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to lower tax credits.

Federal income tax expense on operations increased \$18 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019, primarily due to an increase from booking the return to provision partially offset by lower ordinary taxable income.

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,		
	2021	2020	2019
		(\$ in Millions)	
Total net realized capital gains (losses) after taxes and transfers to IMR			
Bonds.....	\$ 158	\$ 447	\$ 178
Preferred stocks.....	-	-	-
Mortgage loans.....	-	-	-
Common stocks—subsidiaries and affiliates.....	-	-	-
Common stocks—unaffiliated.....	(1)	(43)	36
Real estate.....	-	9	37
Derivatives and other invested assets.....	<u>(80)</u>	<u>(273)</u>	<u>(36)</u>
Net realized capital gains (losses) before deferral to the IMR.....	\$ 77	\$ 140	\$ 215
Capital gains tax (expense)/benefit.....	(71)	(115)	(140)
Transfer (to)/from IMR.....	<u>(145)</u>	<u>(371)</u>	<u>(142)</u>
Total net realized capital losses after tax (expense)/benefit and transfers (to)/from IMR.....	\$ (139)	\$ (346)	\$ (67)

The book values of investments are written down when a decline in value is considered to be other-than-temporary. Impairments during 2021, 2020 and 2019 totaled \$129 million, \$323 million and \$203 million, respectively. Of the \$129 million for 2021, \$27 million relates to impairments that reduced surplus which was driven primarily by bonds. The remaining \$102 million related to \$64 million in investment tax credit investments and \$38 million in private equities. Of the \$323 million for 2020, \$16 million relates to impairments that reduced surplus which was driven primarily by bonds. The remaining \$307 million related to \$141 million in investment tax credit investments, \$126 million in an affiliated entity and \$40 million in private equities. Of the \$203 million for 2019, \$1 million relates to impairments that reduced surplus which were driven primarily by \$1 million in bonds. The remaining \$202 million related primarily to \$177 million in investment tax credit investments and \$25 million for private equities. 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 increased \$207 million in 2021 as compared to 2020, primarily from the \$ 194 million decrease in other-than-temporary impairments in 2021 as compared to 2020.

Net realized capital gains after taxes and transfers from IMR decreased \$279 million in 2020 as compared to 2019, primarily from the \$120 million increase in other-than-temporary impairments in 2020 as compared to 2019 and the \$151 million gain that was generated in 2019 from the sale of the purchase option on 7 Hanover Square that did not reoccur in 2020.

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 \$63 million in 2021 as compared to 2020, primarily due to normal trading activity in a raising interest rate environment during 2021. Net realized capital gains after IMR increased by \$40 million in 2020 as compared to 2019, primarily due to normal trading activity in a falling interest rate environment during 2020.

There were \$27 million in other-than-temporary impairments in the bond portfolio during 2021. There were \$16 million in other-than-temporary impairments in the bond portfolio during 2020. There was \$1 million in other-than-temporary impairments in the bond portfolio during 2019.

Derivative and other invested assets:

Derivative instruments and other invested assets had realized (losses) of (\$80) million in 2021 compared to realized (losses) of (\$273) million in 2020. There were (\$102) million in other-than-temporary impairments in 2021 in this category as compared to (\$307) million in 2020. There were no realized gains/(losses) on real estate joint venture sales in 2021 and in 2020. Realized gains on foreign currency generated \$15 million in realized gains in 2021 as compared to \$19 million realized gains in 2020. Credit default swaps generated a realized gain of \$4 million in 2021 as compared to a gain of \$13 million in 2020. In addition, realized gains on future contracts were \$3 million in 2021 as compared to realized gains on futures contracts of \$2 million in 2020.

Derivative instruments and other invested assets had realized (losses) of (\$273) million in 2020 compared to realized (losses) of (\$36) million in 2019. There were (\$307) million in other-than-temporary impairments in 2020 in this category as compared to (\$202) million in 2019. There were no realized gains/(losses) on real estate joint venture sales in 2020 as compared to realized (losses) of \$(2) million in 2019. Realized gains on foreign currency generated \$19 million in realized gains in 2020 as compared to \$15 million realized gains in 2019. Credit default swaps generated a realized gain of \$13 million in 2020 as compared to a (\$2) million loss in 2019. In addition, realized gains on future contracts were \$2 million in 2020 as compared to realized gains on futures contracts of \$4 million in 2019. Lastly, there was not a similar transaction in 2020 as compared to the \$151 million realized gain on the sale of The Company's purchase option on 7 Hanover Square that occurred in 2019. 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 2021, \$145 million of net after-tax gains were deferred into the IMR primarily from the sales of bonds during 2021 in the normal course of business. For 2020, \$371 million of net after-tax gains were deferred into the IMR primarily from the sales of bonds during 2020 in the normal course of business. For 2019, \$142 million of net after-tax gains were deferred into the IMR primarily from sales of bonds during 2019 in the normal course of business. 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,		
	2021	2020	2019
	(\$ in Millions)		
Balance Sheet Data:			
Total assets.....	\$ 72,127	\$ 68,045	\$ 62,205
Total liabilities.....	\$ 63,538	\$ 60,285	\$ 54,589
Total surplus	\$ 8,589	\$ 7,760	\$ 7,616

Assets

Total assets as of December 31, 2021 increased \$4.082 billion, or 6.0%, as compared to December 31, 2020. The major components of the increase in assets were invested assets and reinsurance recoverable from affiliates.

Total assets as of December 31, 2020 increased \$5.840 billion, or 9.4%, as compared to December 31, 2019. The major components of the increase in assets were invested assets and reinsurance recoverable from affiliates.

Total invested assets as of December 31, 2021 increased \$3.945 billion, or 6.4%, as compared to December 31, 2020, driven by increases in bonds, mortgage loans, cash, cash equivalents and short-term investments and other invested assets.

Total invested assets as of December 31, 2020 increased \$5.497 billion, or 9.7%, as compared to December 31, 2019, driven by increases in bonds and other invested assets partially offset by decreases in common stocks, mortgage loans and cash, cash equivalents and short-term investments.

Bonds at December 31, 2021 of \$50.1 billion increased 4.5%, or \$2.1 billion, from \$48.0 billion at December 31, 2020. Taxable bonds increased by \$2.6 billion, while tax exempt bonds decreased approximately \$0.4 billion. Bond impairments increased by \$11 million in 2021 as compared to 2020. Bonds at December 31, 2020 of \$48.0 billion increased 14.6%, or \$6.1 billion, from \$41.9 billion at December 31, 2019. Taxable bonds increased by \$6.1 billion, while tax exempt bonds increased approximately \$22 million. Bond impairments increased by \$15 million in 2020 as compared to 2019.

Bonds in NAIC Classes 1 and 2 represented 71.2%, 72.1% and 70.2% of total general invested assets as of December 31, 2021, 2020 and 2019, respectively. The percentage of total invested assets representing bond investments in NAIC Classes 3 through 6 was 4.7%, 5.2% and 3.8% as of December 31, 2020, 2019 and 2018, respectively. See “—Investments” for more discussion of NAIC investment classes.

There were no preferred stock investments at December 31, 2021, similar to December 31, 2020 and December 31, 2019.

Common stocks of subsidiaries and affiliates held by Guardian as of December 31, 2021 decreased \$8 million as compared to December 31, 2020, or 0.7%, consisting of a \$24 million increase in the value of life insurance subsidiaries and a \$32 million decrease in other affiliated common stocks. Common stocks of subsidiaries and affiliates held by Guardian as of December 31, 2020 decreased \$5 million as compared to December 31, 2019, or 0.4%, consisting of a \$11 million increase in the value of life insurance subsidiaries and a \$16 million decrease in other affiliated common stocks. There was \$35 million contributed to common stock affiliates during 2021, \$50 million in return of capital during 2021 and \$7 million in non-admitted common stock affiliates. There was \$100 million contributed to common stock affiliates during 2020, \$0 million in return of capital during 2020 and \$7 million in non-admitted common stock affiliates.

