NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

CONDITION:	DECEMBER 31, 2018
DATE OF REPORT:	JUNE 12, 2020

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EXAMINER:	JAMES A. RIDDICK, CFE

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Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

June 12, 2020

The Honorable Linda A. Lacewell
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31950, dated May 20, 2019, and annexed hereto, an examination has been made into the condition and affairs of The Guardian Life Insurance Company of America, hereinafter referred to as "the Company," at its home office located at 10 Hudson Yards, New York, NY 10001.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material comment contained in this report is summarized below.

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. (See item 7 of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC's") *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2014, to December 31, 2018. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2018, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was led by the State of New York with participation from the states of Arizona, California, Delaware, Illinois, Michigan, Missouri, New Jersey, Ohio, Texas, and Utah. Since the lead and participating states are all accredited by the NAIC, all states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational

- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2014 through 2018, by the accounting firm of PricewaterhouseCoopers, LLC (“PwC”). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department and a separate internal control department, commonly known as the MAR Group, which was given the task of assessing the internal control structure. The MAR Group is part of the Company’s finance department.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendations contained in the prior report on examination. The results of the examiner’s review are contained in item 7 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or matters which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of the State of New York on April 10, 1860, was licensed on July 10, 1860, and commenced business on July 16, 1860, under the name The Germania Life Insurance Company. In 1918, the Company adopted its present name; and in 1924, the Company adopted a plan to convert to a mutual company. Effective January 1, 1946, the Company adopted and amended its charter and by-laws and became a mutual company.

On July 1, 2001, the Company consummated a statutory merger with Berkshire Life Insurance Company ("BLIC"), a Massachusetts mutual insurer, with the Company being the surviving entity and the policyowners of BLIC becoming the Company's policyowners. The statutory merger was approved by New York and Massachusetts insurance regulators. Healthsource Insurance Company, a then existing subsidiary of BLIC, was renamed Berkshire Life Insurance Company of America ("BLICOA"). Pursuant to a reinsurance treaty effected between BLICOA and the Company, BLICOA reinsured 100% of BLIC's and the Company's existing disability income business. Effective July 1, 2001, all new disability income business is written by BLICOA.

On October 6, 2009, the Company issued 30-year surplus notes with an aggregate principal amount of $400 million, bearing an interest rate of 7.375% and a maturity date of September 30, 2039. The surplus notes are administered by The Bank of New York Mellon, as fiscal agent, and interest is scheduled to be paid semiannually on March 31 and September 30 of each year.

On December 31, 2012, the Company acquired 100% of Reed Group, Ltd. ("Reed"), a company that provides medical leave and disability management services, to expands its disability and absence management portfolio.

On April 5, 2014, the Company acquired Premier Access Insurance Company ("Premier"). Premier manages and provides dental coverage and care to employers and individuals. The acquisition strengthened the Company's existing Dental Preferred Provider Organization and Dental Health Maintenance Organization networks in several states including California, Utah, Nevada, and Arizona. This acquisition also extended the Company's reach into the state-run Medicaid and Children's Health Insurance Program markets.

On June 19, 2014, the Company issued 50-year surplus notes with an aggregate principal amount of $450 million, bearing an interest rate of 4.875% and scheduled to mature on June 19, 2064.

On January 24, 2017, the Company issued 60-year surplus notes with an aggregate principal amount of $350 million, and on December 128, 2017 and January 9, 2018, the Company issued 60-year surplus notes with an aggregate principal amount of $229.32 million, all bearing an interest rate of 4.850% and scheduled to mature on January 24, 2077. The interest on the surplus notes is scheduled to be paid semiannually on January 24 and July 24 of each year.

On January 22, 2020, the Company issued 50-year surplus notes with an aggregate amount of $300 million, bearing an interest rate of 3.70% and scheduled to mature on January 22, 2070.

B. Holding Company

The Company maintains a multi-tiered downstream holding company system through which its subsidiary operations are conducted. The Company has both insurance and non-insurance subsidiaries that market insurance and investment products in the United States and several other countries, of which the most significant are described below.

The Guardian Insurance & Annuity Company, Inc. (“GIAC”), a wholly-owned subsidiary of the Company, is licensed to conduct life and health insurance business in all 50 states and the District of Columbia. Its primary business is the sale of variable deferred annuity contracts and variable and term life insurance policies. Variable products, other than 401(k) products, are sold by GIAC licensed insurance agents who are either registered representatives of Park Avenue Securities, LLC or of other broker-dealer firms that have entered into sales agreements with the Company.

BLICOA, a wholly-owned stock subsidiary of the Company, is domiciled in Massachusetts and is licensed and conducts business in all 50 states and the District of Columbia. BLICOA’s primary business is the sale and administration of disability income, long term care, and life insurance products through independent agents.

