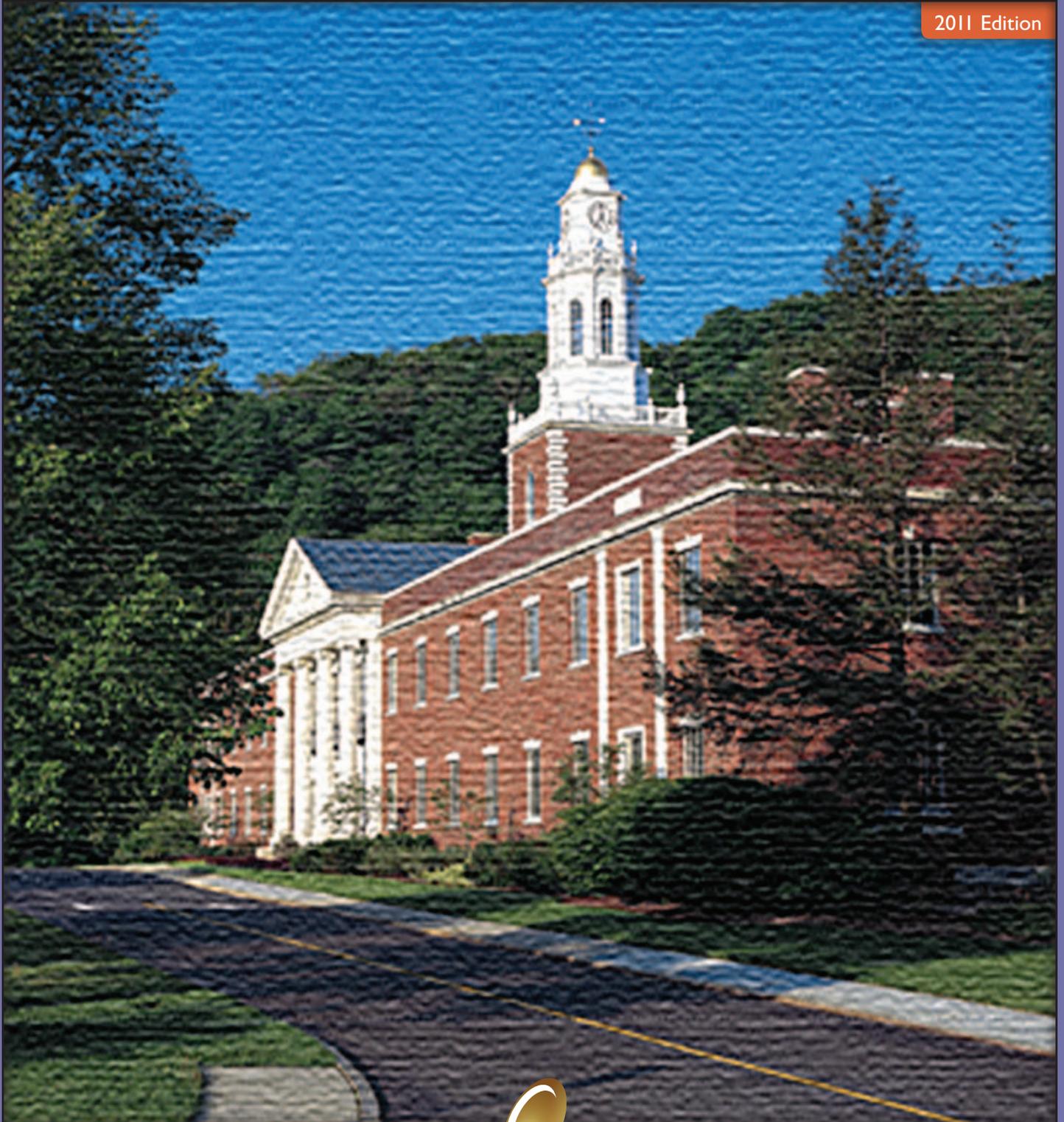


The Importance of Choosing the Right Disability Insurance Company

2011 Edition



GUARDIAN®

Fulfilling Promises

The Guardian Life Insurance Company of America (Guardian) is one of the largest mutual life insurance companies in the United States, providing high-quality, affordable insurance and financial products. Guardian owns several independent subsidiaries, including **Berkshire Life Insurance Company of America (Berkshire Life)** — the nation's number-one provider of non-cancellable individual disability income insurance.¹ Each subsidiary is a financially strong organization that functions as a separate, independent entity, with a conservative management style that benefits Guardian. Our high-quality products are backed by the assets of the issuing subsidiary.

