MOODY'S
INVESTORS SERVICE

CREDIT OPINION
3 May 2017

Update

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RATINGS

Guardian Life Insurance Company of America

Domicile	New York, New York, United States
Long Term Rating	Aa2
Type	Insurance Financial Strength
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Michael Fruchter 212-553-3871
VP-Sr Credit Officer
michael.fruchter@moodys.com

Nick Caruso 212-553-4589
Associate Analyst
nick.caruso@moodys.com

Scott Robinson 212-553-3746
Associate Managing Director
scott.robinson@moodys.com

Marc R. Pinto, CFA 212-553-4352
MD-Financial Institutions
marc.pinto@moodys.com

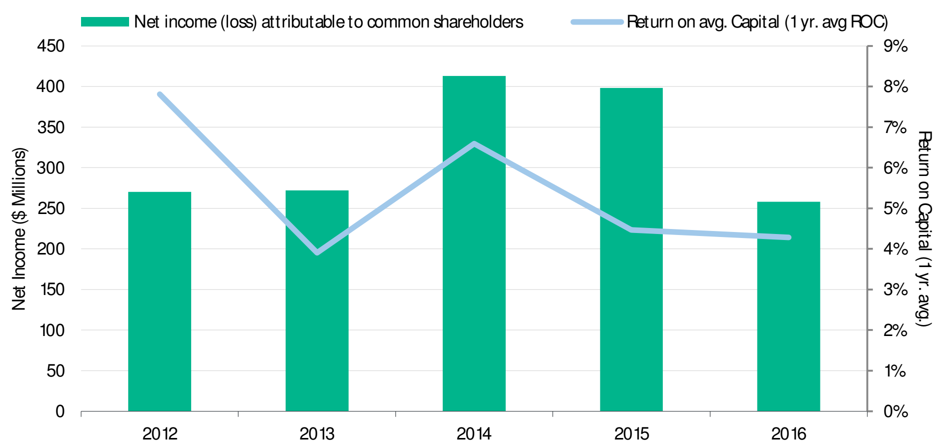
Guardian Life Insurance Company of America

Semiannual Update

Summary Rating Rationale

Moody's Aa2 insurance financial strength ratings of The Guardian Life Insurance Company of America (GLICOA) and its subsidiary, The Guardian Insurance & Annuity Company, Inc. (GIAC), (collectively "Guardian") reflect Guardian's strong business profile, which is supported by its stable block of individual life insurance business and career-agent distribution, as well as the company's modest exposure to higher risk assets. The Aa2 IFS rating also reflects the company's low asset/liability management and liquidity risk, which stems from the primarily non-interest sensitive nature of its liability mix.

Exhibit 1
Net Income and Return on Average Capital



Source: Moody's Investor Service and Company Filings

In addition, the company's modest financial leverage, excellent capitalization (NAIC company action level (CAL) Risk Based Capital ratio (RBC ratio) of 552% as of December 31, 2016), and consistent earnings in its group non-medical business all contribute to Guardian's strong credit profile. A key factor in Guardian's credit profile is its strong regulatory capital position, even under investment stress scenarios. In addition, Guardian's credit profile benefits from a

THIS REPORT WAS REPUBLISHED ON 15 MAY 2017 WITH UPDATED PROFITABILITY AND FINANCIAL FLEXIBILITY SCORECARD METRICS high degree of financial flexibility through its participating policyholder dividend mechanism on its large block of whole life insurance policies.

The company's strengths are tempered by Guardian's modest profitability and its exposure to some less creditworthy products (especially relative to its participating whole life), including individual and group disability, which could produce earnings volatility.

On 24 January 2017, Guardian completed a $350 million private offering of 60-year fixed rate surplus notes (bearing interest at 4.850%) for general corporate purposes. Leverage metrics, while higher after the issuance, still remain strong. The company also recently announced that it will no longer sell proprietary variable annuities with living benefit guarantees.