Managed DentalGuard, Inc. of Texas (“MDGT”), a wholly-owned subsidiary of the Company, was formed under the laws of the State of Texas on January 15, 1997, for providing prepaid dental services to employer groups and unions in selected areas throughout Texas. MDGT received its certificate of authority from the Texas Department of Insurance on March 24, 2000.

Managed DentalGuard, Inc. of New Jersey (“MDGNJ”), a wholly-owned subsidiary of the Company, was formed under the laws of the State of New Jersey on April 5, 2001, for providing prepaid dental services to employer groups and unions in selected areas throughout New Jersey. MDGNJ received its certificate of authority from the New Jersey Department of Banking and Insurance and commenced its operations on December 5, 2001

First Commonwealth, Inc. is a wholly-owned Delaware corporation that has insurance subsidiaries providing managed dental benefits in the upper Midwest. Together they offer a broad range of dental plans designed to meet the needs of small-, medium-, and large-size groups.

Managed Dental Care of California (“MDC”), a wholly-owned subsidiary of the Company, was incorporated under the laws of the State of California on June 4, 1991, for providing prepaid dental services to employer groups and unions in selected areas throughout California. MDC was licensed by the Department of Corporations on December 24, 1991 and has operated as a licensed health care service plan under the Knox-Keene Health Care Service Plan Act of 1975 since January 1, 1992. Effective July 1, 2000, California’s regulation of the managed care industry was transferred from the Department of Corporations to the then newly created Department of Managed Health Care. All of the outstanding shares of MDC were purchased by the Company on April 25, 1996.

Innovative Underwriters, Inc. (“IUI”) was incorporated in the State of New Jersey on August 17, 1971. Effective July 26, 1999, IUI was acquired by and became a wholly-owned subsidiary of the Company. IUI operates as a full service brokerage agency that primarily markets and sells life and long term care insurance products.

Park Avenue Life Insurance Company (“PALIC”), a wholly-owned subsidiary of the Company, is a life insurer incorporated under the laws of the State of Massachusetts on November 19, 1964. PALIC was acquired by GIAC on March 18, 1996; and PALIC was re-domesticated from Massachusetts to Delaware on October 22, 1996. On December 23, 1996, the Company purchased PALIC from GIAC. Its primary business is the administration of life insurance (principally term and universal life products). Although the Company is licensed in 48 states and the District of Columbia, it currently is not writing new business.

Guardian Investor Services, LLC (“GIS”), a wholly-owned subsidiary of the Company, is a registered broker-dealer under the Securities and Exchange Act of 1934 and a registered investment advisor under the Investment Adviser’s Act of 1940. GIS is the distributor and underwriter for the variable products, and the investment advisor to certain mutual funds sponsored by GIAC. On August 31, 2006, GIS acquired a 65% interest in RS Investments Management Co., LLC (“RS”), a privately-held San Francisco investment management firm specializing in growth and value mutual funds and institutional accounts. As of December 31, 2013, GIS held an 89.66% interest in RS; and on July 29, 2016, RS was sold.

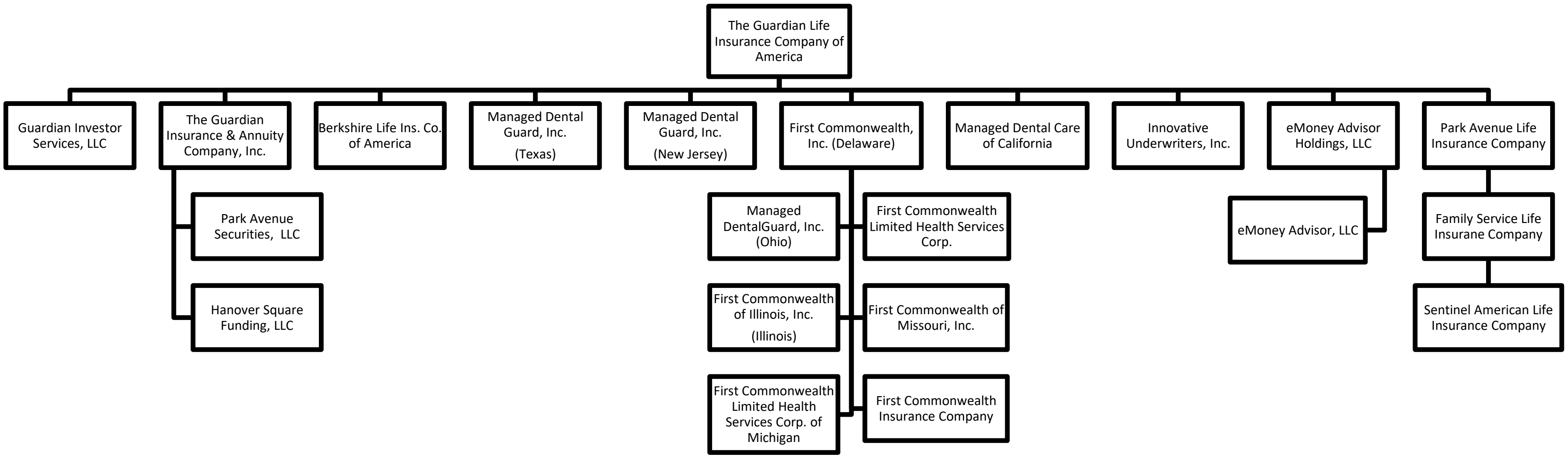
During 2008, the Company acquired a 65% interest in eMoney Advisor Holdings, LLC (“eMoney”) for a total compensation of $45 million. eMoney specializes in providing financial advisory wealth management and client enhancing software solutions for its high-net-worth clients. On March 6, 2015, the Company sold its majority equity interest in eMoney to Fidelity Investments, Inc. (“Fidelity”), and in December 2017, the Company sold its remaining interest in eMoney to Fidelity.