¹ Berkshire Life is the leading provider of non-cancellable disability income insurance, according to the 2010 LIMRA International U.S. Individual Disability Income Insurance Participant's Report, based on 2010 annualized premium.

Table of Contents

- 1. The Importance of Strength and Stability2
- 2. What Should You Know About a Disability Insurance Company When Purchasing a Policy?3
- 3. Ratings.....4
- 4. Capitalization Ratio.....6
- 5. Growth of Surplus7
- 6. Company Values and Investment Environment8
- 7. Why Choose Berkshire Life and Guardian?9

Company Financials

Disability Income Products to Protect You
and Your Business

You have taken the initiative to assess your values, goals and dreams. You have consulted with your advisor and educated yourself on the opportunities available to you. And now that you've determined that **disability insurance** will be a vital part of your financial plan, you want to find the right product with the right company.

What this means to you is...

- **You are accountable.** Whether it's for your family, business, employees or clients — how do you make a responsible decision when it comes to the company behind the policy?
- **You need to ask the right questions and get the facts.** The more financially secure the company, the more comfortable you can be with your decision.

The Importance of Strength and Stability

When it comes to protecting your future, making the decision to purchase disability insurance is not a luxury, but a *necessity*. For you and your family, it can mean the difference between retiring at 60 as you had planned rather than 70 — because you didn't have the coverage in place to protect you while you were disabled. As an employer or a business owner, it means having a comprehensive plan in place that's designed to attract and retain top talent and help protect your business.

▶ *The first step in choosing a disability policy is choosing the right company*

With so much contraction and confusion in the insurance industry — with companies buying companies, some companies struggling financially, companies that have taken Troubled Asset Relief Program (TARP) money, and certain companies in the headlines for all the wrong reasons — it is important for you to look at the actual financial strength* and stability of any insurance company you are considering.

Why? Because a Policy Is a Promise

A disability policy is a *promise* to pay a benefit when you most need it — and a promise is only as good as the company that can honor it. The value that a disability policy represents is a major source of security for your family and your business. A disability policy is expected to be there many years into the future. Therefore, the long-term financial viability of the disability insurance company you are considering should be a major concern. It is important to determine whether the company's track record is consistent with the statements made at the time of sale.

Individual disability income products are underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY.

* Financial information concerning Berkshire Life Insurance Company of America as of 12/31/10 on a statutory basis: Net Admitted Assets: \$2.8 billion; Liabilities: \$2.3 billion; Surplus: \$0.5 billion.

* Financial information concerning The Guardian Life Insurance Company of America as of 12/31/10 on a statutory basis: Net Admitted Assets = \$33.2 billion; Liabilities = \$28.7 billion; and Surplus = \$4.4 billion.

What Should You Know About a Disability Insurance Company When Purchasing a Policy?

The financial strength and stability of the company.

Most independent third parties agree that you should review the following during your disability insurance selection process:

- **Financial Ratings** — Financial ratings are an indicator of a company's financial strength and independent rating services provide essential measures of the qualifications of insurance companies.
- **Capitalization Ratio** — This is another significant measure of financial strength, and an indicator of a company's ability to ride out uncertain economic times.
- **Growth of Surplus** — Is the amount of company surplus growing and does the company have enough surplus and capital to grow the business, increase its strength and be competitive?

Using the preceding indicators and measurements may help you to select a company focused on strength, integrity and performance.

The charts on the following pages show the top carriers as measured by those rankings. All information in this document was obtained from the annual and quarterly statement filings with the National Association of Insurance Commissioners (NAIC) as of 12/31/10.

Ratings: What are they and why are they important?

Independent, third-party rating services provide essential measures of the qualifications of insurance companies that might be under consideration.

When evaluating insurance companies, company ratings can provide an excellent starting point when trying to determine each company's value. The rating services are impartial in their evaluations and provide a common ground for valid comparisons.

