



GUARDIANSM

***Should I Buy the Illustration
or the Company?***

***10 Reasons To Buy
Guardian Participating Whole Life***

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Should I Buy the Illustration or the Company?

When you and a competing company are vying for the same sale, very often it becomes an illustration war. You each try to out-illustrate the other, and the client is incorrectly sold on the idea that the company illustrating the highest numbers is the “best”.

New business illustrations do not predict the future, and are guaranteed to be different than actual results. They are not an indication of product quality or, more importantly, the quality and strength of a company. Instead, they are simply hypothetical numbers that show what could happen 10, 20 or 30 years down the road that have no bearing on the value you and the Guardian offer to your clients.

A sales proposal should be used as a tool to help educate clients about their insurance purchase, not determine overall quality or long-term performance. For that, you need more information about the products you sell and the company that backs them, including how that company actually treated its policyowners in the past, which is the best indicator of what they are likely to do in the future relative to other companies. That information is provided for you here in these compelling reasons why your clients should buy Guardian Whole Life insurance.

Ten Reasons to Buy Guardian Whole Life

1. Excellent Long-Term Value

Because Whole Life insurance is purchased for long-term needs, Guardian believes in looking beyond a few short years when providing policyowners with the best possible value for their insurance dollar. Many companies use new business illustrations to demonstrate value.

Unfortunately, the only thing certain about a new business illustration is that it does not reflect what will actually happen in the future. As the non-guaranteed elements of a Whole Life policy change, so will the policy values as compared to the original illustration. The sales illustration is nothing more than a snapshot of policy values at a given point in time. A Whole Life purchase is not a single-year or even a multi-year decision – it is a multi-decade decision.

More importantly, no company can earn significantly more than another for long periods of time, as every company in the industry is subject to the same economic and environmental factors. Therefore, over the long-term, actual investment earnings among companies before dividends are declared will not differ greatly. If a competing sales illustration is based on a much higher current dividend interest rate than other companies, keep in mind that this competitor is surely investing new money today at a substantially lower rate. The result will be a reduced dividend interest rate in the future.

To illustrate the impact of this point, if you are competing against a sales proposal with a much higher current dividend interest rate, reduce the dividend interest component of both companies' new business illustrations, grading down to a common long-term interest rate. Here is an example showing Guardian and 3 peer companies based on a common dividend interest rate of 6.4% in policy year 20.

\$250,000						
Male age 45, Best Class, 6.4% Dividend Interest Rate						
Company	Product	Premium	Year 20 Net Cash Value	IRR	Year 20 Net Death Benefit	IRR
Guardian	Whole Life 100	\$4,591	\$136,039	3.61	\$314,335	10.68
Mass Mutual	Whole Life	\$4,465	\$123,592	3.00	\$303,872	10.63
New York Life	Whole Life	\$4,778	\$132,956	3.05	\$312,013	10.29
Northwestern	Adjustable CompLife	\$5,815	\$170,293	3.50	\$373,669	10.16

Source: Guardian's new business illustration software and individual illustrations from Mass Mutual, New York Life and Northwestern.

Guardian competes very favorably under this scenario, showing that our underlying participating whole life product is sound.

A more revealing indication of long-term value in a participating Whole Life policy is its historical performance over an extended period of time, taking into account actual dividends paid to policyowners. This is best reflected in the 20-year interest adjusted net surrender cost index (currently compiled by Blease Research in their Full Disclosure survey). Guardian consistently has ranked among the lowest net cost policies year after year, and continues this strong historical performance in these most recent results.

**20-Year Surrender Cost Index for \$250,000 Policy Issued in 1983
To A Male, Age 45, Preferred Non-smoker.
*The lower the cost, the better the buy.***

Company	Surrender Cost Index*	Cost of Policy at 5% Interest**	Competitor's Additional Cost	Percent Of Policies***
Guardian	\$ 0.97	\$ 8,419	-----	59.0%
Manulife Financial	2.60	22,567	\$ 14,148	47.0%
Mass Mutual	1.53	13,280	4,861	57.7%
Met Life	3.32	28,817	20,397	67.0%
Mutual Trust Life	4.09	35,500	27,081	32.0%
National Life	2.45	21,265	12,846	20.9%
New York Life	2.15	18,661	10,242	100.0%
Northwestern Mutual	0.81	7,031	(1,389)	22.0%
Penn Mutual	3.61	31,334	22,915	37.0%
Sun Life	9.56	82,978	74,559	37.0%

* From Full Disclosure. The Full Disclosure competitive software is available to you, free of charge, from the software download on Guardian Online and on the Guardian CD software pack.