On September 19, 2008, the Company purchased American Financial Systems, Inc. (“AFS”) for $14 million. On February 29, 2012, the Company sold AFS to Weston Venture Partners, Inc. for $1 million, resulting in a realized capital loss of $7 million.

Effective December 31, 2019, Park Avenue Securities, LLC, (“PAS”) a previously wholly-owned subsidiary of GIAC, became a wholly-owned subsidiary of the Company; and Hanover Square Funding, LLC, a Delaware corporation and a previously wholly-owned subsidiary of GIAC, became a wholly-owned subsidiary of GIS.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and the significant entities in its holding company system as of December 31, 2018, follows:



D. Service Agreements

The Company had 12 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipients of Services	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Service Agreement	03/17/1997	The Company	MDC	Routine day to day functions including account establishment, billing, marketing, etc.	2018 $1,122,576 2017 $1,075,499 2016 $1,138,344 2015 $ 535,705 2014 $ 815,308
Management Service Agreement	02/01/2001	The Company	Managed Dental Guard, Inc. (Texas)	Routine day to day functions including account establishment, billing, marketing, etc.	2018 $891,386 2017 $945,095 2016 $881,320 2015 $763,789 2014 $593,085
Management Service Agreement	10/31/2001	The Company	Managed Dental Guard, Inc. (New Jersey)	Routine day to day functions including account establishment, billing, marketing, etc.	2018 $764,273 2017 $691,007 2016 $670,741 2015 $587,478 2014 $551,354
Specialist Services Agreement	10/31/2001	The Company	Managed Dental Guard, Inc. (New Jersey)	Specialist dentist services	2018 $1,256,750 2017 $1,110,459 2016 $1,010,607 2015 $ 744,197 2014 $ 715,181
Provider Access	10/31/2001	The Company	Managed Dental Guard, Inc. (New Jersey)	General dentist services	2018 $147,478 2017 $146,754 2016 $168,021 2015 $169,813 2014 $149,870
Provider Access	10/31/2001	Managed Dental Guard, Inc. (New Jersey)	The Company	General dentist services	2018 $(277,173) 2017 $(260,490) 2016 $(275,931) 2015 $(301,939) 2014 $(329,738)
Management and Administrative Services Agreement	11/01/2004 Replaced and amended 03/23/2010	The Company	First Commonwealth, Inc.	Routine day to day functions including account establishment, billing, marketing, etc.	2018 $2,282,397 2017 $2,255,173 2016 $2,882,242 2015 $3,049,702 2014 $3,146,750

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipients of Services	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Application Services Agreement	05/23/2005	eMoney	The Company	Charged for various services provided per authorized statements of work	2018 $ 0 2017 $ 0 2016 $ 0 2015 $ 0 2014 $(249,000)
Investment Management Agreement	10/09/2006	RS	The Company		2018 $ 0 2017 $ 0 2016 $(124,133) 2015 $(180,461) 2014 $(335,555)
Amended Agreement for Services and Reimbursement Thereof (supersedes December 27, 1971 service agreement)	12/13/2007 Amended 01/01/2012	The Company	GIAC, GIS, PAS, PALIC, Family Service Life Insurance Company, IUI, BLICOA, Sentinel American Life Insurance Company, and AFS	The Company provides office space, furniture, equipment, etc. and pays salaries and pension benefits etc.	2018 $241,594,686 2017 $244,137,677 2016 $275,079,925 2015 $282,249,273 2014 $289,637,292
Operating Agreement	08/01/2008	eMoney	The Company	Expenses for a dedicated team to service the Company’s Living Balance Sheet	2018 $ 0 2017 $ 0 2016 $ 0 2015 $ 0 2014 $(1,577,962)
Management Services Agreement	12/16/2011	The Company	Managed Dental Guard Inc. (Ohio)	Routine day to day functions including account establishment, billing, marketing, managing cash receipts, etc.	2018 $16,530 2017 $15,360 2016 $12,700 2015 $17,778 2014 $18,203

*Amount of Income or (Expense) Incurred by the Company

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 20 directors. Directors are elected for a period of three years at the Annual Election of Directors held in December of each year. As of December 31, 2018, the board of directors consisted of ten members. Quarterly meetings of the board are held in February, April, July, and November. A separate strategy meeting of the board is held in September.