Common stocks of unaffiliated entities as of December 31, 2021 decreased \$1 million as compared to December 31, 2020, or 0.9%, as the portfolio continues to remain small after the portfolio sale during the first quarter of 2020. Net realized (losses) recognized from these dispositions were \$1 million. Net unrealized (losses) from stocks were \$2 million. There were no other-than-temporary impairments during 2021.

Common stocks of unaffiliated entities as of December 31, 2020 decreased \$399 million as compared to December 31, 2019, or 78.1%, primarily due to the majority of the portfolio being sold during the first quarter of 2020. Net realized (losses) recognized from these dispositions were \$43 million. Net unrealized (losses) from stocks were \$50 million. There were no other-than-temporary impairments during 2020.

Mortgage loans as of December 31, 2021 increased \$514 million as compared to December 31, 2020, or 10.7%, including \$1,223 million in new investments, rollovers and additional funding, which were more than the \$708 million of paydowns, sales and full payoffs.

Mortgage loans as of December 31, 2020 decreased \$63 million as compared to December 31, 2019, or 1.3%, including \$345 million in new investments, rollovers and additional funding, which were less than the \$408 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, 2021 decreased \$45 million as compared to December 31, 2020, or 1.2%, due to unexpected loan paydowns during 2021. Policy loans as of December 31, 2020 increased \$10 million as compared to December 31, 2019, or 0.3%, due to growth in the ordinary course of business.

Properties held for the production of income at December 31, 2021 of \$290 million increased by \$10 million from \$280 million at December 31, 2020. This was primarily due to an acquisition of with a net cost of \$19 million. There was also \$7 million in capital expenditures during 2021. Real estate occupied by the company is \$0 million as of December 31, 2021. Depreciation expense recorded during 2021 totaled \$18 million and the increase in encumbrances was \$28 million. As of December 31, 2021, industrial and other buildings in the general account represented 12.4% of Guardian's real estate portfolio compared to 13.2% for the same property type as of December 31, 2020.

Properties held for the production of income at December 31, 2020 of \$280 million decreased by \$98 million from \$378 million at December 31, 2019. This was primarily due to an \$87 million increase in the amount of encumbrances on the properties. There were no properties purchased, sold or acquired via foreclosure during 2020. There was also \$9 million in capital expenditures during 2020. Real estate occupied by the company is \$0 million as of December 31, 2020 and is included in the \$280 million total. One real estate occupied by the company property was sold during 2020 with proceeds of \$11 million that generated \$9 million in realized capital gains. Depreciation expense recorded during 2020 totaled \$20 million and the increase in encumbrances was \$87 million. As of December 31, 2020, industrial and other buildings in the general account represented 13.2% of Guardian's real estate portfolio compared to 9.9% for the same property type as of December 31, 2019.

Partnerships and LLCs as of December 31, 2021 increased \$1,034 million as compared to December 31, 2020, or 38.7%, as a result of capital contributions made to new and existing partnerships and appreciation in the underlying assets. Partnerships and LLCs had \$102 million in other-than-temporary impairments as of December 31, 2021. During 2021, there were \$588 million contributed to new or existing partnerships. In addition, during 2021, there were \$270 million of returns of capital. There were no real estate joint/private equity ventures sold during 2021.

Partnerships and LLCs as of December 31, 2020 increased \$145 million as compared to December 31, 2019, or 5.7%, as a result of capital contributions made to new and existing partnerships. Partnerships and LLCs had \$307 million in other-than-temporary impairments as of December 31, 2020. During 2020, there were \$539 million contributed to new or existing partnerships. In addition, during 2020, there were \$112 million of returns of capital. There were no real estate joint/private equity ventures sold during 2020.

Derivatives and other invested assets at December 31, 2021 were \$741 million, \$809 million at December 31, 2020 and \$645 million at December 31, 2019. This balance mainly represents the value of foreign currency swaps and a small number of unsettled trades at December 31, 2021 relating to bond and stock trading activity. It also includes \$689 million in investments in surplus note debentures of other insurance companies at December 31, 2021.

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 \$369 million at December 31, 2021 compared to December 31, 2020 due to Guardian waiting for more strategic times to invest. Cash, cash equivalents and short-term investments decreased by \$356 million at December 31, 2020 compared to December 31, 2019 due to Guardian’s ability to deploy funds into longer term investments.

Investment income due and accrued at December 31, 2021 was \$484 million. Investment income due and accrued at December 31, 2020 was \$518 million. Investment income due and accrued at December 31, 2019 was \$461 million.

Other than invested assets increased \$137 million from \$5.946 billion at December 31, 2020 to \$6.083 billion at December 31, 2021, primarily due to an increase in funds held or deposited with reinsured companies, increased amounts receivable with reinsured companies partially offset by decreased due and accrued investment income, net deferred tax assets and current federal and foreign income tax recoverable and interest thereon.

Other than invested assets increased \$343 million from \$5.603 billion at December 31, 2019 to \$5.946 billion at December 31, 2020, primarily due to an increase in funds held or deposited with reinsured companies, increased due and accrued investment income, net deferred tax assets and current federal and foreign income tax recoverable and interest thereon.

Liabilities

Total liabilities as of December 31, 2021 increased \$3.253 billion, or 5.4%, as compared to December 31, 2020, primarily due to increases in reserves for policyholder benefits and higher AVR.

Total liabilities as of December 31, 2020 increased \$5.696 billion, or 10.4%, as compared to December 31, 2019, primarily due to increases in reserves for policyholder benefits and policyholder dividends payable and other contract liabilities.

The increase in reserves for policy benefits of \$2.826 billion at December 31, 2021 as compared to December 31, 2020 is primarily related to increases in Individual Life reserves driven primarily by continued growth of inforce business and Individual Disability reserves driven by normal business activity.

The increase in reserves for policy benefits of \$2.416 billion at December 31, 2020 as compared to December 31, 2019 is primarily related to increases in Individual Life reserves driven primarily by continued growth of inforce business and Individual Disability reserves driven primarily increased claims reserves. During 2020 claims reserves were strengthened with adjustments to claim termination rate assumptions.

Policyholder dividends payable and other contract liabilities increased \$43 million at December 31, 2021 as compared to December 31, 2020, primarily due to higher Group Benefit contract claim reserves from higher incidence due to COVID-19 and increased premiums, and higher dividends payable from continued growth of Individual Life inforce business. These increases were partially offset by lower deposit type contract reserves resulting from \$800 million in maturing funding agreements with \$600 million in new issuances.

Policyholder dividends payable and other contract liabilities increased \$2.505 million at December 31, 2020 as compared to December 31, 2019, primarily due to the issuance of seven new funding agreements

AVR increased \$312 million, or 27.6%, at December 31, 2021 as compared to December 31, 2020, primarily due to the required basic contributions that are required by the AVR formula and the large unrealized gains generated by the private equity portfolio. The mortgage reserve increased by \$9 million from \$47 million at December 31, 2020 to \$56 million at December 31, 2021.

AVR increased \$61 million, or 5.7%, at December 31, 2020 as compared to December 31, 2019, primarily due to the required basic contributions that are required by the AVR formula. The mortgage reserve increased by \$2 million from \$45 million at December 31, 2019 to \$47 million at December 31, 2020.

Other liabilities at December 31, 2021 of \$2.807 billion decreased by \$4 million from \$2.811 billion at December 31, 2020. This increase was primarily due to decreases in general expenses due and accrued of \$14 million, and payable for securities of \$66 million, partially offset by increases in liability for benefits for employees and agents of \$50 million and increases in funds held under coinsurance of \$27 million.

Other liabilities at December 31, 2020 of \$2.811 billion increased by \$401 million from \$2.410 billion at December 31, 2019. This increase was primarily due to increases in general expenses due and accrued of \$216 million, liability for benefits for employees and agents of \$47 million, payable for securities of \$53 million, and \$75 million in derivative valuations.

Surplus

Surplus increased \$829 million from \$7.760 billion at December 31, 2020 to \$8.589 billion at December 31, 2021. The increase in surplus was primarily due to net income of \$223 million, increases in net unrealized capital gains (losses) of \$736 million, increases from due to change in pension funded status of \$148 million, partially offset by change in AVR of \$312 million.