Credit Strengths

» Stable and profitable in-force block of core individual life insurance with excellent persistency;

» Productive career agency field force continues to produce increasing individual life sales;

» Product mix presents relatively little asset/liability management and liquidity risk;

» Good financial flexibility due to participating dividend mechanism and modest financial leverage;

» Diversified group product offerings

Credit Challenges

» Lower-margined fee-based investment products subject the company to equity market volatility in its earnings;

» Exposure to real estate limited partnerships that is above the industry average, but in line with mutual peers;

» Exposure to the individual disability business, which creates potential earnings volatility.

Rating Outlook

The rating outlook is stable.

What to watch for:

» Ability to maintain consistent level of group benefit sales in highly competitive environment;

» Agent count and retention rates;

» Growth of ancillary businesses relative to par whole life.

Factors that Could Lead to an Upgrade

» Maintains a consistent return on capital (ROC) above 8%, without increasing the risk profile of its liabilities;

» Materially increases its participating whole life insurance business relative to its other businesses;

» Increases its market share in its core businesses

Factors that Could Lead to a Downgrade

» RBC ratio of less than 375% (company action level);

» High risk assets above 100% of statutory capital;

» ROC consistently below 4%;

» Total leverage of 25% or more; or earnings coverage consistently below 8x

Key Indicators

Exhibit 2

Guardian Life Insurance Company of America[1][2]	2016	2015	2014	2013	2012
As Reported (U.S. Dollar Millions)					
Total Assets	72,248	67,486	64,429	59,924	52,726
Total Shareholders' Equity	6,172	6,090	5,692	5,012	4,752
Net income (loss) attributable to common shareholders'	258	398	413	272	270
Total Revenue	12,033	12,228	11,707	13,168	10,936
Moody's Adjusted Ratios					
High Risk Assets % Shareholders' Equity	86.3%	85.7%	89.3%	86.8%	94.8%
Goodwill & Intangibles % Shareholders' Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Shareholders' Equity % Total Assets	8.8%	9.1%	8.9%	8.9%	9.2%
Return on avg. Capital (1 yr. avg ROC)	4.3%	4.5%	6.6%	3.9%	7.8%
Sharpe Ratio of ROC (5 yr. avg)	318.0%	349.7%	393.3%	NA	NA
Financial Leverage	17.0%	15.1%	15.3%	8.9%	12.5%
Total Leverage	19.5%	17.8%	18.1%	10.5%	14.2%
Earnings Coverage (1 yr.)	8.9x	8.6x	12.5x	10.7x	17.4x
Cash Flow Coverage (1 yr.)	NA	NA	NA	NA	NA

[1] Information based on SAP financial statements as of Fiscal YE December 31

[2] Certain items may have been relabeled and/or reclassified for global consistency

Source: Moody's Investor Service and Company Filings

Notching Considerations

The spread between Guardian's Aa2 IFS rating and A1 surplus notes ratings is two notches, consistent with Moody's typical notching spread for U.S. insurance operating companies.

Detailed Rating Considerations

Moody's rates Guardian Aa2 for insurance financial strength, which is in line with the adjusted rating indicated by Moody's insurance financial strength scorecard.

MARKET POSITION AND BRAND: Aa - STRONG MARKET POSITION IN WHOLE LIFE

Guardian enjoys strong market position, reflected in its A unadjusted raw score for this factor. While Guardian is a top 5 player in the whole life insurance industry, the company is much smaller than its other top-tier competitors from an earnings, revenue, and capital perspective. Guardian is also a strong competitor in the small-case group benefits market, particularly in dental, where it holds a top 5 position. The acquisitions of Premier Access Insurance Company (unrated) and Avesis Incorporated (unrated) further strengthened Guardian's presence in group non-medical insurance. The acquisition of STX Healthcare Management Services (unrated), a dental services organization, in August 2016, increased Guardian's directly-managed dental care centers portfolio.