** Assumes that any update to Direct Recognition maintained face amount at \$250,000.

*** Percent of Total Whole Life policies issued in 1983 on which the Surrender Index is based.

Said another way, if a policy was purchased in 1983 from each of these companies and surrendered in the 20th policy year, the actual relative cost of these policies range dramatically. And the quality of Guardian is clear. We exceed Northwestern Mutual's indexed cost by only \$1,389 and beat all other competitors by amounts ranging from \$4,861 to \$74,559. These indexed amounts build in an assumption that money spent on life insurance premiums could have been invested elsewhere at a 5% after-tax rate of return.

The bottom line is that Guardian has a strong history of providing excellent long-term value to its Whole Life policyowners and is dedicated to continuing that strategy long into the future.

2. Fair Allocation of Dividends

In periods of declining interest rates, the dividends declared by an insurance company can drop dramatically in any given year. Guardian makes special efforts to eliminate temporary dips in dividend payments and slows the decline of base policy dividends paid on inforce Whole Life policies through the unique provisions of *substitution* and *pegging*.

Substitution is applied to policies in force up to three years, receiving their first and second dividends. If the dividend used to illustrate the policy at issue is greater than what the current dividend formula produces, then Guardian will "substitute" the illustrated base policy dividend for the amount based on the current scale. For example, for a policy issued in 2002 based on the 2002 dividend scale, in 2004 that policy will earn at least what was originally illustrated, even if the 2004 dividend scale is lower.

Pegging is a series of dividend calculations that applies to policies in force more than three years. It works to smooth the difference between what was paid in the prior policy year and what the current base policy formula dividend would pay, helping to reduce the dollar impact of a dividend interest rate decline. Here's how the concept works:

The Benefits of Pegging

(1) Dividend paid in 2002	\$10.00
(2) Dividend that would have been paid in 2003 if the 2002 scale was continued in 2003	\$10.50
(3) 2003 dividend before pegging	\$ 9.00
(4) Dividend based on application of Pegging formulas	\$ 9.75
Benefits of Pegging = (4) – (3)	\$.75

While these methods are not widely used in the industry, they have been a long-time practice at Guardian that benefits our long-term inforce policyowners.

In addition, because a company's cost of doing business will have a direct impact on the amount of dividends paid to policyowners, Guardian takes proactive steps to keep expenses in control. In 2003 alone, an amount equal to \$44 million of permanent cost savings was added to our total dividend payout. This is equivalent to approximately 35 basis points of dividend interest.

3. Strong Guarantees

Guardian believes in the security of guarantees – and in the mission of providing the best possible guarantees to its customers within the framework of a well-run, financially sound insurance company. Along with the guaranteed premium and death benefits of our Whole Life policies, Guardian's *guaranteed cash values* per \$1,000 of insurance coverage are outstanding, as evidenced below. This helps set Guardian and you apart from the competition, and can be reassuring to your clients during turbulent and uncertain economic times.

Internal Rate of Return on Guaranteed Cash Values Male, Age 40, \$250,000, Best Class

Company	Policy	Guaranteed CV IRR Year 30
Guardian	Whole Life 100/1000	1.25% (2)
Equitable Life	Equitable Whole Life	0.63% (7)
Manulife Financial	Premier Whole Life	0.43% (9)
Mass Mutual	Whole Life 9900	1.26% (1)
Met Life	L-98	0.95% (4)
Northwestern Mutual	Select 100	0.65% (6)
New York Life	AD 101 Whole life	1.03% (3)

Source: Full Disclosure Whole Life Survey, Blease Resource, 2003

4. Access to Policy Values

We know that people purchase Whole Life insurance for more than just the death benefit protection. As cash values accumulate, a policy becomes a valuable source of funds for living needs like retirement income or education funding. Guardian's liberal policy loan provisions make these values easily accessible, especially in the later policy years when your clients may need them most.

Contractually, for new issues, loan rates are guaranteed to decrease from 8% to 5% at the later of 20 years or age 65. Also, Guardian's current loan spreads (the difference between the interest rate charged on the loan and the dividend credited on the loaned amount) decrease to a very low **10 basis points** at policy year 21 and attained age 60. These favorable loan spreads were extended to all inforce policies, as well as new business. The chart on the next page provides more details:

Policy Loan Interest and Crediting Rates

<i>Policy Year</i>	<i>Age at Start of Year</i>	<i>Policy Loan Interest Rate</i>	<i>Dividend Crediting Rate on Loaned Amount</i>	<i>Loan Spread</i>
20	55	8%	7.0%	1.00%
21	56	8%	7.5%	0.50%
25	60	8%	7.9%	0.10%
30	66	5%	4.9%	0.10%

Note: The total cost of borrowing must also take into consideration the difference in the dividend credited on unloaned and loaned amounts in an individual policy.

Many of our competitors maintain higher loan spreads, even in the later years, making Guardian’s loan provisions a major advantage to clients looking to maximize use of Whole Life cash values.

5. Strong Disability Protection

Guardian believes in disability protection and understands what it takes to build comprehensive coverage at a reasonable price. You’ve come to expect it in our industry-leading individual disability policies offered through Berkshire Life. What you may not realize is that Guardian’s Waiver of Premium on our Whole Life policies is also among the best. First of all, the rider cost is very competitive. But, more importantly, the liberal five-year “Own Occupation” definition of disability is far better than the industry standard – and better than our key competitors.

6. Ground-Breaking Living Benefits

One of the more recent additions to our Whole Life portfolio is the Enhanced Accelerated Benefits Rider. While “accelerated benefits” are nothing new, this revolutionary provision provides access to a large portion of death benefits in the event of *chronic illness*, as well as terminal illness. Add to this the fact that there is *no premium charge* for EABR, and you have a feature that can give you an incredible competitive advantage.

7. Mutuality

Guardian is committed to remaining a mutual insurance company, which is a distinct advantage in the performance of participating Whole Life policies. Unlike stock companies, mutual companies do not have to provide for their shareholders before determining what is available to pay policyowners through dividends. With a mutual company like Guardian, the policyowner always comes first.

While purchasing participating Whole Life from a mutual company is a big plus, buying Whole Life coverage from a mutual company licensed and, even better, domiciled in New York State is more advantageous. New York has strong laws and regulations requiring that policy dividends be distributed in a fair and equitable manner. This means that, when it comes to dividend payments, a New York company must treat new and old policies in a similar way.

8. Policy Flexibility

We appreciate that financial needs change, and that clients should have the tools available when purchasing Whole Life to provide for those changing needs in the future. And they do . . . with the extensive selection of riders available on Guardian Whole Life plans. When looked at in total, Guardian's Whole Life riders offer the most comprehensive and creative package in the industry, allowing opportunities to increase coverage, lower cost and provide for unique "living" benefits. This rider package should not be overlooked as a differentiator when working with new or existing clients.

9. Fair Pricing

The performance of Guardian's Whole Life policies does not require payment of large scheduled premiums each year. Instead, our premiums per \$1,000 of insurance coverage are modest and fair, helping to make top quality Whole Life insurance protection affordable and attractive to many of your clients.

10. Broad-Based Product Portfolio

Because Guardian sells more than individual life insurance, earnings from other lines of business help build our statutory surplus and support the overall financial strength of the Guardian enterprise. Ultimately, this can result in stronger earnings and higher dividends paid to our participating life insurance policyowners.

Overall, these "ten reasons" reinforce Guardian's commitment to building the best possible Whole Life product to meet the needs of your clients and you. The company continues to be a strong, customer-focused mutual life insurance company, operating with a mission of providing excellent long-term value and performance to each and every customer. As a Guardian associate, you are well positioned to compete – and succeed – in your markets through a comprehensive life insurance portfolio.