



Date: November 16, 2011
To: All Field Associates
From: Michael Ferik
Senior Vice President, Individual Life
Re: 2012 Individual Life Dividend Scale

We are pleased to let you know that Guardian's Board of Directors recently approved a \$795 million dividend allocation to its individual life policyholders in 2012. This allocation is the highest in our Company history. The Dividend Interest Rate, which is the investment component of the dividend, will be 6.95% in 2012.

Dividends are one of the most important ways that Guardian, as a mutual company, provides value to its participating life insurance policyholders. Guardian has consistently provided its participating policyholders with strong dividend performance over our 150+ year history through our long-term investment management focus, sound underwriting, and prudent expense management.

Guardian's long-term investment strategy is aimed at optimizing policyholder value while protecting Guardian's financial strength and ratings. We have an experienced team of investment professionals who actively oversee our well-diversified portfolio, which has high credit quality and ample liquidity, and which has been designed to manage investment risk.

Accompanying this memo are two attachments that should interest you:

- Attachment A compares sample policy values based on the 2011 and 2012 Dividend Scales
- Attachment B shows the interest paid items for 2012.

The 2012 Dividend Scale will be included in the new version of the Illustration System and will be available on November 17, 2011. The illustrations are compliant with the NAIC Life Insurance Model Regulation and have been developed with fully allocated expenses.

Additionally, information describing how Guardian calculates dividends will be provided this December by Jess Geller, FSA, Vice President and Actuary. This document will provide details on Direct Recognition, the Contribution Principle, Dividend Pegging and Substitution, as well as how policy loans affect dividends.

Guardian remains committed to providing our policyholders with a strong performing whole life policy while maintaining exceptional financial strength. We are particularly pleased to have delivered on these commitments in spite of continuing challenging economic conditions.

Thank you for your continued support. We look forward to your ongoing partnership in 2012. Please accept my best wishes for the holiday season and for a happy and prosperous New Year.

Attachment A

2012 Versus 2011 Dividend Scale

**Whole Life Paid-Up at Age 99
\$500,000 Face Amount, Male, Preferred Plus NT (Best Class)**

**Cash Values Year 20
With Full Pay**

**Death Benefits Year 20
With Full Pay**

Age	Premium	2012 Scale	2011 Scale	% Change	2012 Scale	2011 Scale	% Change
35	\$ 6,165	\$ 189,240	\$ 188,907	0.18%	\$ 653,125	\$ 652,413	0.11%
45	\$ 9,450	\$ 279,568	\$ 278,775	0.28%	\$ 688,463	\$ 687,112	0.20%
55	\$ 15,300	\$ 428,272	\$ 426,600	0.39%	\$ 777,548	\$ 775,227	0.30%
65	\$ 26,290	\$ 694,732	\$ 691,587	0.45%	\$ 977,732	\$ 973,982	0.39%

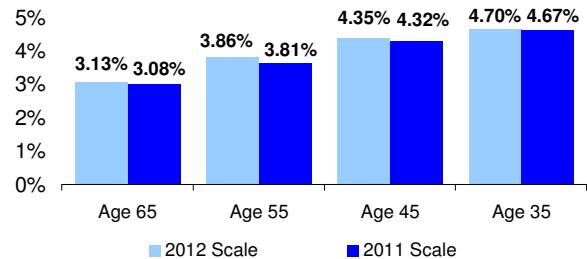
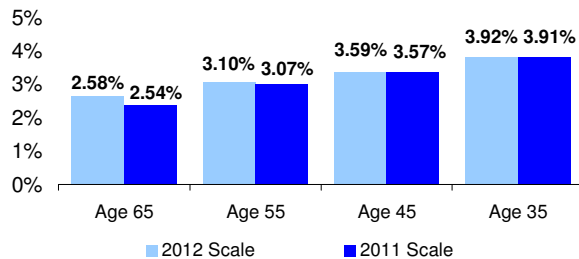
**Cash Values Year 30
With Full Pay**

**Death Benefits Year 30
With Full Pay**

Age	Premium	2012 Scale	2011 Scale	% Change	2012 Scale	2011 Scale	% Change
35	\$ 6,165	\$ 407,306	\$ 405,283	0.50%	\$ 852,192	\$ 848,660	0.42%
45	\$ 9,450	\$ 586,460	\$ 582,870	0.62%	\$ 940,627	\$ 935,579	0.54%
55	\$ 15,300	\$ 869,983	\$ 863,716	0.73%	\$ 1,132,845	\$ 1,125,330	0.67%
65	\$ 26,290	\$ 1,317,497	\$ 1,307,051	0.80%	\$ 1,515,603	\$ 1,504,105	0.76%

**IRR on 20th Year Cash Values
Full Pay**

**IRR on 30th Year Cash Values
Full Pay**



NOTES:

Cash Values and Death Benefits are based on Option D (Dividend to Purchase Paid-Up Additions) and Full Pay.

These illustration excerpts are for agent information and educational purposes only. They are *not approved* for dissemination to prospects or clients.

Attachment B

Interest Paid Items

Guardian's Board of Directors has approved the following interest rates for various funds:

<u>Fund</u>	<u>2012 Rate</u>	<u>2011 Rate</u>
Dividends left to accumulate	4.75%	4.75%
Premiums Paid in Advance – First 10 policy years	2.25%	3.00%
Next 5 policy years	1.75%	2.50%
Remaining 15 years	1.25%	2.00%
Modified Settlement Option Rates	4.25%	4.25%
Optional settlements not involving a life income unless the contract mandates a higher rate.	1.50%	1.50%
Interest on death claims, when necessary	1.50%*	1.50%

*Unless state mandated at a higher rate

Pegging and Substitution

Guardian's Board of Directors also agreed to continue our current Pegging and Substitution practice. Beginning with the non-loaned basic dividend paid at the end of policy year four, Guardian currently employs a strategy called Pegging. Pegging allows for a smoother transition from year to year in a declining dividend scale environment. Pegging does not guarantee that the dividend will increase from year to year, but does "soften" the decline in the dividend that would otherwise occur if only the dividend formula was used.

Substitution is the practice of paying the originally illustrated dividend scale on basic coverage for policies (excluding riders and additions) with policy dates in 2009 or 2010, if the scale is greater than the 2012 formula dividend.

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