The ten board members and their principal business affiliation, as of December 31, 2018, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
John J. Brennan* Wayne, Pennsylvania	Chairman Emeritus The Vanguard Group, Inc.	2011
Lloyd E. Campbell* Forest Hills, New York	Consultant Spencer Stuart	2006
Richard E. Cavanagh* Chestnut Hill, Massachusetts	Retired President and Chief Executive Officer The Conference Board, Inc.	1998
Nancy E. Cooper* Riverside, Connecticut	Former Executive Vice President and Chief Financial Officer CA Technologies, Inc.	2012
Deborah L. Duncan* Tiburon, CA	Senior Advisor, Director, and Former Executive Vice President and Chief Financial Officer Fremont Group, LLC	2006
William E. Freda* Mantoloking, New Jersey	Retired Senior Partner and Vice Chairman Deloitte and Touche, LLC.	2014
Christopher T. Jenny* Wayland, Massachusetts	Former President and Senior Partner The Parthenon Group, LLC	2017
Deanna M. Mulligan North Salem, New York	President and Chief Executive Officer The Guardian Life Insurance Company of America	2011
Gary A. Norcross* Jacksonville, Florida	Chairman, President and Chief Executive Officer Fidelity National Information Services, Inc.	2017
Vivek Sankaran* Dallas, Texas	President and Chief Executive Officer Frito-Lay North America, Inc.	2018

*Not affiliated with the Company or any other company in the holding company system

On April 24, 2019, Ms. Karen B. Peetz was elected an independent director of the board.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2018:

Name	Title
Deanna M. Mulligan	President and Chief Executive Officer
Marc Constantini	Executive Vice President, Commercial and Government Markets
Andrew J. McMahon	Executive Vice President, Strategy and Customer Development
Christopher S. Dyrhaug	Executive Vice President, Individual Markets
Dean Del Vecchio	Executive Vice President, Chief Information Officer and Head of Enterprise Shared Services
Thomas G. Sorell	Executive Vice President, Chief Investment Officer
Eric R. Dinallo	Executive Vice President, Chief Legal Counsel
Diana L. Scott	Executive Vice President, Chief Human Resources Officer
Michael N. Ferik	Executive Vice President, Chief Financial Officer
Michael Slipowitz	Senior Vice President, Corporate Chief Actuary
David Ye	Senior Vice President, Corporate Chief Risk Officer

Mr. Gene Cautillo is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64).

As of December 31, 2019, Ms. Deanna M. Mulligan resigned as President but retained the role of Chief Executive Officer. On November 14, 2019, Mr. Andrew J. McMahon was named President, effective January 1, 2020. Effective January 1, 2020, Mr. Michael N. Ferik was moved from his role as Executive Vice President, Chief Financial Officer and was named Executive Vice President, Individual Markets, and Mr. Kevin Molloy was named Executive Vice President, Chief Financial Officer. In December 2019, Mr. Marc Constantini resigned as Executive Vice President, Commercial and Government Markets.

On January 30, 2020, Mr. Eric R. Dinallo resigned as Executive Vice President and Chief Legal Counsel and was replaced by Ms. Margherita DiManni, who was Senior Vice President, Interim General Counsel until May 3, 2020. Mr. Kermitt Brooks was then named Executive Vice President, General Counsel, effective May 4, 2020. On February 3, 2020, Mr. Thomas G. Sorell resigned as Executive Vice President, Chief Investment Officer and was replaced by Ms. Jean LaTorre, Executive Vice President, Chief Investment Officer.

On February 26, 2020, Mr. David Ye resigned as Senior Vice President, Corporate Chief Risk Officer and Mr. Michael Slipowitz reassumed the role, becoming Senior Vice President, Corporate Chief Actuary and Corporate Chief Risk Officer.