Surplus increased \$144 million from \$7.616 billion at December 31, 2019 to \$7.760 billion at December 31, 2020. The increase in surplus was primarily due to net income of \$147 million and increases from the issuance of a surplus note of \$297 million, partially offset by decreases due to change in pension funded status of \$97 million, decreases in net unrealized capital gains (losses) of \$111 million, changes in reserves on account of changes in valuation basis of \$62 million and a change in AVR of \$61 million.

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 \$369 million, or 87.4%, as of December 31, 2021 as compared to December 31, 2020. Cash, cash equivalents and short-term investments decreased \$356 million, or 45.8%, as of December 31, 2020 as compared to December 31, 2019.

Net cash provided from operations for the year ended December 31, 2021 was \$3.286 billion. For the year ended December 31, 2021, net cash used in investing activities amounted to \$2.803 billion and net cash from financing declined \$114 million. Net cash provided from operations increased \$536 million, or 19.5%, to \$3.286 billion in 2021 as compared to 2020. The increase is primarily attributable to higher premiums and other income received of \$552 million, higher net investment income of \$443 million, and higher other, net of \$368 million offset by higher benefits and loss related payments of \$415 million, and higher commissions, expenses and taxes paid of \$288 million, higher dividends paid of \$67 million and lower other income of \$57 million.

Net cash provided from operations for the year ended December 31, 2020 was \$2.750 billion. For the year ended December 31, 2020, net cash used in investing activities amounted to \$5.727 billion and net cash provided from financing totaled \$2.621 billion. Net cash provided from operations decreased \$95 million, or 3.3%, to \$2.750 billion in 2020 as compared to 2019. The decrease is primarily attributable to higher premiums and other income received of \$178 million and higher net investment income of \$69 million, offset by higher commissions, expenses and taxes paid of \$128 million and lower other, net of \$171 million. The increase in cash from financing and miscellaneous activities is primarily attributable to the issuance of 7 FA notes.

Excess operating cash flow is used to purchase investments. Purchases of investments were \$14.5 billion, \$19.1 billion and \$15.0 billion for the years ended December 31, 2021, December 31, 2020 and December 31, 2019, respectively, while sales and maturities of investments and receipts from repayments of loans were \$11.6 billion, \$13.4 billion and \$12.0 billion, respectively, resulting in a net cash outflow of \$2.9 billion, \$5.7 billion and \$3.0 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, 2021, Guardian's borrowing capacity is more than \$3.6 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, Guardian has approximately \$567 million of outstanding 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 \$816 million as of December 31, 2021 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 \$248 million in 2021 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, 2021, 2020 and 2019, Guardian received an aggregate of \$43 million, \$97 million and \$65 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, 2021, FCW had accumulated earnings of \$257 million and would be able to pay a dividend up to \$257 million in 2022. As of December 31, 2020, FCW had accumulated earnings of \$218 million and would be able to pay a dividend up to \$218 million in 2021. As of December 31, 2019, FCW had accumulated earnings of \$136 million and would be able to pay a dividend up to \$136 million in 2020.

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, 2021, 2020 and 2019. 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

The Company has issued various Surplus Notes ("the Notes") to unrelated third parties 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 each of the Notes is scheduled to be paid semiannually on the interest paid dates listed in the table

below. All of the 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 Notes are not part of the legal liabilities of the Company. The Notes do not repay principal prior to maturity, and 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 Notes may be redeemed at the option of the Company (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding the accrued interest as of the date on which the Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at an adjusted treasury rate plus varying basis points. The Surplus Note issuances were not structured in a manner where typical cashflows have been reduced or eliminated.

The following table summarizes the Notes issued by the Company:

Date Issued	Interest Rate	Principal Balance	Cash Proceeds Received	Maturity Date	Face (Par) Value of Note	Carrying Value of Note	Interest Paid Dates		Interest Paid	
									Current Year 12/31/21	Interest Paid Life-to-date 12/31/21
10/6/2009 ⁽¹⁾	7.375%	400.0	392.4	9/30/2039	233.1	231.7	March 31	September 30	17.2	307.0
6/19/2014	4.875%	450.0	444.6	6/19/2064	450.0	448.7	June 19	December 19	22.0	164.5
1/24/2017 ⁽¹⁾	4.850%	350.0	343.6	1/24/2077	579.3	521.3	January 24	July 24	28.1	120.9
1/22/2020	3.700%	<u>300.0</u>	<u>293.9</u>	1/22/2070	<u>300.0</u>	<u>296.7</u>	January 22	July 22	<u>11.1</u>	<u>16.6</u>
Total Surplus Notes		<u>\$ 1,500.0</u>	<u>\$ 1,474.5</u>		<u>\$ 1,562.4</u>	<u>\$ 1,498.4</u>			<u>\$ 78.4</u>	<u>\$ 609.0</u>

(1) The Company completed an exchange in which it issued additional 1/24/2017 Notes (“2017 Notes”) in exchange for redeemed 10/6/2009 Notes (“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 (carrying value \$165.7 million) and the additional 2017 Notes had a principal balance of \$229.3 million (carrying value \$170.5 million). 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 an expense on the transaction date along with an increase to the carrying value of the 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

The following table summarizes the Funding Agreement-Backed Notes issued under the Program:

FABN Deal Name	Close Date	Face Amount (\$ in millions)
FA-2017-1	May 8, 2017	400
FA-2018-1	April 25, 2018	300
FA-2019-1	May 6, 2019	300
FA-2020-1	June 23, 2020	400
FA-2020-2	July 6, 2020	400
FA-2020-3	November 19, 2020	500
FA-2020-4	December 10, 2020	500
FA-2021-1	May 13, 2021	300
FA-2021-2	September 16, 2021	300

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 \$862 million and \$47 million in interest on the funding agreements securing the outstanding FA-Backed Notes in the years ended December 31, 2021 and 2020, respectively.

INVESTMENTS

General

At December 31, 2021, Guardian had \$66.0 billion of invested assets in its general account, an increase of \$3.9 billion from December 31, 2020. At December 31, 2020, Guardian had \$62.1 billion of invested assets in its general account, an increase of \$5.5 billion from December 31, 2019. 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,					
	2021		2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(\$ in Millions)					
Bonds:						
Public bonds.....	\$ 35,527	53.8%	\$ 33,809	54.4%	\$ 27,985	49.5%
Private placement bonds.....	11,395	17.3%	11,195	18.0%	10,449	18.5%
CMBS.....	1,806	2.7%	1,767	2.8%	1,995	3.5%
Non-Agency RMBS.....	700	1.1%	597	1.0%	638	1.1%
Asset backed securities/CLO.....	684	1.0%	604	1.0%	803	1.4%
Total bonds.....	50,112	75.9%	47,972	77.2%	41,870	74.0%
Common stocks—subsidiaries and affiliates.....	1,197	1.8%	1,205	1.9%	1,210	2.1%
Common stocks—unaffiliated.....	111	0.2%	112	0.2%	511	0.9%
Commercial mortgage loans.....	5,330	8.1%	4,816	7.8%	4,879	8.6%
Policy loans.....	3,765	5.7%	3,810	6.1%	3,800	6.7%
Real estate.....	290	0.4%	280	0.5%	381	0.7%
Partnerships and LLCs.....	3,707	5.6%	2,673	4.3%	2,528	4.5%
Derivatives.....	42	0.1%	17	0.0%	30	0.0%
Other invested assets ⁽¹⁾	699	1.0%	792	1.3%	615	1.1%
Cash, cash equivalents and short-term investments.....	791	1.2%	422	0.7%	778	1.4%
Total investments.....	\$ 66,044	100%	\$ 62,099	100%	\$ 56,602	100%

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

Impairments

Impairments during 2021, 2020 and 2019 totaled \$129 million, \$323 million and \$203 million, respectively. Of the \$129 million for 2021, \$27 million relates to impairments that reduced surplus which were driven primarily by private placement bonds. The remaining \$102 million relates to primarily \$64 million in investment tax credit investments and \$38 million for private equities. Of the \$323 million for 2020, \$16 million relates to impairments that reduced surplus which were driven primarily by bonds. The remaining \$307 million relates to primarily \$141 million in investment tax credit investments, \$126 million in an affiliated entity and \$40 million for private equities. Of the \$203 million for 2019, \$1 million relates to impairments that reduced surplus which were driven primarily by \$1 million in bonds. The remaining \$202 million relates primarily to \$177 million in investment tax credit investments and \$25 million for private equities.