There are four major rating agencies that evaluate and publish ratings for insurance companies:

- Moody's
- Standard & Poor's
- Fitch
- A.M. Best Company

For each insurance company being rated, each agency evaluates the firm's financial statements, interviews their management, and subsequently develops ratings based upon statistical models and certain qualitative measures. The cumulative result is a relative ranking of all the insurance companies that they have evaluated.

The benefit to having several companies produce their own ratings is that overall, there is less chance of something being missed or overlooked. To illustrate this point is a table called the Comdex Rankings. Comdex is not a rating, but a composite of all ratings that a company has received. Comdex percentile ranks companies, on a scale of 1 to 100.

- ▶ **For perspective, experts who write about the insurance industry will tell you that a Comdex of 95 or higher is considered an "extremely safe" company, 90 represents a "safe" company, and a ranking of 85 indicates a "reasonably safe" company.**

The Ratings Rankings as of April 2011
Top Carriers as Ranked by Comdex

Company	A.M. Best Company	S&P	Moody's	Fitch	Comdex
Northwestern Mutual Life Insurance Company	A++	AAA	Aaa	AAA	100
Berkshire Life Insurance Company of America	A++	AA+	N/A	N/A	99
The Guardian Life Insurance Company of America	A++	AA+	Aa2	AA+	98
Massachusetts Mutual Life Insurance Company	A++	AA+	Aa2	AA+	98
Metropolitan Life Insurance Company	A+	AA-	Aa3	AA-	95
Principal Life Insurance Company	A+	A	Aa3	AA-	92
Standard Insurance Company	A	AA-	A1	A+	88
Union Central Life Insurance Company (UNIFI Companies)	A	A+	N/A	A+	86
UNUM Life of America	A	A-	A3	A	76

Source: *Vital Signs*, April 2011

Please consult with your financial advisor for complete details concerning the ratings stated above. Some of the ratings reflect the performance of the parent company and/or other entities related to the issuing insurer.

What this means to you is...

- The difference between choosing a company with a Comdex of 98 versus 94 is the difference between “extremely safe” versus “safe.”
- You have a choice—if not a responsibility—in choosing an insurance company for your disability protection based on your tolerance for company strength and safety.

Capitalization Ratio: What is it and why is it important to you?

The capitalization ratio shows the company's capital as a percentage of total assets.

Most of the liabilities of any insurance company are composed of the reserves set aside to pay future claims. Capital represents the amount of assets in excess of those liabilities, and a high capitalization ratio indicates a greater proportion of these excess assets. Simply put, the bigger the percentage, the stronger the company. It is calculated using the following formula:

$$\frac{\text{Capital}}{\text{Net Admitted Assets (Excluding Separate Account Assets)}}$$

Companies with Average Capitalization Ratios

Top Carriers Ranked by Five-Year Average

Company	2006	2007	2008	2009	2010	Average
Berkshire Life Insurance Company of America	16.9%	17.6%	17.8%	17.7%	18.2%	17.6%
The Guardian Life Insurance Company of America	16.1%	16.3%	14.7%	15.9%	16.1%	15.8%
Massachusetts Mutual Life Insurance Company	13.1%	13.4%	11.4%	13.2%	14.1%	13.0%
Northwestern Mutual Life Insurance Company	13.5%	13.4%	11.1%	11.0%	12.5%	12.3%
Standard Insurance Company	12.4%	12.6%	12.1%	12.4%	11.7%	12.2%
UNUM Life of America	10.6%	9.9%	8.8%	9.9%	9.8%	9.8%
Principal Life Insurance Company	7.9%	7.6%	8.0%	8.0%	8.1%	7.9%
Union Central Life Insurance Company	8.1%	7.8%	6.0%	8.4%	8.3%	7.7%
Metropolitan Life Insurance Company	6.3%	7.7%	6.9%	6.7%	7.0%	6.9%

All information provided was obtained from each company's statutory statements through 2010.

What this means to you is...

The higher the *capitalization ratio*, the more confident you can be in making sure that the company that is issuing the policy:

- Has the financial endurance to handle severe market volatility (like that which we have seen in recent years) and
- Is in a position to honor the *promise* of the policy—to protect and insure when it's needed most.

Growth of Surplus: What is it and why is it important to you?

Surplus is one measure related to shareholders' equity. It is used to fund new business growth and support new ventures — and to provide a defense against investment and operating losses.

Surplus is a key indicator of a company's ability to pay future claims. But it is a company's ability to grow surplus that is indicative of its ability to grow earnings — one of the signs of a well-run company. It also indicates the company's ability to appropriately manage an investment portfolio that maximizes financial strength and competitiveness with the proper levels of liquidity.

Retrospectively, a large surplus indicates that an insurance company has been very well managed. Prospectively, a large surplus opens the door to a greater range of business and investment opportunities for the insurance company. The table below shows companies ranked by percentage of surplus growth over a three-year period.

Company	2005 – 2010 Five-Year Growth in Surplus Rate
Berkshire Life Insurance Company of America	10.9%
Massachusetts Mutual Life Insurance Company	9.1%
Metropolitan Life Insurance Company*	8.3%
Standard Insurance Company	7.5%
The Guardian Life Insurance Company of America	7.0%
Northwestern Mutual Life Insurance Company	6.7%
Principal Life Insurance Company	3.6%
Union Central Life Insurance Company	3.4%
UNUM Life of America	2.6%

* Adjusted for Mergers and Acquisitions.

All information provided was obtained from each company's statutory statements through 2010.

What this means to you...

Similar to capitalization ratio, the higher the number, the more you can be at ease with the company's ability to pay its future claims.

Company Values: Why are they important to your buying decision?

Unlike publicly held companies, mutual companies have no stockholders and, therefore, no conflicts between the short-term, quarter-to-quarter financial demands of Wall Street and the long-term interests of policyholders. We believe mutual companies are positioned to serve customers' interests by delivering high-quality insurance with the greatest degree of financial strength possible.

“Mutually owned rivals [of stock companies] haven’t asked for a dime [of the \$700 billion Wall Street bailout money]. Their statutory surpluses (the regulatory counterpart to book value) have held steady or even increased.”

—“Mutual Respect” *Forbes*, December 22, 2008

Investment Environment: How does market performance impact your buying decision?

Since disability insurance generally provides long-term benefits, you should think carefully about what you want your policy to do for you over time and what your comfort level is with exposing your coverage to market fluctuations.

What this means to you is...

Ratings agencies do not only look at company financials. They also have face-to-face interviews with senior executives of each company they rate in order to get a sense of their vision and philosophy — and to help determine the integrity and foundation of their company's values.

Contact your financial representative to review rating reports and narratives from the rating agencies.

If you are not comfortable with market fluctuations, then understanding a company's investment philosophy and historical experience is extremely important.

You may want to consider doing business with a company that:

- Is defensively positioned to withstand market swings;
- Is relatively conservative: investing insurance premiums in a strong, well-diversified portfolio;
- Is known for thorough due diligence and an independent research process;
- Avoids risky investments, such as sub-prime mortgages; and
- Executes a risk management plan to protect capital in volatile financial markets.

This philosophy lends itself to building and maintaining the kind of strong capital and liquidity needed to pay disability claims.

Why choose Berkshire Life and Guardian?

When you compare the key financial strength indicators across companies, Berkshire Life Insurance Company of America (Berkshire Life) and Guardian are on top.

Berkshire Life/Guardian Staying Power

- **Top Tier** Comdex Rankings: 99/98
- **Top 1%** in insurance company ratings rankings¹
- **Best in Class** Capitalization Ratio: 18.2%/16.1%

These are the results that you should be basing your decisions on when choosing a disability insurance company. Before you think *price*, before you consider the *value* — think about the *promise*. It is the foundation for evaluating the value of the product. The weaker your foundation, the weaker your choice — *regardless* of value or price.

What this means to you is...

- Guardian and Berkshire Life's track record is consistent with statements made today and tomorrow.
- It's easy to choose the right company when you choose Berkshire Life and Guardian.

Company	Relationship	Assets as of 12/31/10	Ratings as of 4/1/11
Berkshire Life Insurance Company of America	Wholly owned stock subsidiary	Admitted Assets: \$2.8 billion Surplus: \$0.5 billion	A.M. Best: A++ Standard & Poor's: AA+
The Guardian Life Insurance Company of America	Parent Company	Admitted Assets: \$33.2 billion Surplus: \$4.4 billion	A.M. Best: A++ Fitch: AA+ Moody's Investors Services: Aa2 Standard & Poor's: AA+

Our financial results prove our strength and our ability to provide you with confidence and security. As a mutual company, our goal is to enrich the lives of the people we touch. Through financial discipline, a prudent approach to risk management, and our skilled team of investment professionals, Berkshire Life and Guardian consistently generate investment returns that underscore our long-term financial strength.

Key 2010 Accomplishments

- Berkshire Life was #1 in non-cancellable individual disability income insurance²
- Berkshire Life and Guardian's ratings were reaffirmed by all of the major rating agencies in 2010, with a stable outlook.
- Berkshire Life paid more than \$223.3 million in disability income benefits in 2010 alone.

¹ *Vital Signs*, April 2011. Berkshire Life is not rated by Moody's or Fitch. *Vital Signs*, a collection of published industry research, provides financial analysis of 718 participating carriers. Of those 718 companies, only 119 are rated by all four independent rating agencies. Out of those 119 companies, only 12 have ratings comparable to Guardian's. The top four mutual life insurance companies (including Guardian) are among the TOP 1% of the 718 rated insurance companies.

² Premium basis as reported by LIMRA.

Berkshire Life's Disability Insurance Product Offerings: What disability insurance products does Berkshire Life offer and how will they help you?

The hallmark of Berkshire Life's disability portfolio is our individual disability income and supplemental income protection products, which are designed with integrity and backed by the financial strength of Berkshire Life.

Personal Income Protection

We engineer disability income products, like our **ProVider Plus**¹, to help you protect yourself from the financial impact of a disability. No matter how prepared you are, accidents and illnesses do happen — and disability can be the outcome. You may need the financial protection Disability Income insurance provides at some point during your working years.

When evaluating any disability policy, it's important to consider the functionality of the policy *in its entirety* to determine if the coverage can truly provide value and financial assistance during a time of considerable strain. Our ProVider Plus policy was built for high-performance, during and after a disability — to help you maintain your financial responsibilities and preserve your lifestyle.

Small Business Protection

While business owners may protect themselves with individual disability income and life insurance, many don't consider the impact a disability can have on their business, and the detrimental effect that disability can have on the *value* of their business.

¹ ProVider Plus is available on Berkshire Life Policy Forms I400, I500 and I600.

With **Business ProVider™**, we take an integrated approach to help business clients maintain a healthy business strategy with:

- Overhead Expense Disability Insurance that provide benefits to help reimburse business or practice owners for their monthly business expenses during a disability.¹
- Business Reducing Term (BRT) Disability Insurance used to repay financial obligations that require regular payments expiring at a given time, such as purchase agreements, employment contracts, and business loans.²
- Disability Buy-Out insurance policy that helps provide the funding for a buy sell agreement in the event of a total disability.³

These products offer a combination of unique coverage features you won't find with any other carrier.

Worksite Benefits

Small to mid-size employers are seeking ways to enhance their existing disability insurance benefits, while controlling costs. **DI@Work**⁴ is a turnkey disability insurance program with the flexibility to:

- Help employers protect more of their employees' income at no additional cost to the company
- Provide executives with access to more disability insurance to protect additional sources of income, including bonuses and 401(k) contributions
- Provide an easy way for employees to sign up for more disability insurance at work with lower rates and streamlined underwriting. Coverage is offered on a guaranteed standard issue basis.

¹ Overhead Expense Disability Insurance is available on Berkshire Life Policy Forms 4200.

² Business Reducing Term Insurance is available on Guardian Policy Form AH55-A. Not available in Florida, Montana, North Carolina, South Carolina or Virginia.

³ Disability Buy-Out Insurance is available on Berkshire Life Policy Forms 3200.

⁴ DI@Work is available on Berkshire Life Policy Form 1200.

Disability income products underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY, or provided by Guardian.

Product features and availability vary by state.

This information is provided for the purpose of education and is not intended to constitute tax or legal advice.

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