From January 1, 2020, to April 7, 2020, Mr. Brian Scanlon served as Executive Vice President, Group Benefits (formally, Commercial and Government Markets). On April 8, 2020, Mr. Scanlon was named Executive Vice President, Business Development, Marketing and Communications; and Mr. Christopher B. Smith was named Senior Vice President, Group Benefits.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities, and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all 50 states and the District of Columbia. In 2018, 22.7% of life premiums, 12.7% of accident and health premiums, and 25.5% of annuity considerations were received from New York. Policies are written on a participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2018:

Life Insurance Premiums	
New York	22.7%
New Jersey	10.4
Florida	6.9
California	6.3
Pennsylvania	5.0
Subtotal	51.3%
All others	48.7
Total	100.0%

Annuity Considerations	
New York	25.5%
Georgia	16.9
California	8.6
Tennessee	7.0
Florida	6.6
Subtotal	64.7%
All others	35.3
Total	100.0%

Accident and Health Insurance Premiums	
California	13.8%
New York	12.7
Texas	9.0
Florida	8.9
Illinois	5.0
Subtotal	49.4%
All others	50.6
Total	100.0%

Deposit Type Funds	
New York	99.6%
Ohio	0.2
Massachusetts	0.1
Subtotal	99.9%
All others	0.1
Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2018, the Company had $2,301,467 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. An additional $1,673,454, which was reported in Schedule E of the 2018 filed annual statement, was being held by the states of Arkansas, Georgia, Massachusetts, New Mexico, North Carolina, and South Carolina.

B. Direct Operations

The Company strategically reorganized its business into two segments: individual markets and commercial and government. The principal product lines are individual and group life insurance, individual retirement annuities, and group accident and health insurance. The individual and group life insurance products include individual whole life and group term life insurance. The individual retirement annuities include single premium and annual premium fixed deferred retirement annuities The group accident and health products include dental, vision, and short term disability income coverage. The target market is high-net-worth individuals, business owners, and professionals. In addition, the Company has recently focused its efforts on better serving the needs of the small business market. The Company's group accident and health business focuses on the small-to-medium employee benefits market.

The principal lines of business sold during the examination period are individual life and group accident and health. Direct premium income mainly comprised ordinary life insurance (49.8%), group accident and health insurance (36.3%), group life insurance (7.0%), other accident and health (2.2%), and individual annuities (0.1%). During 2018, the Company introduced an accelerated death benefit rider for long term care to its whole life product, which allows the policyholder to accelerate a portion of the policy's death benefit if he or she becomes chronically ill and needs long term care services. The Company has fully withdrawn from the medical market effective December 17, 2011, but it still has a closed block of individual medical business and some remaining individual conversion policies.

The Company's agency operations are conducted on a general agency and branch office basis consisting of 50 general agencies and 239 full time agents.

The Company's strategy for growth focuses on expanding and improving its career agency system while growing independent agent and broker channels to distribute its individual insurance products. The individual insurance and investment products are marketed through the Company's career agency force of over 2,500 field representatives, as well as by over 107,000 independent agents and brokers. The Company's disability income products are sold through the Company's core field representative force, and independent agents and brokers.

The Company's group insurance products are distributed through a system of 54 regional group offices ("RGOs") located throughout the country and operated by the Company's employees. RGOs coordinate and provide support and services for the approximately 14,000 group insurance broker entities.

C. Reinsurance

As of December 31, 2018, the Company had reinsurance treaties in effect with 23 companies, of which 16 were authorized, accredited or certified. The Company's life, and accident and health business is reinsured on a coinsurance, modified coinsurance, and yearly renewable term bases. Reinsurance is provided on an automatic and facultative basis.

The maximum net retention limit for individual life contracts is $17,500,000. The total face amount of life insurance ceded, as of December 31, 2018, was $168,170,717,339, which represents 26% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverables from unauthorized companies, totaling $28,323,229, was supported by letters of credit, trust agreements, and miscellaneous balances.

The total face amount of life insurance assumed, as of December 31, 2018, was $3,798,869,932, of which 84.2% was assumed from affiliates.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 2013	December 31, 2018	Increase
Admitted assets	$42,065,979,357	$58,488,696,709	$16,422,717,352
Liabilities	$37,054,094,152	$51,316,943,275	$14,262,849,123
Contingency reserve for aviation Reinsurance	$ 3,000,000	$ 3,000,000	$ 0
Permanent surplus Arkansas Requirements	1,000,000	1,000,000	0
Contingency reserve for deposit Administration	6,732	6,732	0
Surplus notes	396,074,796	1,198,236,613	802,161,817
Unassigned funds (surplus)	4,611,803,676	5,969,510,089	1,357,706,413
Total capital and surplus	$ 5,011,885,205	$ 7,171,753,434	$ 2,159,868,229
Total liabilities, capital and surplus	$42,065,979,357	$58,488,696,709	$16,422,717,352

The Company's invested assets, as of December 31, 2018, mainly comprised bonds (74.2%), mortgage loans (8.5%), and policy loans (6.8%).