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,								
		2021			2020			2019		
NAIC Classes	Rating Agency Equivalent Designation	(\$ in Millions)								
		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	\$ 26,515	\$ 29,104	52.9%	\$ 25,829	\$ 29,899	53.8%	\$ 25,349	\$ 27,962	60.5%
2	Baa	20,506	21,911	40.9%	18,932	21,198	39.5%	14,402	15,490	34.4%
3	Ba	1,120	1,116	2.2%	1,139	1,170	2.4%	844	850	2.0%
4	B	1,738	1,760	3.5%	1,701	1,715	3.5%	1,095	1,094	2.6%
5	Caa and lower....	207	209	0.4%	347	355	0.7%	177	179	0.5%
6	In or near default	26	26	0.1%	24	25	0.1%	3	3	0.0%
	Total	<u>\$ 50,112</u>	<u>\$54,126</u>	<u>100.0%</u>	<u>\$ 47,972</u>	<u>\$54,362</u>	<u>100.0%</u>	<u>\$ 41,870</u>	<u>\$ 45,578</u>	<u>100.0%</u>

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

Publicly Traded Credit Quality

		December 31,								
		2021			2020			2019		
		(\$ 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	\$23,537	\$ 25,968	60.8%	\$ 22,877	\$ 26,688	62.2%	\$ 22,692	\$ 25,163	72.2%
2	Baa	12,823	13,845	33.1%	11,526	13,212	31.3%	7,105	7,801	22.6%
3	Ba	452	466	1.2%	493	534	1.3%	387	400	1.2%
4	B	1,672	1,699	4.3%	1,510	1,549	4.1%	1,060	1,063	3.4%
5	Caa and lower	207	209	0.5%	347	355	1.0%	174	176	0.6%
6	In or near default.	26	26	0.1%	24	25	0.1%	3	3	0.0%
	Total	\$ 38,717	\$42,213	100%	\$ 36,777	\$ 42,363	100%	\$ 31,421	\$ 34,606	100.0%

Privately Placed Credit Quality

		December 31,								
		2021			2020			2019		
		(\$ 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	\$2,978	\$3,136	26.1%	\$ 2,952	\$ 3,211	26.4%	\$ 2,657	\$ 2,799	25.4%
2	Baa	7,683	8,066	67.4%	7,406	7,986	66.1%	7,297	7,689	69.8%
3	Ba	668	650	5.9%	646	636	5.8%	457	450	4.4%
4	B	66	61	0.6%	191	166	1.7%	35	31	0.3%
5	Caa and lower	0	0	0.0%	0	0	0.0%	3	3	0.0%
6	In or near default.	0	0	0.0%	0	0	0.0%	0	0	0.0%
	Total	\$ 11,395	\$11,913	100%	\$ 11,195	\$11,999	100%	\$ 9,751	\$ 9,724	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,														
	2021					2020					2019				
	Amort. Cost	% of Total	Fair Value	% of Total	Gains/ (Losses)	Amort. Cost	% of Total	Fair Value	% of Total	Gains/ (Losses)	Amort. Cost	% of Total	Fair Value	% of Total	Gains/ (Losses)
	(\$ in Millions)					(\$ in Millions)					(\$ in Millions)				
Due in one year or less	\$ 1,148	2.3%	\$ 1,157	2.2%	\$ 9	\$ 1,082	2.2%	\$1,092	2.0%	\$ 10	\$ 529	1.3%	\$ 535	1.2%	\$ 6
Due after one year through five years	7,865	15.7%	8,131	15.0%	266	8,374	17.5%	8,771	16.1%	397	7,027	16.8%	7,217	15.8%	190
Due after five years through ten years.	11,427	22.8%	11,860	21.9%	433	11,646	24.3%	12,709	23.4%	1,063	10,628	25.4%	11,249	24.7%	621
Due after ten years.	22,612	45.1%	25,393	46.9%	2,781	21,263	44.3%	25,594	47.1%	4,331	17,614	42.0%	20,075	44.0%	2,461
Subtotal(1)	43,052	85.9%	46,541	86.0%	3,489	42,365	88.3%	48,166	88.6%	5,801	35,798	85.5%	39,076	85.7%	3,278
Sinking fund bonds, mortgage-backed securities and asset-backed securities(2)	7,064	14.1%	7,585	14.0%	521	5,602	11.7%	6,196	11.4%	594	6,072	14.5%	6,502	14.3%	430
Total	\$ 50,116	100.0%	\$ 54,126	100.0%	\$ 4,010	\$47,967	100.0%	\$54,362	100.0%	\$6,395	\$41,870	100.0%	\$45,578	100.0%	\$3,708

(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, 2021, 2020 and 2019 as set forth in the following tables.

Composition of Fixed Income Securities Portfolio

	December 31, 2021				
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)
			(\$ in Millions)		
U.S. Treasury securities	\$ 1,364	2.7%	\$ 1,415	2.6%	\$ 51
U.S. Government Agencies.....	4	0.0%	4	0.0%	0
Obligations of States and Political Subdivisions	1,349	2.7%	1,698	3.1%	349
Debt Securities Issued by Foreign Governments	674	1.3%	713	1.3%	39
Corporate Securities:.....					
U.S. Corporate.....	35,020	69.9%	37,955	70.1%	2,935
Foreign Corporate.....	8,478	16.9%	9,024	16.7%	546
Residential Mortgage-Backed Securities:					
Government Agency	33	0.1%	35	0.1%	2
Non Agency RMBS	700	1.4%	751	1.4%	51
CMBS.....	1,806	3.6%	1,848	3.4%	42
Asset-Backed Securities.....	195	0.4%	195	0.4%	0
Collateralized Loan Obligations	489	1.0%	488	0.9%	(1)
Total	\$ 50,112	100.0%	\$ 54,126	100.0%	\$ 4,014

	December 31, 2020				
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)
			(\$ in Millions)		
U.S. Treasury securities	\$ 1,657	3.5%	\$1,758	3.2%	\$ 101
U.S. Government Agencies.....	1	0.0%	1	0.0%	0
Obligations of States and Political Subdivisions	1,779	3.7%	2,217	4.1%	438
Debt Securities Issued by Foreign Governments	420	0.9%	466	0.8%	46
Corporate Securities:.....					
U.S. Corporate.....	32,911	68.6%	37,691	69.3%	4,780
Foreign Corporate.....	8,180	17.1%	9,061	16.7%	881
Residential Mortgage-Backed Securities:					
Government Agency	56	0.1%	60	0.1%	4
Non Agency RMBS	597	1.2%	627	1.2%	30
CMBS.....	1,767	3.7%	1,877	3.5%	110
Asset-Backed Securities.....	213	0.4%	216	0.4%	3
Collateralized Loan Obligations	391	0.8%	388	0.7%	(3)
Total	\$ 47,972	100.0%	\$ 54,362	100.0%	\$ 6,390

	December 31, 2019				
	Carrying Value	% of Total	Fair Value	% of Total	Gains/ (Losses)
			(\$ in Millions)		
U.S. Treasury securities	\$ 1,620	3.9%	\$ 1,772	3.9%	\$ 152
U.S. Government Agencies.....	1	0.0%	1	0.0%	0
Obligations of States and Political Subdivisions	1,844	4.4%	2,162	4.8%	318
Debt Securities Issued by Foreign Governments	251	0.6%	280	0.6%	29
Corporate Securities:.....					
U.S. Corporate.....	26,615	63.6%	29,134	63.9%	2,519
Foreign Corporate.....	7,837	18.7%	8,408	18.5%	571

	December 31, 2019				
	Carrying Value	% of Total	Fair Value (\$ in Millions)	% of Total	Gains/ (Losses)
Residential Mortgage-Backed Securities:					
Government Agency	266	0.6%	274	0.6%	8
Non Agency RMBS	638	1.5%	681	1.5%	43
CMBS.....	1,995	4.8%	2,065	4.5%	70
Asset-Backed Securities.....	425	1.0%	427	0.9%	2
Collateralized Loan Obligations	378	0.9%	374	0.8%	(4)
Total	<u>\$ 41,870</u>	<u>100.0%</u>	<u>\$ 45,578</u>	<u>100.0%</u>	<u>\$ 3,708</u>

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 \$3.2 billion consist mainly (93.9% as of December 31, 2021) of Agency and Non-Agency RMBS as well as CMBS and CLO's 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 \$3.0 billion consist mainly (92.9% as of December 31, 2020) of Agency and Non-Agency RMBS as well as CMBS and CLO's 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 \$3.7 billion consist mainly (88.5% as of December 31, 2019) 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, 2020, 2019 and 2018—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, 2021, Guardian had no direct subprime exposure through the origination of residential mortgage loans or purchases of unsecuritized whole-loan pools. As of December 31, 2021, December 31, 2020 and December 31, 2019, Guardian had Agency (Fannie Mae or Freddie Mac) mortgage backed exposure with a carrying value of \$33 million, \$56 million and \$266 million, respectively.