Even though Guardian scores in the A range based on its relative market share ratio, we have adjusted this factor upward to Aa because of its strong market position in participating whole life insurance in the high net worth segment as well as its top tier position in group dental.

DISTRIBUTION: Aa - WELL POSITIONED AND PRODUCTIVE, BUT DECLINING, CAPTIVE AGENCY FORCE

Guardian's unadjusted scorecard score of A is influenced by Guardian's relative lack of diversity, which we believe is effectively offset by the company's well positioned and productive captive agency force--Guardian's primary arm for distributing its life insurance products.

The career agent system consisted of 2,781 active agents as of year-end 2016; however it is down from over 3,200 a few years ago. The tied nature of this distribution channel has contributed to the company's consistently strong life insurance agent productivity rate, and we believe that this distribution force is one of Guardian's key strengths. Average agent four-year retention, at around 24%, though lower than in the past, is still much higher than the industry average. Because Guardian's distribution is well aligned by product type and cost and promotes excellent persistency, we have adjusted the score up to Aa from A.

PRODUCT FOCUS AND DIVERSIFICATION: Aa – FOCUS ON LOW RISK PRODUCTS

Guardian's main lines of business are individual life, and health, the latter of which includes dental and other supplemental products. Its product diversification places the company in the Baa range for this sub-factor. The company also has meaningful exposure to group life, disability, individual disability income products, and individual annuity products. The product risk profile is excellent, Aaa on an unadjusted basis, and supported by the company's large block of participating whole life insurance reserves (74% of total reserves), one of the lowest risk products sold by life insurance firms. We view Guardian's individual disability and annuity businesses as incrementally adding to risk relative to the par whole life business; however, a large part of the group business is dental which we view as lower risk. Moody's views the product risk of the company's variable annuity sales as modest, as most contain minimal guarantees, and these are largely reinsured or hedged. Additionally, in January 2017, Guardian announced it would discontinue offering proprietary variable annuities with living benefit riders on or before March 31, 2017. Overall, we have left this factor consistent with the unadjusted scorecard result of Aa.

ASSET QUALITY: Aa - GOOD ASSET QUALITY AND STRONG CAPITAL POSITION MAINTAINED UNDER INVESTMENT STRESS

The exposure of Guardian's investment portfolio to high risk assets (primarily driven by below investment grade bonds, equities and alternative investments) was approximately 86.3% as of year-end 2016, modestly up from 85.7% as of year-end 2015. The ratio is consistent with Moody's expectation for A-rated companies. On a statutory reporting basis, Guardian's below-investment grade bonds accounted for 6.1% of total bonds as of year-end 2016. Guardian has been reducing its unaffiliated public equity exposure, which as of December 31, 2016 represents less than 1% of total invested assets. However, Guardian's exposure to below investment grade corporate bonds and real estate limited partnerships is above the industry average, but in line with some of its mutual peers. Despite this exposure, we believe that much of the risk from these higher risk investments is mitigated by the company's strong capital position and by the participating nature of a large part of Guardian's product liabilities, where policyholder returns are adjusted in line with the company's overall investment results. In addition, Guardian's exposure to commercial mortgage loans, real estate equity and real estate limited partnerships could expose the company to investment losses under a stress scenario for the real estate environment.

The company had zero goodwill and other intangibles on the balance sheet, which is typical under US statutory accounting. Total other-than-temporary-impairments (OTTI) were $46 million in 2016, none of which were attributable to credit impairments. OTTI were $188 million in 2015, of which, $31 million were from credit impairments. Given Guardian's ability to share investment losses with policyholders and the relatively low level of investment losses relative to equity under an investment stress scenario, we have adjusted the scorecard result up to Aa from A.

CAPITAL ADEQUACY: Aaa - CONSISTENT AND EXCELLENT CAPITALIZATION

Guardian's statutory equity to total assets metric was very strong at 8.8% as of year-end 2016, and in line with the expectations for Aa-rated companies. This view is reinforced by Guardian's RBC ratio of 552% (company action level) as of year-end 2016, which benefited from the inclusion of $450 million of surplus notes issued in 2014, and will benefit from the $350 million of surplus notes issued in January 2017 going forward. Given the company's conservative balance sheet management practices, its relatively low volatility investment portfolio, no reliance on captives, and the flexibility embedded in managing policyholder dividends for its participating life insurance business, we expect the company's capitalization to remain exceptional and consistent with Aaa expectations. As a result, we have adjusted the scorecard result up to Aaa from Aa.

PROFITABILITY: A - MODEST BUT VERY STABLE PROFITABILITY

Guardian's earnings have historically been and are expected to remain modest in the near to intermediate term. The 5-year average statutory ROC of 5.4% for 2012-2016 was in line with A-rated companies. ROC of 4.3% for calendar year 2016 was modestly lower compared to 4.5% reported for calendar year 2015, due to an increase in adjusted capital, mostly offset by a modest improvement in earnings related to increased net realized capital gains. For 2016, Guardian reported statutory pre-tax operating income of $628 million, compared to $604 million in the prior year-end. Guardian's large block of participating life policies affords the company significant flexibility to adjust its policyholder dividends, which can reduce volatility in earnings. In addition, the company's very strong capitalization depresses reported return on capital measures, making it difficult for Guardian to achieve an ROC profitability metric consistent with the company's rating.

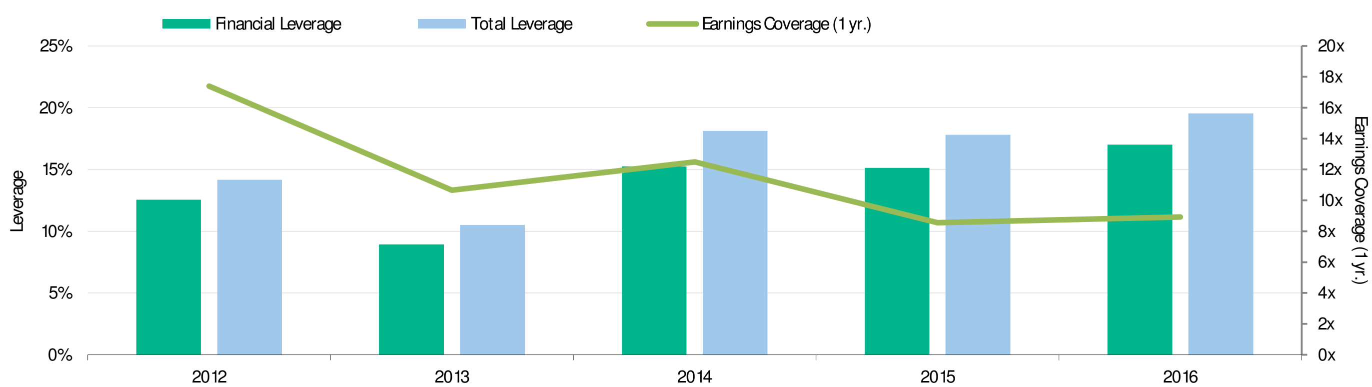
Under a stress scenario, Moody's believes that high sustained unemployment levels might pressure the disability segment. Guardian's profitability could also be pressured by increased claim costs in the individual disability business, although loss ratios have historically averaged in the 50%-60% range. However, given the restraint on profitability due to the company's high capital level and the expectation of limited volatility, we have maintained the adjusted score the same as the unadjusted score of A.