The majority of the Company's bond portfolio (95.4%), as of December 31, 2018, comprised investment grade obligations.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	Ordinary Annuities				
	2014	2015	2016	2017	2018
Outstanding, end of previous year	1,988	1,885	1,781	1,704	1,606
Issued during the year	82	74	74	48	34
Other net changes during the year	(185)	(178)	(151)	(146)	(161)
Outstanding, end of current year	1,885	1,781	1,704	1,606	1,479

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2014	2015	2016	2017	2018
Ordinary:					
Life insurance	$322,250,266	$292,499,230	$153,102,020	$183,872,635	$ 10,334,561
Individual annuities	2,170,699	2,565,834	1,300,007	2,307,252	4,178,596
Supplementary contracts	10,964,757	10,530,331	5,637,931	13,110,157	21,551,980
Total ordinary	$335,385,722	$305,595,395	$160,039,958	$199,290,044	$ 36,065,137
Group:					
Life	$ 35,284,238	$ 49,879,607	$ 64,877,976	$ 54,446,093	$ 64,936,318
Annuities	95,457,833	11,119,254	(8,646,250)	(27,265,981)	22,847,615
Total group	$130,742,071	$ 60,998,861	$ 56,231,726	$ 27,180,112	$ 87,783,933
Accident and health:					
Group	$132,009,717	$106,155,297	$102,084,755	$182,699,194	$289,673,509
Credit	(1,413)	0	0	0	0
Other	37,583,940	25,561,913	57,576,797	41,336,868	69,297,551
Total accident and health	$169,592,244	$131,717,210	$159,661,552	$224,036,062	$358,971,060
All other lines	$ (696,541)	$ (256,425)	$ 122,739	$ 44,605	$ (554,254)
Total	$635,023,497	$498,055,040	$376,055,978	$450,550,823	$482,265,876

The decrease in net gain from ordinary life insurance in 2015, compared with 2014, was attributed lower net investment income, interest maintenance reserve amortization due to lower interest rates, and increased benefits and reserves, partially offset by premium growth. Also contributing to the decrease was an increase in the dividends to policyholders due to growth in the block of business. The decrease in net gain in 2016 was attributed to interest maintenance reserve amortization, and increase in reserves, benefits and expenses, partially offset by an increase in net investment income and premium growth. Also contributing to the decrease was an increase in the dividends to policyholders due to growth in the block of business.

The increase in net gain from ordinary life insurance in 2017, compared with 2016, was attributed to premium growth and higher net investment income, partially offset by lower interest maintenance reserve amortization of $20 million, a growth in reserves, increased benefits and expenses, and higher dividends to policyholders.

The significant decrease in net gain from ordinary life insurance in 2018, compared with 2017, was attributed to lower net investment income of $6 million due to lower interest rates, lower interest maintenance reserve amortization of $22 million, increased reserves, benefits and expenses, as well as increased dividends to policyholders, partially offset by premium growth.

The decrease in net gain from individual annuities in 2016, compared with 2015, was primarily due to an increase in other expenses resulting from a compliance fee paid to the U.S. Treasury for acquiring BLIC's closed annuity block of business. The increase in net gain in 2018, compared with 2017, was primarily due to lower federal income taxes on investments, pension contributions, and other tax credits.

The fluctuations in net gain on supplementary contracts over the examination period were primarily driven by the amount of federal income taxes allocated to the line of business.

The decrease in net gain from group annuities in 2015, compared with 2014, was primarily due to an increase in federal income taxes. The decrease in net gain in 2016 was primarily due the interest paid by the Company and the associated setup expenses associated with the Company's medium-term funding agreement-backed notes ("medium-term notes") program, which was launched in 2016. The increase in net loss in 2017 was primarily due to an increase in the interest paid for the medium-term notes issued in 2016 and 2017.

The increase in net gain from group annuities in 2018, compared with 2017, was primarily due to an increase in net investment income from the medium-term notes program, as well as lower miscellaneous expenses.

The decrease in net gain from group accident and health in 2015, compared with 2014, was primarily due to lower net investment income and interest maintenance reserve amortization as a result of the low interest rates market, increased benefits and expenses, and increased commissions and producer compensation as a result of the new sales and strong premium growth, partially offset by an increase in premiums and lower reserves due to favorable loss ratios.

The increase in net gain from group accident and health in 2017 was due to an increase in premiums and net investment income, and lower reserves due to favorable loss ratios, partially offset by increased benefit payments and increased commissions and producer compensation as a result of the new sales and premium growth. The significant increase in net gain in 2018 was primarily due to an increase in premiums, partially offset by a decrease in net investment income and interest maintenance reserve.

The decrease in net gain from other accident and health in 2015, compared with 2014, was due to higher federal income taxes, partially offset by favorable morbidity due to favorable loss ratio and higher investment income. The increase in net gain in 2016 was attributed to lower claims and a favorable loss ratio, and increased net investment income, partially offset by higher commissions due to higher sales.