The following tables show the types of mortgage-backed and asset-backed securities held as of December 31, 2021, 2020 and 2019.

	December 31, 2021											
	Carrying Value	% of Total	Fair Value (\$ in Millions)	% of Total	Gains/ (Losses)	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Total
	Carrying Value (\$ in Millions)											
Residential Mortgage-Backed Securities:												
Government Agency	\$ 33	1.0%	\$ 35	1.1%	\$ 2	\$ 33	-	-	-	-	-	\$ 33
Non-Agency RMBS	700	21.7%	751	22.6%	51	670	12	7	11	-	-	700
CMBS.....	1,806	56.0%	1,848	55.7%	42	1,801	-	5	-	-	-	1,806
Asset Backed Securities (ABS).....	195	6.1%	195	5.9%	0	163	32	-	-	-	-	195
Collateralized Loan Obligations (CLO).....	489	15.2%	488	14.7%	(1)	415	74	-	-	-	-	489
Total	<u>\$ 3,223</u>	<u>100.0%</u>	<u>\$ 3,317</u>	<u>100.0%</u>	<u>\$ 94</u>	<u>\$ 3,082</u>	<u>\$ 118</u>	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,223</u>

	December 31, 2020					NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Total
	Carrying Value	% of Total	Fair Value	% of Total	Gains/(Losses)							
	(\$ in Millions)					Carrying Value (\$ in Millions)						
Residential Mortgage-Backed Securities:												
Government Agency	\$ 56	1.9%	\$ 60	1.9%	\$ 4	\$ 56	-	-	-	-	-	\$ 56
Non-Agency RMBS	597	19.7%	627	19.8%	30	593	3	1	-	-	-	597
CMBS.....	1,767	58.4%	1,877	59.3%	110	1,741	10	16	-	-	-	1,767
Asset Backed Securities (ABS).....	213	7.1%	216	6.8%	3	196	17	-	-	-	-	213
Collateralized Loan Obligations (CLO).....	391	12.9%	388	12.2%	(3)	391	-	-	-	-	-	391
Total.....	\$ 3,024	100.0%	\$ 3,168	100.0%	\$ 144	\$ 2,977	\$ 30	\$ 17	\$ -	\$ -	\$ -	\$ 3,024

	December 31, 2019					NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Total
	Carrying Value	% of Total	Fair Value	% of Total	Gains/(Losses)							
	(\$ in Millions)					Carrying Value (\$ in Millions)						
Residential Mortgage-Backed Securities:												
Government Agency	\$ 266	7.2%	\$ 274	7.2%	\$ 8	\$ 266	-	-	-	-	-	\$ 266
Non-Agency RMBS	638	17.2%	681	17.8%	43	615	3	19	1	-	-	638
CMBS.....	1,995	53.9%	2,065	54.0%	70	1,995	-	-	-	-	-	1,995
Asset Backed Securities (ABS).....	425	11.5%	427	11.2%	2	370	55	-	-	-	-	425
Collateralized Loan Obligations (CLO).....	378	10.2%	374	9.8%	(4)	378	-	-	-	-	-	378
Total.....	\$ 3,702	100.0%	\$ 3,821	100.0%	\$ 119	\$ 3,624	\$ 58	\$ 19	\$ 1	\$ -	\$ -	\$ 3,702

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,		
	2021	2020	2019
	(\$ in Millions)		
Common Stocks – Unaffiliated ⁽¹⁾	\$ 111	\$ 112	\$ 511
Investment in Affiliates:			
BLICOA	\$ 221	\$ 213	\$ 220
GIAC	549	527	516
Park Avenue Life Insurance Company.....	47	53	45
Other Affiliated Companies	380	412	429
Total Investment in Affiliates:	<u>\$ 1,197</u>	<u>\$ 1,205</u>	<u>\$ 1,210</u>

(1) See “—Statement of Financial Position—Assets” for a discussion of the change in common stocks during 2021 as compared to 2020 and 2019.

Mortgage Loans

Mortgage loans represented 8.1% of the total investments in the general account as of December 31, 2021, 7.8% of the total investments in the general account as of December 31, 2020 and 8.6% of the total investments in the general account as of December 31, 2019. 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, 2021, 2020 and 2019, 99%, 99% and 98%, 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 8 bullet loans totaling \$84 million scheduled to mature during 2021. As of December 31, 2021, 12 loans were paid in full for \$85 million, and no loans were extended. 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, 2021.

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

As of December 31, 2021			
Year of Maturity	Carrying Value (\$ in millions)	Number of Loans	Percent
2022.....	\$ 200	10	3.8%
2023.....	347	14	6.5%
2024.....	340	15	6.4%
2025.....	784	38	14.7%
2026.....	637	27	11.9%
2027.....	861	47	16.2%
2028.....	293	14	5.5%
2029.....	380	12	7.1%
2030.....	398	11	7.5%
2031.....	729	38	13.7%
2032.....	247	12	4.6%
2033.....	59	2	1.1%
2034.....	37	3	0.7%
2036.....	18	2	0.3%
Total.....	\$ 5,330	245	100.0%

As of December 31, 2020			
Year of Maturity	Carrying Value (\$ in millions)	Number of Loans	Percent
2021.....	\$ 85	12	1.8%
2022.....	328	17	6.8%
2023.....	569	20	11.8%
2024.....	430	18	8.9%
2025.....	836	40	17.3%
2026.....	474	25	9.9%
2027.....	829	48	17.2%
2028.....	166	13	3.4%
2029.....	384	13	8.0%
2030.....	398	11	8.3%
2031.....	227	7	4.7%
2032.....	24	4	0.5%
2033.....	19	1	0.4%
2034.....	39	1	0.8%
2036.....	8	1	0.2%
Total.....	\$ 4,816	231	100.0%

As of December 31, 2019			
Year of Maturity	Carrying Value (\$ in millions)	Number of Loans	Percent
2020.....	\$ 104	8	2.1%
2021.....	178	20	3.6%
2022.....	452	20	9.3%
2023.....	549	20	11.3%
2024.....	442	19	9.1%
2025.....	842	40	17.3%
2026.....	448	24	9.2%
2027.....	785	46	16.1%
2028.....	167	13	3.4%
2029.....	372	13	7.6%
2030.....	269	7	5.5%
2031.....	222	7	4.5%

As of December 31, 2019			
Year of Maturity	Carrying Value (\$ in millions)	Number of Loans	Percent
2033	0	1	0.0%
2034	41	1	0.8%
2036	8	1	0.2%
Total	<u>\$ 4,879</u>	<u>240</u>	<u>100.0%</u>

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

Commercial Loans by Property Type

	December 31,					
	2021		2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(\$ in Millions)					
Office	\$ 443	8.3%	\$ 379	7.9%	\$ 429	8.8%
Apartments	2,646	49.6%	2,548	52.9%	2,629	53.9%
Industrial & other	633	11.9%	568	11.8%	588	12.1%
Retail	1,391	26.1%	1,140	23.7%	1,070	21.9%
Hotels	217	4.1%	181	3.7%	163	3.3%
Total	<u>\$ 5,330</u>	<u>100.0%</u>	<u>\$ 4,816</u>	<u>100.0%</u>	<u>\$ 4,879</u>	<u>100.0%</u>