LIQUIDITY AND ASSET/LIABILITY MANAGEMENT (ALM): Aaa - ROBUST LIQUID ASSETS WITH STABLE LIABILITY PROFILE

The unadjusted and adjusted score on this factor is Aaa because Guardian has extremely low asset/liability management and liquidity risk as a result of the non-interest sensitive nature of its liability mix, dominated by participating whole life insurance reserves. This allows the company to maintain a more flexible investment posture than if it had sold shorter duration interest-sensitive products. Guardian's other major liabilities include dental and disability coverage, which also have modest liquidity demands. The company recently entered the funding agreement and institutional market that is subject to greater liquidity and ALM risk and can result in material cash flow planning challenges. As of year-end 2016, the company had $800 million of funding agreements outstanding, making it a modest exposure. Also supporting its ALM profile, we note that compared to many of its peers, Guardian's products have minimal optionality and the company's variable annuity business has modest exposure to secondary guarantees. This combination makes liquidity and asset liability management less problematic for Guardian.

FINANCIAL FLEXIBILITY: Aa - STRONG FINANCIAL POSITION DESPITE LACK OF ACCESS TO THE PUBLIC EQUITY MARKETS

Exhibit 3
Financial Flexibility



Source: Moody's Investor Service and Company Filings

Guardian's adjusted financial leverage and total financial leverage stood at 17.0% and 19.5%, respectively, at year-end 2016, in the Aa range. We expect Guardian's leverage metrics to increase modestly in 2017 following the company's $350 million private offering of fixed rate surplus notes on 24 January 2017. Guardian's 5-year earnings coverage metric was also solid at 11.6x, in line with a Aa sub factor score. As a mutual company, Guardian's lack of access to the public equity markets limits its financial flexibility compared to its large public counterparts. We have therefore maintained the adjusted score at the Aa range.

Liquidity Analysis

Guardian had two surplus note issuances (bearing interest at 7.375% and 4.875%) of $396 million and $449 million as of year-end 2016, which do not mature until 2039 and 2064, respectively. On 24 January 2017, Guardian completed a $350 million private offering of fixed rate surplus notes (bearing interest at 4.850%) due 2077. The company has ample cash and liquid resources to meet annual interest payments on the notes of around $68 million. Additionally, Guardian has an unused $75 million bank line of credit available.

Rating Methodology and Scorecard Factors

Exhibit 4

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adjusted Score
Business Profile								A	Aa
Market Position and Brand (15%)								A	Aa
- Relative Market Share Ratio			X						
Distribution (10%)								A	Aa
- Distribution Control		X							
- Diversity of Distribution			X						
Product Focus and Diversification (10%)								Aa	Aa
- Product Risk	X								
- Life Insurance Product Diversification				X					
Financial Profile								Aa	Aa
Asset Quality (10%)								A	Aa
- High Risk Assets % Shareholders' Equity			86.3%						
- Goodwill & Intangibles % Shareholders' Equity	0.0%								
Capital Adequacy (15%)								Aa	Aaa
- Shareholders' Equity % Total Assets		8.8%							
Profitability (15%)								A	A
- Return on Capital (5 yr. avg)			5.4%						
- Sharpe Ratio of ROC (5 yr. avg)		318.0%							
Liquidity and Asset/Liability Management (10%)								Aaa	Aaa
- Liquid Assets % Liquid Liabilities	X								
Financial Flexibility (15%)								Aa	Aa
- Financial Leverage		17.0%							
- Total Leverage		19.5%							
- Earnings Coverage (5 yr. avg)		11.6x							
- Cash Flow Coverage (5 yr. avg)									
Operating Environment								Aaa - A	Aaa - A
Aggregate Profile								Aa3	Aa2

[1] Information based on SAP financial statements as of Fiscal YE December 31

[2] The Scorecard rating is an important component of the company's published rating, reflecting the stand-alone financial strength before other considerations (discussed above) are incorporated into the analysis

Source: Moody's Investors Service and Company Filings

Ratings

Exhibit 5

Category	Moody's Rating
GUARDIAN LIFE INSURANCE COMPANY OF AMERICA	
Rating Outlook	STA
Insurance Financial Strength	Aa2
Surplus Notes	A1 (hyb)
GUARDIAN INSURANCE & ANNUITY COMPANY, INC.	
Rating Outlook	STA
Insurance Financial Strength	Aa2

Source: Moody's Investors Service

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