The decrease in net gain from other accident and health in 2017 was driven by higher federal income taxes and higher morbidity from an unfavorable loss ratio, partially offset by increased sales and strong persistency. The increase in net gain in 2018 was driven by lower morbidity due to a favorable loss ratio and a reduction in federal income taxes, partially offset by lower net investment income and higher commissions from sales.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and surplus as of December 31, 2018, as contained in the Company's 2018 filed annual statement, a condensed summary of operations, and a reconciliation of the surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2018, filed annual statement.

A. Independent Accountants

The firm of PwC was retained by the Company to audit the Company's combined statutory-basis statements of financial position as of December 31of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

PwC concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$39,361,489,909
Stocks:	
Common stocks	1,811,412,296
Mortgage loans on real estate:	
First liens	4,482,273,809
Other than first liens	38,115,000
Real estate:	
Properties occupied by the company	3,440,086
Properties held for the production of income	327,680,624
Cash, cash equivalents and short-term investments	731,896,387
Contract loans	3,634,864,040
Derivatives	36,668,080
Other invested assets	2,571,991,864
Receivable for securities	4,906,049
Investments in progress	65,757,442
Investment income due and accrued	414,605,819
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	148,925,206
Deferred premiums, agents' balances and installments booked but deferred and not yet due	966,442,806
Reinsurance:	
Amounts recoverable from reinsurers	15,354,684
Funds held by or deposited with reinsured companies	2,809,523,763
Other amounts receivable under reinsurance contracts	30,644,259
Amounts receivable relating to uninsured plans	50,151,694
Current federal and foreign income tax recoverable and interest thereon	201,208,794
Net deferred tax asset	650,156,035
Guaranty funds receivable or on deposit	16,911,630
Electronic data processing equipment and software	5,780,243
Receivables from parent, subsidiaries and affiliates	21,367,867
Other assets nonadmitted:	
Miscellaneous receivable	80,788,274
PA innovative credit	3,715,415
Suspense accounts	2,474,014
Total admitted assets	$58,488,696,709

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$40,001,244,399
Aggregate reserve for accident and health contracts	4,279,624,934
Liability for deposit-type contracts	1,924,572,913
Contract claims:	
Life	268,659,159
Accident and health	264,415,327
Policyholders' dividends and coupons due and unpaid	(25,645,708)
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	978,708,702
Premiums and annuity considerations for life and accident and health contracts received in advance	328,892,097
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	2,021,154
Other amounts payable on reinsurance	14,092,041
Interest maintenance reserve	300,799,805
Commissions to agents due or accrued	124,477,126
Commissions and expense allowances payable on reinsurance assumed	386,420
General expenses due or accrued	1,041,106,599
Taxes, licenses and fees due or accrued, excluding federal income taxes	35,156,459
Unearned investment income	104,618,235
Amounts withheld or retained by company as agent or trustee	33,435,970
Amounts held for agents' account	260,681
Remittances and items not allocated	46,445,113
Liability for benefits for employees and agents if not included above	471,647,204
Miscellaneous liabilities:	
Asset valuation reserve	879,016,646
Payable to parent, subsidiaries and affiliates	23,520,703
Liability for amounts held under uninsured accident and health plans	9,634,514
Funds held under coinsurance	62,056,921
Derivatives	12,803,680
Payable for Securities	89,014,471
Miscellaneous liabilities	24,719,087
Deferred gains on real estate	13,165,427
Reserve for special litigation expense	4,472,568
Total liabilities	$51,316,943,275
Surplus notes	1,198,236,613
Contingency reserve for aviation reinsurance	3,000,000
Permanent surplus Arkansas requirements	1,000,000
Contingency reserve for deposit administration	6,732
Unassigned funds (surplus)	5,969,510,089
Total surplus	$ 7,171,753,434
Total liabilities, capital and surplus	$58,488,696,709