Commercial Loans by Geographic Distribution

	December 31,					
	2021		2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(\$ in Millions)					
New England ⁽¹⁾	\$ 337	6.3%	\$ 335	7.0%	\$ 342	7.0%
Mid-Atlantic ⁽²⁾	663	12.5%	592	12.3%	68793	14.1%
South Atlantic ⁽³⁾	1,392	26.1%	1,236	25.7%	1,268	26.0%
East North Central ⁽⁴⁾	218	4.1%	194	4.0%	174	3.6%
East South Central ⁽⁵⁾	122	2.3%	116	2.4%	117	2.4%
West North Central ⁽⁶⁾	70	1.3%	70	1.4%	57	1.1%
West South Central ⁽⁷⁾	740	13.9%	603	12.5%	624	12.8%
Mountain ⁽⁸⁾	310	5.8%	235	4.9%	200	4.1%
Pacific ⁽⁹⁾	1,478	27.7%	1,435	29.8%	1,410	28.9%
Total	<u>\$ 5,330</u>	<u>100.0%</u>	<u>\$ 4,816</u>	<u>100.0%</u>	<u>\$ 4,879</u>	<u>100.0%</u>

- (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 (\$123 million), Arizona (\$0 million), Florida (\$529 million) and California (\$1,295 million) totaled \$1.95 billion. This represents 36.5% of the total commercial mortgage whole loan portfolio and this aggregation has an average loan-to-value ("LTV") of 49.7% as compared to 55.8% 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, 2021			
	Carrying Value	Number of Loans	Average Loan Amount	Percent of Portfolio
50% LTV or below.....	\$ 1,199	85	\$ 14.1	22.5%
51%–60% LTV	2,109	93	22.7	39.6%
61%–70% LTV	1,903	65	29.3	35.7%
71%–75% LTV	119	2	59.5	2.2%
75%–80% LTV	-	-	-	-
Greater than 80% LTV	-	-	-	-
Total.....	\$ 5,330	245	\$ 21.8	100.0%

	As of December 31, 2020			
	Carrying Value	Number of Loans	Average Loan Amount	Percent of Portfolio
50% LTV or below.....	\$ 1,636	108	\$ 15.2	34.0%
51%–60% LTV	1,875	83	22.6	38.9%
61%–70% LTV	1,305	40	32.6	27.1%
71%–75% LTV	-	-	-	-
75%–80% LTV	-	-	-	-
Greater than 80% LTV	-	-	-	-
Total.....	\$ 4,816	231	\$ 20.8	100.0%

	As of December 31, 2019			
	Carrying Value	Number of Loans	Average Loan Amount	Percent of Portfolio
50% LTV or below.....	\$ 1,350	104	\$ 13	27.7%
51%–60% LTV	2,012	80	25	41.2%
61%–70% LTV	1,510	55	27	31.0%
71%–75% LTV	7	1	7	0.1%
75%–80% LTV	-	-	-	-
Greater than 80% LTV	-	-	-	-
Total.....	\$ 4,879	240	\$ 20	100.0%

(1) The LTV represents the year end 2021 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 2020 year end property net operating income divided by a market capitalization rate. 2021 financial information for such properties is not generally available until the second or third quarter of 2022.

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, 2021									
	2013 & Prior	2014	2015	2016	2017	2018	2019	2020	2021	Total
	(\$ in Millions)									
Office	\$ 15	\$ 6	\$ 123	\$ 10	\$ 12	\$ 74	\$ 56	\$ 45	\$ 102	\$ 443
Apartments.....	85	33	215	308	420	465	442	117	561	2,646
Industrial.....	11	50	-	-	84	304	60	12	92	613
Retail.....	79	57	125	103	352	56	152	100	367	1,391
Hotels.....	-	-	25	94	-	-	98	-	-	217
Other	-	-	20	-	-	-	-	-	-	20

As of December 31, 2021										
	2013 & Prior	2014	2015	2016	2017	2018	2019	2020	2021	Total
Total	\$ 190	\$ 146	\$ 508	\$ 515	\$ 868	\$ 899	\$ 808	\$ 274	\$ 1,122	\$ 5,330
(\$ in Millions)										
As of December 31, 2020										
	2012 & Prior	2013	2014	2015	2016	2017	2018	2019	2020	Total
Office	\$ 32	\$ 3	\$ 6	\$ 126	\$ 34	\$ 12	\$ 74	\$ 57	\$ 34	\$ 378
Apartments.....	87	46	104	266	401	556	533	419	136	2,548
Industrial.....	9	7	51	-	-	85	304	60	-	516
Retail.....	139	10	58	120	140	353	56	152	112	1,140
Hotels.....	-	-	-	26	96	-	-	59	-	181
Other	26	-	-	27	-	-	-	-	-	53
Total	\$ 293	\$ 66	\$ 219	\$ 565	\$ 671	\$1,006	\$ 967	\$ 747	\$282	\$4,816
(\$ in Millions)										
As of December 31, 2019										
	2011 & Prior	2012	2013	2014	2015	2016	2017	2018	2019	Total
Office	\$ 47	\$ 10	\$ 3	\$ 7	\$ 169	\$ 35	\$ 12	\$ 74	\$ 72	\$ 429
Apartments.....	48	120	69	159	349	409	557	517	401	2,629
Industrial.....	23	-	7	57	-	-	84	304	60	535
Retail.....	106	54	10	60	122	140	388	53	137	1,070
Hotels.....	-	-	-	-	27	97	-	-	39	163
Other	-	26	-	-	27	-	-	-	-	53
Total	\$ 224	\$ 210	\$ 89	\$ 283	\$ 694	\$ 681	\$1,041	\$ 948	\$ 709	\$4,879
(\$ in Millions)										

Residential Mortgage Loans

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

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 \$5.3 billion commercial mortgage loan portfolio as of December 31, 2021 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 \$5.3 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, 2021, 2020 and 2019. There were no commercial mortgage loans in process of foreclosure or in default as of December 31, 2021, 2020 and 2019. The AVR contains a mortgage loan component, which totaled \$56 million, \$47 million and \$45 million as of December 31, 2021, December 31, 2020 and December 31, 2019, 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, 2021, Guardian had 2 properties in its portfolio that were acquired via foreclosure which totaled \$29 million. No properties were foreclosed on during 2021. As of December 31, 2020, Guardian had 2 properties in its portfolio that were acquired via foreclosure which totaled \$27 million. No properties were foreclosed on during 2020. As of December 31, 2019, Guardian had 2 properties in its portfolio that were acquired via foreclosure which totaled \$27 million. No properties were foreclosed on during 2019.

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,					
	2021		2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(\$ in Millions)					
Office	\$ 82	28.3%	\$ 81	28.9%	\$ 81	21.3%
Apartments	172	59.3%	162	57.9%	260	68.8%
Industrial & other	36	12.4%	37	13.2%	37	9.9%
Retail	-	-%	-	0.0%	-	0.0%
Hotels	-	-%	-	0.0%	-	0.0%
Total	<u>\$ 290</u>	<u>100.0%</u>	<u>\$ 280</u>	<u>100.0%</u>	<u>\$ 378</u>	<u>100.0%</u>

Real Estate by Geographic Distribution (Excludes Home Office Properties)

	December 31,					
	2021		2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(\$ in Millions)					
New England ⁽¹⁾	\$ 92	31.7%	\$ 98	34.8%	\$ 177	46.9%
Mid Atlantic ⁽²⁾	-	0.0%	-	0.0%	-	0.0%
South Atlantic ⁽³⁾	73	25.2%	74	26.6%	75	19.9%
East North Central ⁽⁴⁾	29	10.0%	27	9.6%	27	7.0%
East South Central ⁽⁵⁾	-	0.0%	-	0.0%	-	0.0%
West North Central ⁽⁶⁾	-	0.0%	-	0.0%	-	0.0%
West South Central ⁽⁷⁾	19	6.6%	-	0.0%	-	0.0%
Mountain ⁽⁸⁾	-	0.0%	-	0.0%	-	0.0%
Pacific ⁽⁹⁾	77	26.5%	81	29.0%	99	26.2%
Total	<u>\$ 290</u>	<u>100.0%</u>	<u>\$ 280</u>	<u>100.0%</u>	<u>\$ 378</u>	<u>100.0%</u>

- (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, 2021, Guardian's real estate portfolio consisted of 17 properties with a statement value of \$290 million, of which \$0 million was occupied by Guardian. As of December 31, 2020, Guardian's real estate portfolio consisted of 16 properties with a statement value of \$280 million, of which \$0 million was occupied by Guardian. As of December 31, 2019, Guardian's real estate portfolio consisted of 17 properties with a statement value of \$381 million, of which \$3 million was occupied by Guardian. The portfolio uses leverage to increase return, with \$319 million, \$291 million and \$204 million in third party non-recourse debt outstanding as of December 31, 2021, 2020 and 2019, 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, 2021, Guardian's real estate and other invested asset AVR totaled \$775 million.

Private Equity Limited Partnership Investments by Type (Includes Derivatives)

	December 31,					
	2021		2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(\$ in Millions)					
Private Equity Investments.....	\$ 2,705	72.2%	\$ 1,842	68.5%	\$ 1,589	62.1%
Real Estate Investments.....	68	1.8%	39	1.4%	43	1.7%
Hedge Funds.....	-	-	-	-	-	-
Other Alternative Investments.....	221	5.9%	171	6.4%	125	4.9%
Affiliated LLCs	755	20.1%	638	23.7%	802	31.3%
Total.....	\$ 3,749	100.0%	\$ 2,690	100.0%	\$ 2,559	100.0%

Real Estate Joint Ventures by Property Type

	December 31,					
	2021		2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(\$ in Millions)					
Office	\$ 15	22.1%	\$ 15	39.7%	\$ 16	57.9%
Apartments	48	70.6%	19	48.0%	11	42.1%
Industrial & other	5	7.3%	5	12.3%	-	0.0%
Retail	-	0.0%	-	0.0%	-	0.0%
Hotels	-	0.0%	-	0.0%	-	0.0%
Total.....	\$ 68	100.0%	\$ 39	100.00%	\$ 27	100.0%

Real Estate Joint Ventures by Geographic Distribution

	December 31,					
	2021		2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
	(\$ in Millions)					
New England ⁽¹⁾	\$ 3	4.4%	\$ 4	10.3%	\$ 4	15.6%
Mid Atlantic ⁽²⁾	15	22.1%	15	39.7%	16	57.9%
South Atlantic ⁽³⁾	32	47.1%	-	0.0%	-	0.0%
East North Central ⁽⁴⁾	-	0.0%	-	0.0%	-	0.0%
East South Central ⁽⁵⁾	-	0.0%	-	0.0%	-	0.0%
West North Central ⁽⁶⁾	13	19.1%	-	0.0%	-	0.0%
West South Central ⁽⁷⁾	-	0.0%	15	37.7%	7	26.5%
Mountain ⁽⁸⁾	-	0.0%	-	0.0%	-	0.0%
Pacific ⁽⁹⁾	5	7.3%	5	12.3%	-	0.0%

	December 31,					
	2021		2020		2019	
	Carrying Value	% of Total	Carrying Value	% of Total	Carrying Value	% of Total
Other ⁽¹⁰⁾	-	0.0%	-	0.0%	-	0.0%
Total	\$ 68	100.0%	\$ 39	100.0%	\$ 27	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.

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,		
	2021	2020	2019	2021	2020	2019
	(\$ in Millions)					
Foreign currency swaps.....	\$ 1,787	\$ 1,484	\$ 1,361	\$ 63	\$ (36)	\$ 22
Currency forwards.....	\$ 0	\$ 0	\$ 0	\$ -	\$ 0	\$ 0
Credit default swaps	\$ 550	\$ 0	\$ 0	\$ (51)	\$ 0	\$ 0
Exchange traded futures ⁽¹⁾ ..	\$ 4,017	\$ 3,018	\$ 528			
Equity Index Options	\$ 247	\$ 95	\$ 64	\$ 6	\$ 2	\$ 2

- (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, 2021, December 31, 2020 and December 31, 2019, the policy loan balance was \$3.765 billion, \$3.810 billion and \$3.800 billion, respectively. All policy loans are at fixed interest rates. The interest rates range from 4.0% to 8.0%, with over 88% 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,		
	2021	2020	2019
	(\$ in Millions)		
Cash in banks	\$ (34)	\$ (56)	\$ (99)
Cash Equivalents:			
Repos and commercial paper.....	758	314	839
Total Cash and Cash Equivalents.....	724	258	740
Short-Term Investments:			
Money market funds and treasury bills.....	67	164	38
Totals	\$ 791	\$ 422	\$ 778

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, 2021, the AVR totaled \$1,444 million, which represents a 27.6% increase from December 31, 2020. As of December 31, 2020, the AVR totaled \$1,132 million, which represents a 5.7% increase from December 31, 2019. The AVR is currently at its maximum level of reserve as of December 31, 2021.

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 \$7,085 million as of December 31, 2021, \$7,202 million as of December 31, 2020 and \$7,059 million as of December 31, 2019.

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 from the mark to market on public equity holdings. The macro dynamic hedging program seeks to protect statutory capital from volatility resulting from changes in mark-to-market.

The hedging program is designed exclusively based on exchange traded derivatives such as equity index futures. While the dynamic hedging program continued to be active, Guardian had no hedged positions at December 31, 2021.

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. Currency hedges are accounted for under hedge accounting rules, unless significant changes in hedged assets or hedges make hedge accounting treatment tests not effective.

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, statutory capital volatility, issuer exposure and other relevant factors in making this determination. Guardian has used in the past cleared and uncleared credit default swaps to enter into replication transactions to achieve exposure to desired market segments. Guardian has used 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 two-way collateral arrangements with all its counterparties to manage counterparty risk.

Interest Rate Hedging Programs

Guardian partially hedges interest rate risk with derivatives in the GIAC GMWB rider hedging program (see above). In the course of asset/liability management Guardian or its affiliates may also use derivatives to manage interest rate risk. Guardian is using interest rate hedges and replications implemented with Treasury futures to manage

its interest rate risk exposures in its portfolios versus the respective benchmarks. 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 has also hedged the interest rate risk of liabilities associated with the issuance of FA-Backed Notes by using long treasury futures with the intent to offset such risk in such liabilities until the full accumulation of cash assets supporting the FA-Backed Note liabilities is completed. 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 has 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, CDX HY or CMBX to quickly gain exposure to a diversified portfolio of High Yield or CMBS bonds.

FA-Backed Notes Interest Rate Hedging

In 2021, Guardian acquired the assets to support the issuance of two Notes. In 2020, Guardian acquired the assets to support the issuance of five Notes. In 2019, Guardian acquired the assets to support the issuance of one Note issued by the Issuer. In 2018, Guardian acquired the assets to support the issuance of 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 some Note liabilities using Treasury futures.

Index Participation Rider Hedging

In 2021, 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 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 the date of this Offering Memorandum:

Name	Title	Since ⁽²⁾
John J. Brennan	Lead Director ⁽¹⁾⁽³⁾	2011
Lloyd E. Campbell	Director ⁽¹⁾	2006
Nancy E. Cooper	Director ⁽¹⁾	2012
Deborah L. Duncan	Director ⁽¹⁾	2006
William C. Freda	Director ⁽¹⁾	2014
Christopher T. Jenny	Director ⁽¹⁾	2017
Andrew J. McMahon	Director	2020
	Chief Executive Officer and President ⁽⁴⁾	2017
Eileen K. Murray	Director ⁽¹⁾	2020
Gary A. Norcross	Director ⁽¹⁾	2017
Karen B. Peetz	Director ⁽¹⁾	2019
Vivek Sankaran	Director ⁽¹⁾	2018
Dean Del Vecchio	Chief Information and Operations Officer	2013
Michael N. Ferik	Head of Individual Markets	2009
Jean LaTorre	Chief Investment Officer	2019
Kevin Molloy	Chief Financial Officer	2019
Stacey W. Hoin	Chief Human Resources Officer	2021
Christopher B. Smith	Head of Group Benefits	2019
Kermitt J. Brooks	Chief Legal Officer	2020

The address of each of the directors and executive officers listed above is The Guardian Life Insurance Company of America, 10 Hudson Yards, New York, New York, 10001. Guardian's main telephone number is (212) 919-8000.

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- (1) Independent non-employee director.
 - (2) First year of affiliation with Guardian.
 - (3) Mr. Brennan was appointed Lead Director, effective January 1, 2022.
 - (4) Mr. McMahon joined the Company in December 2017 as an Executive Vice President. He was named President in January 2020 and then appointed as Chief Executive Officer and President, effective October 1, 2020.

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 February 1, 2022).

John J. Brennan, age 67, is the former Chair and Chief Executive Officer of The Vanguard Group, from which he retired in December 2009. He is also a former Chair of FINRA. He is currently Chair Emeritus of The Vanguard Group and Chair of the Vanguard Charitable Endowment Program. He is Chair 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 64, 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.

Nancy E. Cooper, age 68, is the retired Executive Vice President and Chief Financial Officer 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 Board Chair of Brunswick Corporation, a Director of Aptiv PLC, and former Director of The Mosaic Company.

Deborah L. Duncan, age 66, is a member of the Board of Directors and former Executive Vice President and Chief Financial Officer of Fremont Group, L.L.C. Ms. Duncan is Director and Secretary, X2X Media Group and former Chair of the Board of Trustees of Smith College.

William C. Freda, age 69, is the retired Senior Partner and Vice Chair of Deloitte, former Chair 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 Chair of Hamilton Insurance Group, a Director of State Street Corporation, and a former Trustee at Bentley University. He is a former Director of DTTL, former Chair of American Institute of Certified Public Accountants' Mutual Life Insurance Task Force.

Christopher T. Jenny, age 66, is a former President and Senior Partner of The Parthenon Group and a former Partner of Bain & Company. Mr. Jenny is Chair and Chief Executive Officer of Jennus Innovation and is a Director of CBRE Group, Inc., Mobile Virtual Player and PLT4M. Mr. Jenny also serves on the board and is Vice Chair of the New England Baptist Hospital.

Andrew J. McMahon, age 54, has been Chief Executive Officer and President of Guardian since October 2020 and a Director of Guardian since September 2020, prior to which he was President of Guardian from January 2020 to October 2020, and Executive Vice President, Individual Markets, Enterprise Strategy and Customer Development, of Guardian from March 2019 to December 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. Mr. McMahon serves on the boards of the American Council of Life Insurers, the Partnership for New York City and Catalyst. He also sits on the Department of Financial Services State Insurance Advisory Board and serves as a Trustee of Fairfield University. Mr. McMahon is a former member of the Board of Alliance Bernstein, AXA Financial, The Phoenix Companies, Inc. and Nassau Re.

Eileen K. Murray, age 63, is the former Co-Chief Executive Officer of Bridgewater Associates, in which she served from 2014 until April 2020. She joined Bridgewater in 2009 and served in various leadership roles before being appointed Co-Chief Executive Officer. Prior to that, Ms. Murray served as Chief Executive Officer of Investment Risk Management LLC and Co-Chief Executive Officer, President and Partner of Duff Capital Advisors. Before joining Duff Capital, Ms. Murray held various leadership roles at Morgan Stanley from 1998 until 2002 and 2005 until 2007, including Head of Global Technology and Operations, and Management Committee member. From 2002 until 2005, Ms. Murray served as the Head of Global Technology, Operations and Product Control at Credit Suisse. Ms. Murray serves as Chair of the Financial Industry Regulatory Authority's Board of Governors. She also serves on the boards of HSBC Holdings plc, Compass, Atlas Crest Investment Corp. and the Irish Arts Center.

Gary A. Norcross, age 56, has been the Chief Executive Officer of FIS since 2015 and Chair of the Board since 2018. He previously also served as President from 2015 to 2021. Mr. Norcross 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 the YMCA of Florida's First Coast and the Knowledge is Power Program's (KIPP) Jacksonville Schools.

Karen B. Peetz, age 66, has been the Chief Administrative Officer of Citigroup Inc. since June 2020. She is also the retired President of The Bank of New York Mellon, where she served in that position from 2013 to 2016. Prior to her appointment as President, Ms. Peetz led The Bank of New York Mellon's Financial Markets and Treasury Services Group. Ms. Peetz is a Director of Trane Technologies plc, and the Global Lyme Alliance, and is a Trustee of Johns Hopkins University. Ms. Peetz is also the former Board Chair of United Way New York City (2020) and Pennsylvania State University. She is a former Senior Vice President of JPMorgan Chase.

Vivek Sankaran, age 59, has been the President and Chief Executive Officer of Albertsons Companies, Inc. since April 2019. Previously, he served as the Chief Executive Officer of Frito-Lay North America (“Frito-Lay”) from January 2019 to April 2019 and the President and Chief Operating Officer of Frito-Lay from 2016 to 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 National Retail Federation, Georgia Institute of Technology Advisory Board and the Safe Water Network and 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 (ages as of February 1, 2022) listed above.

Kermitt J. Brooks, age 57, has been the Chief Legal Officer of Guardian since May 2020. Prior to joining Guardian, Mr. Brooks was Senior Executive Managing Director and General Counsel of AXA Equitable Life Insurance Company overseeing all legal, regulatory, compliance and government affairs for the company. From 2010 to 2019, Mr. Brooks held several senior legal roles at AXA, including Deputy General Counsel, Associate General Counsel, and head of the Insurance Practice Group. Previously, Mr. Brooks served as an official at both the New York State Insurance Department and the New York State Office of the Attorney General. He currently serves as a director at the National Organization of Life and Health Guaranty Associations, the Association of Life Insurance Counsel and the Insurance Federation of New York, Inc.

Dean Del Vecchio, age 55, has been the Chief Information and Operations 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 49, has been the Head of Individual Markets of Guardian since January 2020, a position he previously held from 2014 to 2017. Previously, he had been the Executive Vice President and Chief Financial Officer of Guardian from 2017 to December 2019 and the Senior Vice President, Life Insurance and Wealth Management, of Guardian from 2009 to 2014. 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).

Stacey W. Hoin, age 61, has been the Chief Human Resources Officer of Guardian since March 2021. Prior to joining Guardian, Ms. Hoin spent more than 30 years at General Electric, where she held several leadership positions in both Human Resources and Law, most recently as the Chief of Human Resources at GE Capital since 2016.

Jean LaTorre, CFA, age 58, has been the Chief Investment Officer of Guardian since February 2020, prior to which she was an Executive Vice President of Guardian from December 2019 to January 2020. Prior to joining Guardian, Ms. LaTorre spent 28 years at Aetna, Inc., where she held several investment positions, most recently as Chief Investment Officer and Corporate Economist since 2008.

Kevin Molloy, age 51, has been the Chief Financial Officer of Guardian since January 2020. Previously, he served as the Chief Financial Officer, Individual Markets of Guardian from August 2019 to December 2019. Prior to joining Guardian, Mr. Molloy served in multiple roles at AXA Equitable and its affiliates from 1999 to 2019, including Chief Financial Officer of AXA Global Life; Senior Executive Director, Group Retirement; and most recently, Managing Director, Head of Investor Relations.

Christopher B. Smith, age 53, has been the Head of Group Benefits since July 2020. Previously, he served as Senior Vice President, Group Benefits from April 2020 to July 2020 and the Senior Vice President, Head of Enterprise Service and Operations at Guardian from September 2019 to April 2020. Prior to joining Guardian, Mr. Smith spent 25 years at MetLife where he served in multiple roles, including Executive Vice President and Head of Global Operations, Senior Vice President and Chief of Staff to MetLife’s Chair, President and Chief Executive Officer and Chair of the Board of the MetLife Foundation.

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.

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.

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