D. Condensed Summary of Operations

	2014	2015	2016	2017	2018
Premiums and considerations	$7,002,978,751	$7,340,335,223	$ 7,775,092,570	$ 8,118,267,913	$ 8,389,802,671
Investment income	2,257,365,261	2,087,702,223	2,174,323,572	2,204,909,239	2,205,959,461
Commissions and reserve adjustments on reinsurance ceded	100,278,911	88,902,747	86,222,350	88,166,146	79,759,468
Miscellaneous income	182,628,268	182,177,925	210,633,854	252,556,462	187,319,791
Total income	$9,543,251,191	$9,699,118,118	$10,246,272,346	$10,663,899,760	$10,862,841,391
Benefit payments	$3,882,738,391	$4,133,567,535	$ 4,330,463,825	$ 4,501,026,910	$ 4,602,214,129
Increase in reserves	2,169,402,972	2,132,223,385	2,327,903,136	2,407,494,095	2,481,188,327
Commissions	623,756,797	654,591,528	715,414,154	748,305,015	793,898,015
General expenses and taxes	1,357,611,587	1,396,054,619	1,494,378,688	1,534,473,337	1,621,668,580
Increase in loading on deferred and uncollected premiums	(11,784,207)	(3,810,836)	(216,242)	397,291	(3,067,937)
Miscellaneous deductions	5,937,598	(19,676,086)	22,988,223	53,058,840	(28,934,392)
Total deductions	$8,027,663,138	$8,292,950,145	$ 8,890,931,784	$ 9,244,755,488	$ 9,466,966,722
Net gain (loss)	$1,515,588,053	$1,406,167,973	$ 1,355,340,562	$ 1,419,144,272	$ 1,395,874,669
Dividends	778,226,666	826,079,814	838,603,112	903,252,386	965,922,894
Federal and foreign income taxes incurred	102,337,891	82,033,119	140,681,472	65,341,065	(52,314,100)
Net gain (loss) from operations before net realized capital gains	$ 635,023,496	$ 498,055,040	$ 376,055,978	$ 450,550,821	$ 482,265,875
Net realized capital gains (losses)	76,802,656	(65,002,902)	(8,389,722)	(27,478,724)	(171,844,857)
Net income	$ 711,826,153	$ 433,052,138	$ 367,666,256	$ 423,072,098	$ 310,421,018

E. Surplus Account

	2014	2015	2016	2017	2018
Capital and surplus, December 31, prior year	$5,011,885,205	$5,691,568,093	$6,089,670,493	$6,172,487,404	$6,683,677,303
Net income	$ 711,826,153	$ 433,052,138	$ 367,666,256	$ 423,072,098	$ 310,421,018
Change in net unrealized capital gains (losses)	(224,124,575)	30,812,750	(102,931,689)	(15,237,019)	184,607,050
Change in net unrealized foreign exchange capital gain (loss)	(69,301,896)	57,631,770	(28,472,356)	40,520,375	(40,789,923)
Change in net deferred income tax	25,615,702	(43,136,107)	112,288,829	(390,369,485)	48,568,312
Change in non-admitted assets and related items	94,164,113	54,488,236	(84,399,120)	233,281,910	28,552,486
Change in liability for reinsurance in unauthorized companies	9,289	8,314	0	0	0
Change in reserve valuation basis	0	(40,400,674)	(8,265,535)	0	0
Change in asset valuation reserve	(68,388,900)	(44,087,051)	(11,355,886)	(19,236,732)	(50,162,582)
Change in surplus notes	449,021,200	166,613	166,613	351,642,010	1,165,381
Cumulative effect of changes in accounting principles	(2,620,067)	(12,773,664)	(2,620,067)	(2,620,067)	(2,620,067)
Change in prepaid pension assets	(236,518,130)	(37,659,926)	(159,260,134)	(109,863,191)	7,884,456
Prior period correction	0	0	0	0	450,0000
Net change in capital and surplus for the year	679,682,888	398,102,399	82,816,911	511,189,899	488,076,131
Capital and surplus, December 31, current year	$5,691,568,093	$6,089,670,493	$6,172,487,404	$6,683,677,303	$7,171,753,434

7. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the financial condition recommendation contained in the prior report on examination and the subsequent action taken by the Company in response to the citation:

Item	Description
A	The examiner recommended that the Company implement changes for documenting its pricing and product development in the manner agreed upon with the Department. The review of the Company's self-support did not identify any data or documentation issues; the Company appears to have implemented the changes agreed upon with the Department.

9. SUMMARY AND CONCLUSIONS

Following is the comment contained in this report:

Item	Description	Page No(s).
A	On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets. The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the National Association of Insurance Commissioners, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.	28

Respectfully submitted,

Jame A. Riddick

James A. Riddick, CFE
INS Regulatory Insurance Services, INC.

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

James A. Riddick, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

James A. Riddick

James A. Riddick

Subscribed and sworn to before me

this 17th day of June, 2020

MONTAVIAN BROWN-TAYLOR
NOTARY
PUBLIC
NASH COUNTY, N.C.

State of North Carolina
County of Wake

I, Montavian Brown-Taylor, a Notary Public for said County and State, do hereby certify that James Riddick personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal,

this the 17th day of June, 2020
month year

signature of notary public

My commission expires 02/26, 2025.
month year

Respectfully submitted,

/s/
Anthony Mauro
Principal Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Anthony Mauro, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Anthony Mauro

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 31950

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **LINDA A. LACEWELL**, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

JAMES A. RIDDICK
(INS REGULATORY INSURANCE SERVICES, INC.)

as a proper person to examine the affairs of the

GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York

this 20th day of May, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU