The Guardian Life Insurance Company of America

Audited Statutory Basis
Financial Statements and Supplemental Schedules
December 31, 2017 and 2016

The Guardian Life Insurance Company of America

Audited Statutory Basis Financial Statements

December 31, 2017 and 2016

Report of Independent Auditors

To the Board of Directors of
The Guardian Life Insurance Company of America:

We have audited the accompanying statutory financial statements of The Guardian Life Insurance Company of America, which comprise the statutory basis balance sheets as of December 31, 2017 and 2016, and the related statutory basis statements of operations, changes in policyholders' surplus, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are material.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2017 and 2016, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The supplemental Schedule 1 – Selected Financial Data, Investment Risk Interrogatories, and Summary Investment Schedule (collectively, the "supplemental schedules") of the Company as of December 31, 2017 and for the year then ended are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the statutory-basis financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the statutory-basis financial statements taken as a whole.

PricewaterhouseCoopers LLP

February 27, 2018

The Guardian Life Insurance Company of America

Statutory Basis Balance Sheets

(In Millions)

	As of December 31, 2017	As of December 31, 2016
Admitted Assets		
Bonds	$ 38,125	$ 35,243
Common and preferred stocks	1,531	1,522
Mortgage loans	4,001	3,472
Real estate	345	374
Policy loans	3,520	3,405
Other invested assets	2,299	2,054
Receivable for securities	80	27
Cash, cash equivalents and short-term investments	554	822
Total invested assets	50,455	46,919
Due and accrued investment income	430	384
Premiums deferred and uncollected	1,091	1,058
Current federal and foreign income tax recoverable and interest thereon	127	106
Net deferred tax asset	587	727
Reinsurance recoverable from affiliate	2,641	2,472
Other assets	238	218
Total admitted assets	$ 55,569	$ 51,884
Liabilities		
Reserves for policy benefits	$ 41,778	$ 39,369
Policyholder dividends payable and other contract liabilities	3,550	3,107
Interest maintenance reserve	531	464
Asset valuation reserve	829	810
Other liabilities	2,197	1,962
Total liabilities	48,885	45,712
Policyholders' surplus	5,487	5,327
Surplus notes	1,197	845
Total liabilities and policyholders' surplus	$ 55,569	$ 51,884

See notes to statutory basis financial statements.

The Guardian Life Insurance Company of America

Statutory Basis Statements of Operations

(In Millions)

	For the Years Ended December 31, 2017	2016
Revenues		
Premiums, annuity considerations and fund deposits	$ 8,112	$ 7,768
Net investment income	2,106	2,052
Other income	441	421
Total revenues	10,659	10,241
Benefits and Expenses		
Benefit payments to policyholders and beneficiaries	4,449	4,293
Net increase to policy benefit reserves	2,409	2,330
Commissions and operating expenses	2,383	2,262
Total benefits and expenses	9,241	8,885
Gain from operations before policyholder dividends and taxes	1,418	1,356
Policyholder dividends	(903)	(839)
Gain from operations before taxes and realized capital losses	515	517
Income tax expense	(65)	(141)
Income from operations before net realized capital losses	450	376
Net realized capital losses	(27)	(8)
Net income	$ 423	$ 368

See notes to statutory basis financial statements.

The Guardian Life Insurance Company of America

Statutory Basis Statements of Change in Policyholders' Surplus

(In Millions)

	For the Years Ended December 31,	
	2017	**2016**
Beginning of year balance	$ 6,172	$ 6,090
Adjustments to surplus:		
Net income	423	368
Change in net unrealized capital gains (losses), net of tax	26	(111)
Change in reserve on account of change in valuation basis	-	(8)
Change in asset valuation reserve	(19)	(11)
Change in surplus note	352	-
Change in net deferred taxes	(391)	92
Change in non-admitted assets	233	(84)
Change in pension funded status	(110)	(159)
Other changes, net	(2)	(5)
Net adjustments to unassigned surplus	512	82
End of year balance	$ 6,684	$ 6,172

See notes to statutory basis financial statements.

The Guardian Life Insurance Company of America

Statutory Basis Statements of Cash Flows

(In Millions)

	For the Years Ended December 31, 2017	2016
Cash flows from operating activities:		
Premiums and other income received	$ 8,097	$ 7,756
Investment income	2,110	2,110
Other income	130	196
Benefits and loss related payments	(4,582)	(4,308)
Commissions, expenses and taxes paid	(2,431)	(2,290)
Dividends paid	(847)	(822)
Other, net	(12)	22
Net cash provided by operating activities	2,465	2,664
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Bonds	14,248	15,042
Common and preferred stocks	363	538
Mortgage loans	495	574
Real estate	107	81
Other investments	398	457
Proceeds from investments sold or matured	15,611	16,692
Cost of investments acquired:		
Bonds	16,841	18,451
Common and preferred stocks	316	464
Mortgage loans	1,033	664
Real estate	85	16
Other investments	751	517
Cost of investments acquired	19,026	20,112
Net increase in policy loans, net of repayments	115	68
Net cash used in investing activities	(3,530)	(3,488)
Cash from financing and miscellaneous activities:		
Cash provided:		
Surplus note	352	-
Net deposits on deposit-type contracts and other insurance liabilities	445	868
Net cash provided by financing and miscellaneous activities	797	868
Net (decrease) increase in cash, cash equivalents and short-term invesments	(268)	44
Cash , cash equivalents and short-term investments, beginning of year	822	778
Cash, cash equivalents and short-term investments, end of year	$ 554	$ 822

See notes to statutory basis financial statements.

NOTE 1 – ORGANIZATION

The Guardian Life Insurance Company of America ("Guardian" or the "Company") provides financial services to customers throughout the United States. The Company provides a full range of insurance, investment, securities brokerage and other financial products and services including individual life and disability insurance, group life and health insurance, annuities, pension and retirement related investments and administration and asset management.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:
The accompanying statutory basis financial statements have been prepared on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services (the "Department"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). Insurance companies domiciled in New York are required to prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP"), subject to certain deviations prescribed or permitted by the Department.

The Department recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company ("New York SAP"). The NAIC promulgates the NAIC SAP, which include accounting guidelines referred to as Statements of Statutory Accounting Principles ("SSAPs"). The Department adopted NAIC SAP with certain modifications, through the passage of Regulation 172, effective January 1, 2001, as amended.

A reconciliation of the Company's Net Income and Surplus at December 31, 2017 and 2016 between NAIC SAP and practices prescribed by the State of New York is shown below:

	2017	2016
Statutory Net Income, New York basis	$ 423	$ 368
State Prescribed Practices:		
Deferred premiums asset impact (1)	7	7
Admission of unearned reinsurance premium asset (2)	(5)	(5)
Statutory Net Income, NAIC SAP basis	$ 425	$ 370

	2017	2016
Statutory Surplus, New York basis	$ 6,684	$ 6,172
State Prescribed Practices:		
Deferred premiums asset impact (1)	143	133
Admission of unearned reinsurance premium asset (2)	(62)	(55)
Statutory Surplus, NAIC SAP basis	$ 6,765	$ 6,250

1) Department Circular Letter No. 11
2) Department Regulation 172

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statements prepared on a New York SAP basis vary from financial statements prepared in accordance with GAAP primarily because on a statutory basis: 1) costs related to acquiring business, principally commissions and certain policy issue expenses, are charged to income in the year incurred; 2) life insurance and annuity reserves are based on statutory mortality and interest requirements, without consideration of withdrawals and company experience; 3) life insurance enterprises are required to establish a formula-based asset valuation reserve ("AVR") by a direct charge to surplus to offset potential investment losses; 4) realized gains and losses resulting from changes in interest rates on fixed income investments are deferred in the interest maintenance reserve ("IMR") and amortized into investment income over the remaining life of the investment sold; 5) bonds are carried principally at amortized cost; 6) certain reinsurance transactions are accounted for as reinsurance for statutory purposes and as financing transactions under GAAP, and assets and liabilities are reported net of reinsurance for statutory purposes and gross of reinsurance for GAAP; 7) certain "non-admitted assets" (furniture and office equipment, leasehold improvements, capitalized internally developed non-operating system software, and prepaid pension costs) must be excluded under statutory reporting through a charge to surplus; 8) investments in common stock of the Company's wholly-owned and majority owned subsidiaries are accounted for using the equity method, where earnings of such subsidiaries are recognized in surplus; only when dividends are distributed is income recognized; 9) gross deferred tax assets and changes in deferred tax assets ("DTAs") and liabilities ("DTL's"), except those relating to changes in unrealized gains and losses, are recognized as a separate component of surplus. Deferred tax assets not meeting certain criteria are non-admitted; 10) investments in Other invested assets, where the Company has a controlling financial interest, are accounted for using the equity method for statutory purposes and consolidated under GAAP; and 11) if in the aggregate, the Company has a net negative cash balance, it is reported as a negative asset for statutory purposes and recorded as a liability under GAAP. The effect on the financial statements of the Company from the differences between New York SAP and GAAP are material and disclosed in Note 19.

<u>Use of Estimates:</u>
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As a provider of life insurance products, the Company's operating results in any given period depend on estimates of policy reserves required to provide for future policyholder benefits. The development of policy reserves for insurance and investment contracts requires management to make estimates and assumptions regarding mortality, lapse, expense and investment experience. Such estimates are primarily based on historical experience and, in many cases, state insurance laws that require specific mortality, morbidity, and investment assumptions to be used by the Company and may preclude the use of lapse and expense assumptions. Actual future results could differ from these estimates. Management monitors actual experience, and where circumstances warrant, revises its assumptions and the related reserve estimates. The Company regularly invests in mortgage loans, mortgage-backed securities and other securities subject to prepayment and/or call risk. Significant changes in prevailing interest rates and/or geographic conditions may adversely affect the timing and amount of cash flows on such investments, as well as their related values. In addition, the amortization of market premium and accretion of market discount for mortgage-backed securities is based on historical experience and estimates of future payment experience underlying mortgage loans. Actual prepayment timing could differ from original estimates resulting in adjustments to asset values and amortization or accretion recorded in future periods.

<u>Admitted Assets:</u>
Assets are stated at "admitted asset" values, which are values required by or permitted to be reported to the Department in accordance with its rules and regulations. Certain assets designated as "non-admitted assets" (approximately $156 million and $389 million at December 31, 2017 and December 31, 2016, respectively), consisting principally of deferred tax assets, leasehold improvements, electronic data processing equipment and computer software, and prepaid pension costs are charged directly to unassigned surplus.

<u>Investments:</u>
See Note 3 and Note 4 regarding the accounting policy, reported statement value and estimated fair value of the Company's investment in bonds, common and preferred stocks, mortgage loans, real estate and derivatives.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Short-Term Investments:
Cash includes amounts on deposit with banks. Cash equivalents are stated at amortized cost and consist of investments having maturities of three months or less at time of purchase. Money Market Funds are included in cash equivalents are stated at the Net Asset Value which is equivalent to the fair value. Certain short-term investments, are stated at amortized cost and consist primarily of investments having maturities greater than three months from date of purchase, but less than one year to maturity. Fair values for such investments approximate carrying value, because of the relatively short period of time between their origination and expected maturity and collectability.

Policy Loans:
Policy loans are stated at unpaid principal balance. The carrying amount approximates fair value since loans on policies have no defined maturity date and reduce the amount payable at death or at surrender of the contract.

Other Invested Assets:
Other invested assets consist primarily of joint ventures, limited liability companies (LLCs), and other forms of partnerships. These investments are valued at the Company's share of equity in the partnerships' LLC or joint ventures' net assets. All distributions are recorded as income or return of capital based on information received from the partnerships. The change in equity is recorded as unrealized gains (losses) on the Company's books and is charged directly to surplus. Other invested assets also include investments in surplus notes which are carried at amortized cost.

Other Assets:
Other assets consist primarily of receivables from subsidiaries (see Note 11), receivables related to reinsurance ceded (see Note 9), amounts receivable relating to Administrative Services Only ("ASO") uninsured plans, premium tax offsets, and electronic data processing equipment.

Investment Reserves:
In compliance with statutory requirements, the Company maintains the AVR and the IMR. The AVR is intended to stabilize policyholders' surplus against market fluctuations in the value of equities and credit related declines in the value of bonds, mortgage loans and equity investments. Changes in the AVR are recorded directly to surplus. The IMR defers net after-tax realized capital gains (losses) which result from changes in the overall level of interest rates for fixed income investments and amortizes these net capital gains (losses) into income over the remaining stated life of the investments sold. The Company uses the group method of calculating the IMR.

Insurance Revenue and Expense Recognition:
Life premiums are recognized as income over the premium-paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Benefit payments to policyholders and beneficiaries include death benefits, disability benefits, matured endowments and surrender benefits and are charged to expense when incurred.

Reserves for Policy Benefits:
See Note 5 regarding the methods and assumptions used to establish the Company's reserves for future insurance policy benefits.

Other Liabilities:
Other liabilities consist primarily of general expenses due or accrued, liabilities for employees and agents, commissions payable, unearned investment income, amounts withheld or retained by the company as agent or trustee, miscellaneous reinsurance liabilities, assessments, and tax reserves liabilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes:
The provision for federal income taxes is based on income from operations currently taxable. Realized gains and losses are reported net of the applicable federal income taxes. Deferred federal income tax assets are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with increases or decreases reflected as adjustments to surplus (See Note 8). The Company is required to establish a tax loss contingency if it is more likely than not that a tax position will not be sustained. The amount of the contingency reserve is management's best estimate of the amount of the original tax benefit that could be reversed upon audit, unless the best estimate is greater than 50% of the original tax benefit, in which case the reserve is equal to the entire tax benefit.

Dividends to Policyholders:
The liability for dividends to policyholders principally consists of dividends expected-to-be paid during the subsequent year and are determined by means of formulas that reflect the relative contribution of each group of policies to the results of operations. Policyholder dividends are approved annually by the Board of Directors, and a portion of the policyholder dividends approved annually are guaranteed by the Board of Directors.

Other Contract Liabilities
Other contract liabilities include liabilities for deposit type contracts such as funding agreements (see Note 5), claims in the course of settlement, and premiums received in advance.

Benefit Plans:
The Company has non-contributory defined benefit pension plans covering substantially all of the Company's employees. The benefits are based primarily on years of service and compensation. Assets of the pension plans are invested in a diversified portfolio that primarily consists of corporate bonds and common stocks. All assets are managed by the Company or its affiliates.

Reinsurance:
The Company enters into reinsurance agreements in the normal course of its insurance business to reduce overall risk (see Note 9 for reinsurance ceded and Note 10 for reinsurance assumed). The Company remains liable for reinsurance ceded if the reinsurer fails to meet its obligation on the business it has assumed. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Net Investment Income and Capital Gains:
Net investment income includes interest and dividends received or accrued on investments. It also includes amortization of any purchase premium or discount using the interest method, adjusted retrospectively or prospectively for any change in estimated yield to maturity. Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made. Net investment income is reduced by investment management expenses, interest expense on the Company's outstanding surplus note and real estate depreciation.

Realized investment gains and losses are reported in income based upon specific identification of securities sold. Realized losses include valuation adjustments for other-than-temporary declines in investments. Unrealized investment gains and losses on financial instruments carried at fair value represent changes in the reported fair value and are recorded directly to surplus.

Assessments:
Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants. Amounts assessed to each company are typically related to its proportion of business written in each state. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction. In certain states there must also be a final order of liquidation. As of December 31, 2017 and December 31, 2016, the liability balance included in other liabilities was $9 million and $28 million, respectively for assessments. Some states permit member insurers to recover assessments through full or partial premium tax offsets. The related premium tax offsets included in other assets were $21 million and $17 million as of December 31, 2017 and December 31, 2016, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On March 1, 2017, the Commonwealth Court of Pennsylvania entered into an order of liquidation for Penn Treaty Network America Insurance Company, and its subsidiary American Network Insurance Company ("Penn Treaty"), providers of long-term care insurance. As a result of the liquidation, the Company used the most current cost estimate provided by the National Organization of Life and Health Guaranty Associations (NOLHGA) to determine the estimated fund assessments and premium tax offsets. As of December 31, 2017, the Company recognized a discounted assessment liability of $8 million (undiscounted of $8 million) offset by a discounted premium tax offset of $16 million (undiscounted of $19 million) using a discount rate of 3.5%. The assessment is included in other liabilities of $9 million and in other assets of $21 million stated above. The Company expects a majority of the assessments to be paid over the next 2 years and a majority of the premium tax offset to be realized over the next 7 years.

The below table provide additional information on the Penn Treaty fund assessment liability and premium tax offset recoverables:

	Liability			Recoverables		
Name of the Insolvency	**Number of Jurisdictions**	**Range of Years**	**Weighted average number of years**	**Number of Jurisdictions**	**Range of Years**	**Weighted average number of years**
Penn Treaty	50	1 - 3 years	2 years	40	1 - 20 years	7 years

Reclassifications:

Certain amounts in prior year's presentation have been reclassified to conform to the current presentation. The reclassification had no effect on previously reported net income or surplus. The investment in surplus notes totaling $204 million have been reclassified from the Bonds to Other Invested Assets on Statutory Basis Balance Sheet for December 31, 2016.

NOTE 3 – INVESTMENTS

Investments are valued in accordance with methods prescribed by the Securities Valuation Office of the NAIC ("SVO"). The Company obtains the fair value of financial instruments held in its portfolio that are either carried at fair value on the face of the financial statements or disclosed in the notes to the financial statements at fair value, from a number of sources. These sources include published market quotes for active market exchange traded instruments, third party pricing vendors, investment banks which are lead market makers in certain markets, broker quotes and the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Unrealized gains and losses on investments carried at fair value are recorded directly in unassigned surplus. The investment portfolio is reviewed for investments that may have experienced a decline in value considered to be other-than-temporary. The Company considers several factors in determining whether other-than-temporary declines exist: duration and extent to which the fair value of the security has been less than cost; financial condition of the issuer; the near term prospects for recovery of the fair value of a security; discounted estimated future cash flows; and the intent and ability of the Company to hold the security to allow for an anticipated recovery in value. Impairments that are considered other-than-temporary are included in net realized capital losses.

The Company's investment portfolio includes securities with a 5* NAIC designation. There were two securities that have a 5* NAIC designation with an aggregated book adjusted carrying value and aggregate fair value of $10 million as of December 31, 2017. There were two securities that have a 5* NAIC designation with a book adjusted carrying value and fair value of $14 million as of December 31, 2016.

Valuation methods for the various types of investments held are as follows:

Bonds - Bonds are stated principally at amortized cost with bond premiums and discounts amortized using the scientific interest method. Those bonds which are rated 6 by the NAIC are reported at the lower of amortized cost or fair value. Mortgage-backed bonds are carried at amortized cost using the interest method considering anticipated prepayments at the date of purchase. Significant changes in future anticipated cash flows from the original purchase assumptions are accounted for using the retrospective and prospective adjustment method utilizing the Public Securities Association standard prepayment rates. There were fifty-six securities that were sold, redeemed or disposed of with an aggregate amount of $29 million in investment income from prepayment penalties and acceleration fees as of December 31, 2017.

Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from issuers or broker- dealers through information services or internal estimates and are consistent with current interest rates and the economic environment. There were forty-six securities that were sold, redeemed or disposed of with an aggregate amount of $504 million and $8 million in investment income from prepayment penalties as of December 31, 2017.

The Company changes from the retrospective method to the prospective method when an other than temporary impairment has been recorded on a structured loan-backed security.

Preferred stocks - Preferred stocks are carried at amortized cost if they have an NAIC SVO rating of 1 to 3 or the lower of book value or fair value based on the rating of 4 to 6.

Common stocks - Common stocks of unaffiliated companies are stated at fair value, which is based on quoted market price. For common stocks without quoted market prices, fair value is estimated using independent pricing services or internally developed pricing models. Investments in subsidiaries are included in common stocks and are valued at equity in the underlying net assets. Undistributed earnings or losses of subsidiaries and unrealized appreciation or depreciation on common stocks are reflected as unrealized capital gains and losses directly in Surplus.

NOTE 3 – INVESTMENTS (CONTINUED)

Foreign Currency Translation - All of the Company's insurance operations are conducted in the United States of America on a U.S. dollar-denominated basis. The Company does make bond, equity and other investments that are denominated in foreign currencies or issued by entities doing business in other countries. Investments denominated in a foreign currency are translated to U.S. dollars at each reporting date using then-current market foreign exchange rates. Translation gains or losses relating to fluctuations in market exchange rates are reported as a change in unrealized capital gains and losses until the related investment security is sold or matures, at which time a realized capital gain or loss is reported. Transactions denominated in a foreign currency, such as receipt of foreign-denominated interest or dividends, are translated to U.S. dollars based on the actual exchange rate at the time of the transaction.

NOTE 3 – INVESTMENTS (CONTINUED)

The amortized cost basis and estimated fair value of bonds and the cost basis and estimated fair value of preferred stock and common stocks at December 31, 2017 and December 31, 2016 is as follows:

December 31, 2017	Amortized Cost/ Cost*	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
		(In millions)		
U.S. Government	$ 2,475	$ 46	$ (8)	$ 2,513
All other Government	65	-	-	65
States, Territories, and Possessions	336	52	-	388
U.S. Political Subdivisions	262	30	-	292
U.S. Special Revenue	2,517	231	(9)	2,739
Industrial and Miscellaneous	32,455	1,874	(140)	34,189
Hybrid	5	1	-	6
Affiliated Bonds	10	-	-	10
Total Bonds	$ 38,125	$ 2,234	$ (157)	$ 40,202
Common stocks - unaffiliated	$ 513	55	(32)	$ 536
Investment in subsidiaries	1,316	18	(339)	995
Total Common Stocks	1,829	$ 73	$ (371)	1,531
Preferred Stocks - Perpetual	$ -	-	-	-
Total Preferred Stocks	-	$ -	$ -	-
Total Common and Preferred Stocks	$ 1,829	$ 73	$ (371)	$ 1,531

December 31, 2016	Amortized Cost/ Cost*	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
		(In millions)		
U.S. Government	$ 1,602	$ 5	$ (31)	$ 1,576
All other Government	37	-	-	37
States, Territories and Possessions	390	47	(5)	432
U.S. Political Subdivisions	230	22	-	252
U.S. Special revenue	2,274	179	(19)	2,434
Industrial and Miscellaneous	30,662	1,313	(460)	31,515
Hybrid	48	2	(1)	49
Total Bonds	$ 35,243	$ 1,568	$ (516)	$ 36,296
Common stocks - unaffiliated	$ 445	34	(41)	$ 438
Investment in subsidiaries	1,346	39	(341)	1,044
Total Common Stocks	1,791	73	(382)	1,482
Preferred Stocks - Perpetual	$ 40	10	-	50
Total Preferred Stocks	40	$ 10	$ -	50
Total Common and Preferred Stocks	$ 1,831	$ 83	$ (382)	$ 1,532

* Includes unrealized FX adjustments

NOTE 3 – INVESTMENTS (CONTINUED)

The Company invests in high quality securities that are diversified by asset class, issuer and industry. At December 31, 2017 approximately 6.5% of the portfolio is invested in securities issued or backed by the United States Government or its agencies. No other single issuer accounts for more than 1.5% of the portfolio at December 31, 2017.

The amortized cost and estimated fair value of debt securities at December 31, 2017 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	2017	
	Amortized Cost	Estimated Fair Value
	(In millions)	
Due in one year or less	$ 461	$ 468
Due after one year through five years	9,499	9,692
Due after five years through ten years	9,572	9,937
Due after ten years	12,846	14,072
Sinking fund bonds, mortgage backed securities and asset backed securities	5,747	6,033
Total	$ 38,125	$ 40,202

The net change in unrealized capital gains (losses) included in surplus for year ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
	(In millions)	
Changes in net unrealized capital gains (losses) attributable to:		
Bonds (NAIC 6 rated)	$ 4	$ (4)
Preferred Stocks (NAIC 4, 5 and 6 rated)	-	6
Common stocks unaffiliated	31	21
Common stocks affiliated	(21)	(54)
Foreign currency translation	59	(28)
Other	(47)	(72)
Total change in net unrealized capital gains (losses)	26	(131)
Tax (expense) benefit	-	20
Total change in net unrealized gains (losses), net of tax	$ 26	$ (111)

Proceeds from sales, maturities and paydowns of investments in bonds amounted to $14,208 million and $15,522 million for the years ended December 31, 2017 and 2016, respectively. Gross gains of $413 million and $602 million and gross losses of $147 million and $202 million were realized on sales of bonds for the years ended December 31, 2017 and 2016, respectively. These amounts are pre-tax and pre-IMR.

Proceeds from sales, maturities and paydowns of investments in preferred stock amounted to $69 million and $153 million for the years ended December 31, 2017 and 2016, respectively. Gross gains of $28 million and $4 million and gross losses of $0 million and $15 million were realized on sales of preferred stock for the years ended December 31, 2017 and 2016, respectively. These amounts are pre-tax.

NOTE 3 – INVESTMENTS (CONTINUED)

Proceeds from sales, maturities and paydowns of investments in common stock amounted to $294 million and $560 million for the years ended December 31, 2017 and 2016, respectively. Gross gains of $22 million and $19 million and gross losses of $6 million and $13 million were realized on sales of common stock for the years ended December 31, 2017 and 2016, respectively. These amounts are pre-tax.

During 2017 and 2016, there were no restructured loans.

During 2017 and 2016, the Company had non-cash transactions related to the exchange or conversion of bonds that it held as investments in the amount of $2,236 million and $806 million.

During 2017 and 2016, the Company had non-cash transactions related to the exchange or merger activity related to common stock that it held as investments in the amount of $444 million and $2 million.

During 2017 and 2016, the Company had no non-cash transactions related to the exchange or conversion of preferred stock that it held as investments.

Unrealized Losses:

The Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2017 and December 31, 2016 are shown below:

December 31, 2017	Less than 12 Months		12 Months or More		Total	
(In millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government	$ 967	$ (6)	$ 57	$ (2)	$ 1,024	$ (8)
All other Government	15	-	-	-	15	-
States, Territories and Possessions	13	-	17	-	30	-
U.S. Political Subdivisions	-	-	-	-	-	-
U.S. Special Revenue	207	(2)	343	(7)	550	(9)
Industrial and Miscellaneous	4,523	(54)	2,764	(86)	7,287	(140)
Hybrid	-	-	-	-	-	-
Total Bonds	$ 5,725	$ (62)	$ 3,181	$ (95)	$ 8,906	$ (157)
Common stocks - unaffiliated	8	(1)	119	(31)	127	(32)
Total temporarily impaired securities	$ 5,733	$ (63)	$ 3,300	$ (126)	$ 9,033	$ (189)

NOTE 3 – INVESTMENTS (CONTINUED)

December 31, 2016	**Less than 12 Months**		**12 Months or More**		**Total**	
(In millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government	$ 1,126	$ (31)	$ 4	$ -	$ 1,130	$ (31)
All other Government	17	-	-	-	17	-
States, Territories and Possessions	122	(5)	4	-	126	(5)
U.S. Political Subdivisions	35	-	-	-	35	-
U.S. Special Revenue	678	(18)	8	(1)	686	(19)
Industrial and Miscellaneous	10,177	(380)	985	(80)	11,162	(460)
Hybrid	1	-	21	(1)	22	(1)
Total Bonds	$ 12,156	$ (434)	$ 1,022	$ (82)	$ 13,178	$ (516)
Common stocks - unaffiliated	150	(19)	62	(22)	212	(41)
Total temporarily impaired securities	$ 12,306	$ (453)	$ 1,084	$ (104)	$ 13,390	$ (557)

The Company's investment portfolio includes individual securities that are in an unrealized loss position and have not been recognized as other-than-temporary impairments. There were four hundred and sixty-four securities in an unrealized loss position for greater than 12 months with a book value of $3,426 million and a fair value of $3,300 as of December 31, 2017. There were six hundred and seventy two securities in an unrealized loss position for greater than 12 months with a book value of $1,188 million and a fair value of $1,084 million as of December 31, 2016.

In reaching the conclusion that these impairments are not other-than-temporary, management considered many factors including: duration and severity of impairment, discounted cash flow analysis, investment sector stability, creditworthiness, financial condition of issuer, and intent and ability to hold to allow for recovery in value.

NOTE 3 – INVESTMENTS (CONTINUED)

Mortgage Loans:
Mortgage loans are valued at amortized cost. Valuation reserves are established for potential declines in the value of the mortgage loans. As of December 31, 2017 and December 31, 2016 there were no valuation reserves established for any of the Company's mortgage loans. Other-than-temporary impairments on loans are charged to net realized capital losses and are not adjusted for subsequent recoveries in value. There were no other-than-temporary impairments on mortgage loans for the years ended December 31, 2017 and 2016, respectively.

The Company's $4,001 million and $3,472 million of investments in mortgage loans on real estate on December 31, 2017 and December 31, 2016 consist of loans on commercial real estate properties. Of these amounts $1,682 million and $1,356 million were mortgage loans in which the Company was a participant at December 31, 2017 and December 31, 2016. The Company had $0 million and $30 million in co-lender loan exposure as of December 31, 2017 and December 31, 2016. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Texas ($1,209 million or 30.24% and $351 million or 8.76%) at December 31, 2017. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Texas ($1,183 million or 34.07% and $224 million or 6.45%) at December 31, 2016. The Company estimates the fair value of mortgage loans on real estate to be $4,085 million and $3,549 million at December 31, 2017 and December 31, 2016, respectively. Fair value was determined based upon the present value of the scheduled future cash flows of each loan based on the average term to maturity discounted at the appropriate U.S. Treasury rate, adjusted for the current market spread for a similar quality mortgage. The minimum and maximum range of lending rates on new mortgage loans were between 3.20% and 4.32% originated during 2017. The maximum percentage of any single mortgage loan to the value of the security originated in 2017 was 69.92% at origination date.

Management monitors its mortgage loan portfolio on an ongoing basis for events or circumstances that could indicate that it will not receive all of its contractually due principal and interest payments in accordance with the loan agreements. In May and November of each year, the entire portfolio is screened based on debt service coverage, loan to value ratio, delinquency over 90 days and if there are indications that balloon payments due at maturity will not be made to determine if any other than temporary impairments might need to be recorded.

Interest received on impaired loans that were previously modified in a troubled debt restructuring is either applied against the principal or reported as revenue according to management's judgment as to the collectability of principal. There were no mortgages with interest more than 180 days past due at December 31, 2017 or December 31, 2016, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

The following table set forth the credit quality indicators as of December 31, 2017 and December 31, 2016, based upon the recorded investment gross of allowance for credit losses.

Mortgage Loans

	Debt Service Coverage Ratio - December 31, 2017						
	Greater than 2.0X	1.8X to 2.0X	1.5X to <1.8X	1.2X to <1.5X	1.0X to <1.2X	Less than 1.0X	Grand Total
Loan-to-Value Ratio							
0% - 49.99%	$ 939	$ 62	$ 178	$ 24	$ 19	$ -	$ 1,222
50% - 59.99%	798	263	181	120	21	-	1,383
60% - 69.99%	715	-	276	103	52	4	1,150
70% - 79.99%	140	18	-	38	47	3	246
80% - 89.99%	-	-	-	-	-	-	-
90% - 100%	-	-	-	-	-	-	-
Greater than 100%	-	-	-	-	-	-	-
Total	**$ 2,592**	**$ 343**	**$ 635**	**$ 285**	**$ 139**	**$ 7**	**$ 4,001**

Mortgage Loans

	Debt Service Coverage Ratio - December 31, 2016						
	Greater than 2.0X	1.8X to 2.0X	1.5X to <1.8X	1.2X to <1.5X	1.0X to <1.2X	Less than 1.0X	Grand Total
Loan-to-Value Ratio							
0% - 49.99%	$ 670	$ 215	$ 131	$ 57	$ 37	$ 2	$ 1,112
50% - 59.99%	559	138	238	64	3	-	1,002
60% - 69.99%	471	18	218	245	55	5	1,012
70% - 79.99%	73	37	16	72	93	8	299
80% - 89.99%	-	22	7	-	-	-	29
90% - 100%	18	-	-	-	-	-	18
Greater than 100%	-	-	-	-	-	-	-
Total	**$ 1,791**	**$ 430**	**$ 610**	**$ 438**	**$ 188**	**$ 15**	**$ 3,472**

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NOTE 3 – INVESTMENTS (CONTINUED)

Real Estate:

Real estate investments are reported in the financial statements at cost, less any valuation adjustment, encumbrances and accumulated depreciation of buildings and other improvements using a straight line method over a 40 year period for the buildings and the estimated useful life of the improvements. An investment in real estate is considered impaired when the projected undiscounted net cash flow from the investment is less than depreciated cost. When the Company determines that an investment in real estate is impaired, a valuation adjustment is made to reduce the carrying value to estimated fair value, after encumbrances, based on appraisal of the property. The valuation adjustment is included in realized capital gains (losses).

Real estate was comprised of the following for the years ended December 31, 2017 and December 31, 2016:

	2017	2016
	(In millions)	
Investment real estate	$ 341	$ 361
Properties held for sale - Company Occupied	-	10
Properties occupied by the Company	4	3
Total real estate	$ 345	$ 374

The Company had accumulated depreciation totaling $102 million and $121 million at December 31, 2017 and December 31, 2016, respectively. The Company recorded depreciation expense of $19 million for 2017 and $19 million for 2016. There were two properties with carrying value of $22 million, above their combined fair value of $20 million at December 31, 2017. There were four properties with carrying value of $24 million, above their combined fair value of $20 million at December 31, 2016. There was one other-than-temporary impairment of $4 million taken on real estate in 2017. There were no other-than-temporary impairment in 2016. The fair values were determined by a third party and internal appraisals. As of December 31, 2016 the Company had four home office properties held for sale with carrying value of $10 million. These properties were sold in 2017 resulting in a gain of $2 million.

Restricted Assets and Special Deposits:

The Company had admitted restricted assets of $12 million and $23 million at December 31, 2017 and 2016, respectively. Of these amounts, there were deposits with states as required by certain insurance laws of $4 million in 2017 and $4 million 2016 and pledged as collateral for futures trading of $8 million and $20 million in 2017 and 2016, respectively. These amounts are included in Bonds in the Statutory Basis Balance Sheets. Total admitted restricted assets were 0.02% and 0.05% of the Company's total admitted assets at December 31, 2017 and 2016, respectively. There were no non-admitted restricted assets in 2017 or 2016.

Investment in Subsidiaries:

Investment in affiliated limited liability subsidiaries are included in Other invested assets while investment in all other subsidiaries are included in Common stocks on the Statutory Basis Balance Sheets and totaled $1,819 million and $1,754 million at December 31, 2017 and December 31, 2016, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

The Company's major subsidiaries are as follows:

Guardian Insurance and Annuity Company ("GIAC") is a stock life insurance company organized primarily for the sale of variable deferred annuities, fixed deferred and immediate annuity contracts, and variable life insurance policies. For variable products, contracts are sold by insurance agents who are licensed by Park Avenue Securities LLC ("PAS"), wholly-owned by GIAC, and are either registered representatives of PAS or of broker-dealer firms that have entered into sales agreements with GIAC. Effective September 1, 2016, GIAC sold its Group 401(k) in-force business to Ameritas Life Insurance Corp., a Nebraska corporation ("Buyer") and entered into an indemnity reinsurance agreement with the Buyer on a 100% modified coinsurance basis for the liabilities until the Buyer can obtain all of the required regulatory and contract holder approvals to novate the GIAC Group 401(k) in-force contracts through Assumption Reinsurance.

Berkshire Life Insurance Company of America ("BLICOA") is a stock life company whose primary business is the sale and administration of disability insurance business.

Park Avenue Life Insurance Company ("PALIC") primary business is the administration of life insurance business (principally term and universal life products). Although PALIC is licensed in 48 states and the District of Columbia, it does not currently write new business.

First Commonwealth, Inc. ("FCW") provides dental care coverage and/or arranges for dental care services to be provided to its subscribers primarily on a prepaid basis. It also provides Indemnity/Preferred Provider Organization ("PPO") dental coverage, and administrative claim services. Through its subsidiary, Premier, FCW also operates as a dental health care service plan under the California Geographic Managed Care Program ("GMC") and the Los Angeles Prepaid Health Plan ("LAPHP"), which are administered by the California Department of Health Services and were created by the State legislature to ensure access, quality of care, and cost-effectiveness for beneficiaries of the Medi-Cal Program. On January 29, 2016, FCW acquired 100% interest in Avesis Incorporated at a purchase price of $262 million. The total assets acquired were $317 million which includes $268 million in goodwill and intangible assets and total liabilities acquired were $55 million.

Guardian Investor Services ("GIS") is a wholly-owned non-insurance limited liability company that provides investment advisory services and related services to the mutual funds, variable investment trusts, private investment unit trust, institutional and other clients through Park Avenue Institutional Advisers ("PAIA"), wholly-owned subsidiary of GIS. GIS also provides absence management services to organizations and dental practice management services to dental clinics. GIS holds investments in real estate operating entities and joint ventures, residual interests in collateralized loan obligation securities and investments in early stage companies.

- During 2016, GIS received $234 million of real estate operating entities and joint ventures from the Company. GIS also received a contribution of $130 million from the Company which represents the common stock of Reed Group, Ltd., a Colorado corporation that provides absence management services.

- On August 24, 2016, GIS acquired 100% interest in STX Healthcare Management Service, Inc., a dental service organization, at a purchase price of $79 million in cash. The total assets acquired were $94 million which includes $80 million in goodwill and intangible assets and total liabilities acquired were $15 million.

- On December 17, 2015, GIS entered into a definitive agreement to sell its majority interest (as of December 31, 2015, GIS owns a 94.0% interest in RS) in RS to Victory Capital. The transaction closed on July 29, 2016.

NOTE 3 – INVESTMENTS (CONTINUED)

Selected financial information for the Company's significant subsidiaries is highlighted below:

		2017		2016
		(In millions)		
GIAC (Statutory basis)				
Total assets	$	17,360	$	16,783
Total liabilities		17,050		16,523
Net income (loss)	$	26	$	(140)
BLICOA (Statutory basis)				
Total assets	$	3,718	$	3,527
Total liabilities		3,529		3,325
Net income	$	11	$	18
PALIC (Statutory basis)				
Total assets	$	236	$	268
Total liabilities		195		204
Net income	$	5	$	6
FCW (GAAP basis)				
Total assets	$	586	$	701
Total liabilities		112		161
Net income	$	27	$	25
GIS (GAAP basis)				
Total assets	$	1,962	$	1,432
Total liabilities		1,129		712
Net income (loss)	$	2	$	(3)

NOTE 3 – INVESTMENTS (CONTINUED)

Investment in Subsidiaries

The following table provides additional information on non-insurance subsidiaries.

December 31, 2017

Description of SCA Investment (Per SSAP No 97)	% of SCA Ownership	Gross Amount	Non-admitted Amount	Admitted Asset Amount	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (yes/no)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (yes/no)	Code
				(In millions)						
Managed Dental Care of California	100%	$ 4	$ -	$ 4	12/30/2016	Sub-2	Y	$ 5	no	I
First Commonwealth	100%	443	-	443	12/30/2016	Sub-2	Y	508	no	I
Innovative Underwriters	100%	6	6	-	-	Sub-2	n/a	-	n/a	I
Guardian Investors Services, LLC	100%	824	-	824	-	n/a	n/a	-	n/a	I
Guardian Acqusition I, LLC	100%	24	24	-		n/a	n/a	-	n/a	I
Aggregate Total		**$ 1,301**	**$ 30**	**$ 1,271**				**$ 513**		

December 31, 2016

Description of SCA Investment (Per SSAP No 97)	% of SCA Ownership	Gross Amount	Non-admitted Amount	Admitted Asset Amount	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (yes/no)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method, Resubmission Required (yes/no)	Code
				(In millions)						
Managed Dental Care of California	100%	$ 5	$ -	$ 5	6/30/2016	Sub-2	Y	$ 6	no	I
First Commonwealth	100%	508	-	508	12/30/2016	Sub-2	Y	420	no	I
Innovative Underwriters	100%	6	6	-	-	Sub-2	n/a	-	n/a	I
Guardian Investors Services, LLC	100%	710	-	710	-	n/a	n/a	-	n/a	I
Aggregate Total		**$ 1,229**	**$ 6**	**$ 1,223**				**$ 426**		

NOTE 3 – INVESTMENTS (CONTINUED)

NET INVESTMENT INCOME

Net investment income, including accrual of discounts and amortization of premiums, arose from the following sources for the years ended December 31, 2017 and December 31, 2016:

	2017	2016
	(In millions)	
Bonds	$ 1,611	$ 1,545
Preferred stocks	-	7
Unaffiliated common stocks	24	9
Affiliated common stocks	47	12
Mortgage loans	166	169
Real estate	69	73
Policy loans	253	247
Cash and short-term investments	6	4
Other (mainly private equities)	155	181
Gross investment income	2,331	2,247
Less investment expenses	(225)	(195)
Net investment income	$ 2,106	$ 2,052

NET REALIZED CAPITAL (LOSSES) GAINS

Net realized capital losses were derived from the following sources for the years ended December 31, 2017 and December 31, 2016:

	2017	2016
	(In millions)	
Bonds	$ 255	$ 401
Preferred stocks	28	(11)
Common stocks (unaffiliated & affiliated)	15	5
Mortgage loans	(7)	(2)
Real estate	12	29
Other invested assets	5	(8)
Derivatives and hedging losses gains	(18)	(46)
Other realized losses	1	-
Total net realized capital gains	291	368
Capital gains tax expense	(152)	(164)
Transfer to IMR (net of tax)	(166)	(212)
Net realized capital losses	$ (27)	$ (8)

Included in Other Invested Assets is $15.5 million net losses related to the transfer of twenty real estate joint venture LLC's to GIS in 2016.

The net realized capital loss figure above includes other-than-temporary impairment losses of $54 million and $46 million for the years ended December 31, 2017 and December 31, 2016, respectively. The $54 million related to $37 million in private equities, $11 million in bonds, $4 million in real estate, and $2 million in real estate funds. The $46 million related to private equities.

NOTE 3 – INVESTMENTS (CONTINUED)

Derivative Financial Instruments:

The Company enters into derivative transactions in order to mitigate ("hedge") certain risks pertaining to its assets, liabilities and surplus from fluctuations in interest rates, foreign currency exchange rates and market volatility. Derivatives are either exchange traded or contracted over-the-counter. The majority of the Company's over-the-counter derivatives are bilateral contracts between the Company and a single counterparty. The Company's remaining over-the-counter derivatives are cleared and settled through central clearing counterparties.

Derivatives that are designated as hedges for accounting purposes and meet the qualifications for hedge accounting are reported on a basis consistent with the asset or liability being hedged (i.e. at amortized cost). Derivatives that are used to mitigate risk but are not designated as hedges for accounting purposes or do not meet the qualifications for hedge accounting treatment are reported at fair value.

To qualify for hedge accounting the hedge relationship must be designated and formally documented at inception. This documentation details the risk management objective and strategy for the hedge, the derivative used in the hedge, the asset or liability being hedged, and the methodology for assessing hedge effectiveness. The hedge must also be "highly effective" with an assessment of its effectiveness performed both at inception and on an ongoing basis over the life of the hedge.

Derivative transactions expose the Company to the risk that the counterparty may not be able to fulfill its obligations under the terms set forth in the contract. The Company manages this counterparty risk by entering into transactions with counterparties that maintain a minimum credit rating, by performing ongoing review of a counterparties' credit standing, by adhering to established limits for credit exposure to any single counterparty and requiring collateral posting subject to thresholds and minimum transfer amounts in accordance with counterparty agreements to support credit risk associated with counterparty exposures which further reduces the company's exposure to default by the counterparty. The Company is required to establish a margin account for all of its futures contracts. All of the futures contracts that the Company has entered into are exchange traded. Margin payments are required for futures contract and contract gains or losses are settled daily in cash, therefore the futures contracts are carried at zero value on the Company's balance sheets. The contract amount of futures contracts represents the extent of the Company's involvement, but not future cash requirements, as open positions are typically closed out prior to the delivery date of the contract. The Company does not offset the statement values for derivatives executed with the same counterparty, even if a master netting arrangement is in place. The Company also does not offset the right to claim collateral against the obligation to return such collateral.

The Company has no embedded credit derivatives that expose it to the possibility of being required to make future payments. The Company also does not have any derivative contracts with financing premiums.

Hedging – Designated As Hedging Instruments

The Company designates and accounts for its foreign currency swaps as cash flow hedges and certain equity index futures, treasury futures and S&P equity option as fair value hedges.

Foreign currency swaps are used to mitigate the foreign exchange risk for investments for specifically identified private placement bonds denominated in foreign currencies over a period of up to 15 years. Foreign currency swaps obligate the Company and a counterparty to exchange the foreign currency denominated interest and principal payments receivable on foreign denominated bonds for U.S. dollar payments based on currency exchange rates specified at the inception of the transaction. Foreign exchange gains or losses on these contracts are reported as a change in unrealized gains or losses until the maturity or sale of the hedged foreign currency bond at which time a realized capital gain or loss is recognized.

Equity index futures are used to mitigate the change in value of the liability the Company has to participants in its deferred compensation plans that allocate their plan account balances to equity funds offered under the plan. Equity index futures obligate the Company to pay or to receive an amount based on a specified equity market index as of a future date applied to the notional amount of the contract. The change in the fair value of the futures contracts are recorded as income or expense which offsets the impact on gain from operation of the change in value of its deferred compensation liability. If the hedge is deemed to be ineffective for any period of time, the change in the fair value of the futures contracts for that time period is recorded in surplus as an unrealized gain or loss.

NOTE 3 – INVESTMENTS (CONTINUED)

Treasury futures are used to mitigate the portion of the change in fair value related to a change in interest rates on specifically identified assets acquired by the Company and held in its general account to support the Funding Agreements ("FA") and the specifically identified portion of a liability incurred by the Company pertaining to FA that are issued by the Company to back Medium Term Notes ("MTN") issued by a special purpose entity.

The Company enters into short positions (sells) treasury futures contracts prior to the issuance of the FA-MTN in order to lock-in the interest rate component of the return of the designated assets at their date of acquisition. When the FA-MTN is issued the Company enters into long position (purchases) treasury futures contracts in order to mitigate the change in the fair value of the designated net liability due to the effects of interest rate changes. The change in the fair value of the futures contracts are recorded in current period earnings as income or expense which offsets the operating gain or loss incurred by the Company on the change in value of its FA liability.

Treasury futures obligate the Company to take or receive delivery of certain Treasury Bonds at a specified price at a future date.

S&P equity options are used by the Company as a risk management strategy to reduce the projected dividend liability exposure on its Index Participation Feature ("IPF") which is a rider on certain whole life contracts. The Company uses a combination of short positions (sell) and long positions (purchases) of over-the-counter European call options on the S&P 500 index with expiration of one year to mitigate the dividend liability exposure based on the future return on S&P 500 index for the annual period of the monthly segment being hedged between the guaranteed floor rate and the cap rate on the participating balances. The change in the fair value of the options contracts are recorded in current period earnings as income or expense which offsets the operating gain or loss incurred by the Company on the change in the amount of the dividend liability.

Hedging – Not Designated As Hedging Instruments

The Company enters into other derivative transactions that mitigate economic risks but are not designated as a hedge for accounting purposes or do not qualify for hedge accounting treatment. These derivative instruments are reported at fair value on the balance sheet as either other invested assets or other liabilities. Changes in the fair value of these instruments are reported as a change in unrealized capital gains or losses until the maturity or termination of the contract, at which time a realized capital gain or loss is recorded.

Treasury futures are used to mitigate the key rate duration mismatch between the designated segment of the general account asset portfolio and the custom composite benchmarks for that segment designed to incorporate certain interest rate characteristics of the liabilities that those assets support. Treasury futures obligate the Company to take or receive delivery of certain Treasury Bonds at a specified price at a future date.

Foreign currency futures are used to mitigate the foreign exchange risk of investments in foreign denominated bonds securities. Foreign currency futures are exchange traded and settled daily. Foreign currency futures obligate the Company to exchange a specified amount of foreign currency at a specified rate on a future date.

Equity index futures are used to mitigate market fluctuations of the Company's portfolio of unaffiliated common stock and other mark to market assets and to minimize the volatility associated with certain liabilities. Equity index futures obligate the Company to pay or receive from a counterparty a cash amount based on a specified equity market index at a predefine price as of a future date applied to the notional amount of the contracts.

NOTE 3 – INVESTMENTS (CONTINUED)

Foreign currency forwards are used to mitigate the foreign exchange risk for investments in foreign denominated bonds or foreign denominated equity investments. Foreign currency forwards obligate the Company and the counterparty to exchange U.S. dollars and another currency at a specified future date and at a specified price.

Credit default swaps index ("CDX") are used to reduce the credit risk exposure on a specified portfolio of corporate bonds. The Company purchases CDX contracts in which it receives payments if there is a credit event on one or more of the specified securities contained in the index. These payments would be used to offset any credit losses recorded on portfolio of bonds being hedged.

The Company also entered into short positions (sells) treasury futures contracts in order to lock in the interest rate as of the date the hedge was entered into for a surplus note that was issued in January 2017.

Replications

The Company purchased treasury futures as part of a replication transaction used to manage interest rate exposure. Statutory accounting guidance requires a cash instrument (high quality bond) with the same par value as the notional amount of the derivative and at least the same duration as the treasury futures to be held by the Company in order to cover the change in value of the treasury futures. The combining of the treasury futures and the cash instrument creates the replication (synthetic bond). If the replicated asset and cash instrument are carried at amortized cost so is the derivative. Otherwise, the derivative is carried at fair value.

NOTE 3 – INVESTMENTS (CONTINUED)

The effects of the Company's use of derivative instruments on the Balance Sheets and Statements of Operations:

December 31, 2017	Notional Amount	Statement Value: Assets	Statement Value: Liabilities	Change in Unrealized Capital Gains (Losses)	Net Realized Capital Gains (Losses)	Net Investment Income	Gain/(loss) from Operations
	(in millions)						
Derivatives designated as hedging instruments:							
Foreign currency swaps	$ 816	$ 13	$ -	$ (63)	$ -	$ -	$ -
Equity index futures	213	-	-	-	-	-	36
Treasury futures	88	-	-	-	(15)	-	-
S&P equity options	5	-	-	-	-	-	-
Derivatives not designated as hedging instruments:							
Treasury futures	45	-	-	1	(1)	-	-
Equity index futures	1	-	-	-	-	-	-
Credit default swap index	-	-	-	-	(1)	-	-
Total derivatives	$ 1,168	$ 13	$ -	$ (62)	$ (17)	$ -	$ 36

December 31, 2016	Notional Amount	Statement Value: Assets	Statement Value: Liabilities	Change in Unrealized Capital Gains (Losses)	Net Realized Capital Gains (Losses)	Net Investment Income	Gain/(loss) from Operations
	(in millions)						
Derivatives designated as hedging instruments:							
Foreign currency swaps	$ 422	$ 34	$ -	$ 24	$ -	$ -	$ -
Equity index futures	-	-	-	-	-	-	20
Treasury futures	-	-	-	-	-	-	-
S&P equity options	1	-	-	-	-	-	-
Derivatives not designated as hedging instruments:							
Treasury futures	-	-	-	(1)	(41)	-	-
Foreign currency futures	-	-	-	-	-	-	-
Equity index futures	3	-	-	-	-	-	-
Foreign currency forwards	-	-	-	-	-	-	-
Credit default swap index	950	-	15	-	(4)	-	-
Total derivatives	$ 1,376	$ 34	$ 15	$ 23	$ (45)	$ -	$ 20

Repurchase Agreements:

The Company periodically enters into repurchase agreements whereby securities will be resold at a specified date and price. There were no repurchase agreements as of December 31, 2017 and December 31, 2016, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

Reverse Repurchase Agreements:
The Company periodically enters into reverse repurchase arrangements whereby certain securities are loaned, primarily with major brokerage firms. The Company's policy requires a minimum of 95% of the fair value of the loaned securities as collateral, calculated on a daily basis, in the form of either cash or securities. Collateral assets received and related liabilities due counterparties are included in the Statutory Basis Balance Sheets as "Other Liabilities". There were no open reverse repurchase agreements on December 31, 2017 or December 31, 2016.

Securities Lending
There were no securities on loan at December 31, 2017 or December 31, 2016.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Statutory guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions based on internally developed data in the absence of observable market information. The guidance requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when determining the fair value of an asset or liability. The statement classifies all assets and liabilities carried or disclosed at fair value in one of the following three categories:

Level 1 – inputs are quoted market prices available in active markets for identical assets or liabilities on the reporting date. Assets included in this category include fixed maturity instruments.

Level 2 – inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations whose inputs are observable or whose significant value drivers are observable. These types of instruments include fixed maturity instruments (impaired bonds), unaffiliated common stock, and derivative instruments that are not actively traded.

Level 3 – inputs are unobservable where there is little or no market activity for the asset or liability and the Company makes estimates and assumptions based on internally derived information. Instruments held in this category include fixed maturity instruments (impaired bonds).

The estimated fair values presented below have been determined using available information and valuation methodologies. The estimated fair value for financial instruments held by the Company was determined by management after considering the following sources of information: published market quotes for active exchange traded instruments, third party pricing vendors, quotes from investment banks that are lead market makers in certain markets, independent broker quotations, or the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Accordingly, such amounts are management's estimate of the value that would be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies from period to period based on available information and market conditions could have a material effect on the estimated fair values.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Bonds, preferred and common stocks:
Estimated fair values for bonds, other than private placement securities, preferred stock and common stock are valued based on quoted prices from active markets when available (Level 1).

When the Company cannot obtain a quoted market price directly it relies on values provided by a third party pricing vendor. This is the pricing source for the majority of the Company's marketable securities. Prices received from a third party vendor are generally considered to be Level 2.

Pricing vendors utilize pricing models developed for individual asset classes which incorporate available market data. These market inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data which include market research publications. The pricing vendor may obtain broker quotes for securities when sufficient information is not available to fully evaluate a security. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants.

Portfolio managers review the values assigned by the pricing vendor for reasonableness. In doing so, they compare the prices received from the pricing vendor to prices of similar securities, price ranges in that asset class or industry or prices from internally generated position reports. If there is a discrepancy with the price received from the vendor, the portfolio manager may communicate this difference to the pricing vendor and present the vendor with additional market data regarding that security in order to insure the pricing vendor has sufficient information needed to accurately price the security. The pricing vendor will then independently validate and evaluate that data and determine if a price change is warranted.

In the rare instance when a portfolio manager finds a difference in his or her assessment of fair value and the vendor price, after performing the preceding procedures, the portfolio manager may request replacement of the vendor price by a supportable value that is believed to be more representative of the security price. Any replacement of the vendor price is subject to an internal approval process.

The fair values of private placement bonds are determined by using an internal pricing model or for a small amount of securities, assigned individual broker prices. There were seventy-seven private placement bonds that were individually priced. These assigned individual prices are usually obtained from an external broker ("hand priced") and are considered to be Level 3.

The significant inputs used for the internal pricing model consist of (i) a broker supplied price matrix, (ii) treasury rates and (iii) credit ratings from certain nationally recognized securities rating organizations ("NRSRO") ("external ratings") or a credit rating assigned internally by the Company's Private Placement Investment Management Group ("internal ratings").

Private placement bonds with an applicable external credit rating of BB or above, for which the corresponding matrix price is used, are classified as Level 2. A private placement bond with an applicable external credit rating of below BB is classified as Level 3 due to the limited amount of market data available for these securities.

Bonds are carried at amortized cost unless they are rated 6 by the NAIC SVO in which case they are reported at the lower of amortized cost or fair value. There no bonds rated 6 by the NAIC SVO and carried at fair value on December 31, 2017 and December 31, 2016. Impaired bonds carried at fair value on December 31, 2017 and December 31, 2016 were $7 million and $2 million, respectively.

Preferred stock is carried at amortized cost if they have a NAIC SVO rating of 1, 2 or 3 and at lower or cost or fair value if the rating assigned is 4, 5 or 6. There were no preferred stocks carried at fair value on December 31, 2017 and December 31, 2016.

Unaffiliated common stocks are reported at fair value.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives:

Derivative instruments are valued through the use of quoted market prices for exchange-traded derivatives (Level 1), third party pricing model and a third party pricing service for over-the-counter ("OTC") traded derivatives (Level 2) and by using internally developed estimates and assumptions when no quoted market price or third party vendor price is available (Level 3).

The third party pricing model used to determine fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what market participants would use when pricing the instruments. The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant observable inputs include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility.

The methodology used by the third party pricing service for derivative investments is the same as that described above under the bonds, preferred and common stocks section.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables summarize the Company's financial instruments carried at fair value by their fair value hierarchy levels for the period ending December 31, 2017 and December 31, 2016:

	December 31, 2017				
	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
Assets			(In millions)		
Impaired Bonds	$ -	$ -	$ 7	$ 7	$ 7
Common Stock	-	536	-	536	536
Total Assets	$ -	$ 536	$ 7	$ 543	$ 543
Liabilities					
Derivative instruments	$ -	$ -	$ -	$ -	$ -
Total Liabilities	$ -	$ -	$ -	$ -	$ -

	December 31, 2016				
	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
Assets			(In millions)		
Impaired Bonds	$ -	$ 2	$ -	$ 2	$ 2
Common Stock	-	438	-	438	438
Total Assets	$ -	$ 440	$ -	$ 440	440
Liabilities					
Derivative instruments	$ -	$ 15	$ -	$ 15	$ 15
Total Liabilities	$ -	$ 15	$ -	$ 15	$ 15

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes changes to the Company's financial instruments carried at fair value and classified as level 3 in the fair value hierarchy for the year ended December 31, 2017.

Level 3 Roll Forward	As of December 31, 2017		
(In Millions)	NAIC 6 Bonds	Impaired Bonds	Total
Fair Value , beginning of period	$ -	$ -	$ -
Total gains or (losses) (realized or unrealized):			-
Included in net income	-	-	-
Included in surplus	-	-	-
Purchases, sales, issuances, and settlements:			-
Purchases	-	-	-
Sales	-	-	-
Issuances	-	-	-
Settlements	-	-	-
Transfers into Level 3	7	-	7
Transfers out of Level 3	-	-	-
Fair value, end of period	$ 7	$ -	$ 7

Transfers into and out of Level 3 are recognized at the end of the reporting period. During 2017, the Company transferred one security into Level 3. The transfers in and out of level 3 were determined by the observable/unobservable inputs used in pricing the securities.

Level 3 Roll Forward	As of December 31, 2016		
(In Millions)	NAIC 6 Bonds	Impaired Bonds	Total
Fair Value , beginning of period	$ -	$ 8	$ 8
Total gains or (losses) (realized or unrealized):			-
Included in net income	-	-	-
Included in surplus	-	-	-
Purchases, sales, issuances, and settlements:			-
Purchases	-	-	-
Sales	-	(8)	(8)
Issuances	-	-	-
Settlements	-	-	-
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Fair value, end of period	$ -	$ -	$ -

Transfers into and out of Level 3 are recognized at the end of the reporting period. During 2016, the Company transferred no securities into and out of Level 3. The transfers in and out of level 3 were determined by the observable/unobservable inputs used in pricing the securities.

NOTE 5 – RESERVES FOR POLICY BENEFITS

Reserves for policy benefits represent the estimated net present value of future policy benefits, less future policy premiums, established using actuarial methods based on mortality and morbidity experience tables and valuation interest rates prescribed by the Department. Actual future experience will generally differ from assumptions used to determine these reserves.

Reserves for future policy benefits on life insurance issued in 1988 and later are calculated principally on the New Jersey Reserve Method or the Commissioners Reserve Valuation Method using the 1980 Commissioners' Standard Ordinary ("CSO") and the 2001 CSO mortality tables. Reserves on life policies issued before 1988 are calculated principally on the Net Level Premium Reserve Method using the American Experience, 1941, 1958 and 1980 CSO mortality tables. Annuity contract reserves are principally calculated using the 1983 Group Mortality table and the various Individual Annuity mortality tables. Assumed interest rates principally range from 2.5% to 5.5 % for direct business.

The reserves for Group Life Waiver and LTD reported claims are determined on a seriatim basis. Life waiver of premium reserves are determined primarily using the 1970 Inter-company Group Life Disability Table for claims incurred on or before December 31, 2008 and the 2005 Group Term Life Waiver Reserve Valuation Table for claims incurred on or after January 1, 2009. The interest rate is 4.0% for claims incurred on or before December 31, 2012 and 3.5% for claims incurred on or after January 1, 2013. Long-term disability reserves are determined using the 2012 Group Long-Term Disability Valuation Table for claims incurred on or after January 1, 2017 and Table 95a for claims incurred on or before December 31, 2016 for the first 24 months after disablement, and the 1987 Commissioners' Group Disability Table for greater than 24 months of disablement. The interest rates range from 2.75% to 5.0%, depending on the year of incurral. Short Term Disability (STD), Dental, and Medical claims incurred but not yet reported ("IBNR") reserves are estimated based on the Company's historical experience. Dental and Medical reserves include reasonable allowances for potential adverse deviation.

The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium paid beyond the date of death. The larger of legally computed reserves and cash surrender values on a policy-by-policy basis are held as liabilities. Plans, except for second-to-die plans, charge additional premiums for substandard lives based upon actual issue age. Second-to-die plans develop substandard reserves using the rated up age. Mean reserves are based on appropriate multiples of standard rates of mortality. As of December 31, 2017, the Company had $14 billion of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of New York. The reserves to cover the above insurance totaled $32 million. The Tabular Interest, the Tabular Less Actual Reserve Released and the Tabular Cost have been determined by formula. For the determination of Tabular Interest on funds not involving life for each valuation rate of interest, the tabular interest is calculated as the product of such valuation rate of interest times the average of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

NOTE 5 – RESERVES FOR POLICY BENEFITS (CONTINUED)

At December 31, 2017 and December 31, 2016 the withdrawal characteristics of the Company's annuity reserves and deposit liabilities were as follows:

	As of December 31, 2017				
	(1) General Account	(2) Separate Account with Guarantees	(3) Separate Account Non Guaranteed	(4) Total	(4) % of Total
A. Subject to discretionary withdrawal:					
(1) With market value adjustment	$ 10	$ -	$ -	$ 10	0.5%
(2) At book value less current surrender charge of 5% or more	60	-	-	60	3.3%
(3) At fair value	-	-	-	-	-
(4) Total with adjustment or at fair value (Total of 1 through 3)	$ 70	$ -	$ -	$ 70	3.8%
(5) At book value without adjustment (with minimal or no charge or adjustment)	$ 546	$ -	$ -	$ 546	29.6%
B. Not subject to discretionary withdrawal	$ 1,227	$ -	$ -	$ 1,227	66.6%
C. Total (gross: direct + assumed)	$ 1,843	$ -	$ -	$ 1,843	100.0%
D. Reinsurance ceded	-	-	-	-	-
E. Total (net)* (C)- (D)	$ 1,843	$ -	$ -	$ 1843	100.0%

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities

	As of December 31, 2016				
	(1) General Account	(2) Separate Account with Guarantees	(3) Separate Account Non Guaranteed	(4) Total	(4) % of Total
A. Subject to discretionary withdrawal:					
(1) With market value adjustment	$ 10	$ -	$ -	$ 10	0.7%
(2) At book value less current surrender charge of 5% or more	63	-	-	63	4.3%
(3) At fair value	-	-	-	-	-
(4) Total with adjustment or at fair value (Total of 1 through 3)	$ 73	$ -	$ -	$ 73	5.0%
(5) At book value without adjustment (with minimal or no charge or adjustment)	$ 548	$ -	$ -	$ 548	37.4%
B. Not subject to discretionary withdrawal	$ 846	$ -	$ -	$ 846	57.7%
C. Total (gross: direct + assumed)	$ 1,467	$ -	$ -	$ 1,467	100.0%
D. Reinsurance ceded	-	-	-	-	-
	$ 1,467	$ -	$ -	$ 1467	100.0%

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities

NOTE 5 – RESERVES FOR POLICY BENEFITS (CONTINUED)

Note Programs

Funding agreements are investment contracts whose reserve liabilities are equal to the account value and are established by contract deposits, increased by interest credited and decreased by contract coupon payments and maturities. Contract holders do not have the right to terminate the contract prior to the contractually stated maturity date. Credited interest rates vary by contract and can be fixed or floating.

Under the note programs, the Company creates special purpose entities ("SPEs"), which are investment vehicles or trusts, for the purpose of issuing medium-term notes to investors. Proceeds from the sale of the medium-term notes issued by these SPEs are used to purchase funding agreements from the Company. The medium term notes are secured by the funding agreements with the note issuer granting a security interest in the funding agreement to the indenture trustee for the notes. The payment terms of any particular series of notes are matched by the payment terms of the funding agreement securing the series. The Company has a $3.0 billion Global Medium-Term Note Program of which $1.2 billion notes have been issued with $1.2 billion remaining outstanding as of December 31, 2017. The $1.2 billion and $800 million is included in "Policyholder dividends payable and other contract liabilities" in the Statutory Basis Balance Sheets as of December 31, 2017 and December 31, 2016, respectively.

NOTE 6 – PREMIUM AND ANNUITY CONSIDERATIONS DEFERRED AND UNCOLLECTED

Gross deferred and uncollected life insurance premiums represent premiums due to be received from policy owners through the next policy anniversary date. Net deferred and uncollected life insurance premiums represent only the portion of gross premiums related to mortality charges and interest. Deferred and uncollected life insurance premiums at December 31, 2017 and December 31, 2016 were as follows:

	2017 (In millions)		2016 (In millions)	
Type	**Gross**	**Net**	**Gross**	**Net**
Ordinary new business	$ 64	$ 64	$ 67	$ 67
Ordinary renewal	674	581	656	569
Group life	175	351	168	341
Totals	$ 913	$ 996	$ 891	$ 977

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS

Defined Benefit Plans:
The Company sponsors non-contributory defined benefit pension plans covering all eligible employees. These include tax-qualified plans, as well as nonqualified plans that provide benefits to certain participants in excess of ERISA limits for qualified plans. The Company's policy is to fully fund the obligations of qualified plans in accordance with ERISA requirements.

In addition to pension benefits, the Company provides certain health care, dental and life insurance benefits ("postretirement benefits") for retired employees. Substantially all of the employees and representatives may become eligible for these benefits if they reach retirement age while working for the Company.

In accordance with NAIC SAP, the costs associated with these required benefits are expensed over the period that the participant provides services to the Company, including recognition of assets and liabilities based on the funded status of the related plans. Pension assets are then non-admitted and thereby excluded from surplus.

Effective January 1, 2013, the Company adopted Statement of Statutory Accounting Principle No. 92, Accounting for Postretirement Benefits Other Than Pensions, A Replacement of SSAP No. 14 ("SSAP 92") and Statement of Statutory Accounting Principle No. 102, Accounting for Pensions, A Replacement of SSAP No. 89 ("SSAP 102"). These new statutory accounting standards require that estimates of the projected benefit obligations and accumulated benefit obligations include future benefit obligations due to non-vested participants. They also require that the Company's surplus as reported in the statements of financial position fully reflect any net liability related to the plans' projected benefit obligations, reduced by the fair value of any plan assets, including unrecognized net experience losses and prior service costs. Based on the funded status of the plans at December 31, 2012, the new standards reduced surplus by approximately $260 million. The new standard permitted the Company an election to recognized this surplus reduction over a period of up to ten years, which the Company elected.

Plan Amendments
On September 8, 2016, the Company announced a plan amendment to freeze The Guardian Retirement Plan for Field Clerical Employees effective December 31, 2016. The plan amendment affects only the Field Clerical defined benefit pension plan. The announcement of the plan freeze resulted in a plan curtailment. As a result of this amendment, all plan participants ceased accruing additional benefits under the plan effective December 31, 2016. As of December 31, 2016, all active plan participants who completed one year of service (were hired no later than January 1, 2016) were fully vested in their accrued benefit. On September 26, 2016, the Company filed a determination letter with the Internal Revenue Service requesting approval to terminate the plan.

On May 23, 2017, the Company received a favorable determination letter from the IRS. From September to October 2017, Plan participants who were not yet receiving annuity payments were offered a one-time opportunity to receive their benefit in a lump sum payment. Lump sum payments were mailed to participants in December 2017 and paid out using the Field Clerical defined benefit pension plan assets. The December 2017 Lump Sum payments attributable to Field Clerical defined benefit pension plan were $35.3 million and resulted in a partial settlement. As a result, a settlement charge of $10.5 million was recognized as of December 31, 2017, equal to a pro rata portion of the aggregate unamortized net loss (including the gain or loss resulting from re-measurement of the plan assets at fair value). The pro rata factor is computed as the percentage reduction in the projected benefit obligation due to the partial settlement.

On September 8, 2016, the Company announced that all postretirement benefits offered to Field Clerical employees, Full Time Agents and General Agents ended on December 31, 2016. Field Clerical employees, Full Time Agents and General Agents eligible for postretirement benefits received a Special Transition Benefit in December 2016. The Special Transition Benefit was a one-time, lump sum cash payment in lieu of life insurance coverage and the contribution Guardian provides to retirees to help pay for retiree medical and dental coverage. The Company recorded a curtailment gain to recognize a reduction in the accrued postretirement benefit obligation for removing Field Clerical employees, Full Time Agents and General Agents who were not eligible for postretirement benefits as of December 31, 2016.

On February 21, 2017, the Company announced a plan amendment to close the Home Office Employees' Retirement Plan to employees hired on or after January 1, 2018. Home Office employees hired on or after January 1, 2018 will be offered a new defined contribution plan.

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The table below discloses the remaining unrecognized transition impact:

Surplus Impact at Transition		
Transition Liability	$	260
Amount Recognized on January 1, 2013		(59)
Accelerated Transition Liability recognized due to funded status gains – December 31, 2013		(120)
Remaining Transition Liability - December 31, 2013		81
Transition amount recognized during 2014		(19)
Transition amount recognized during 2015		(33)
Transition amount recognized during 2016		(13)
Transition amount recognized during 2017		(13)
Remaining Transition Liability - December 31, 2017	$	3

The table below discloses the anticipated recognition of the remaining transition impact:

Minimum Transition Liability:	Anticipated Amortization	Remaining Transition Liability
2018	3	-

Components of Net Periodic Benefit Expense

The components of net periodic pension and postretirement benefits expense including the amount of unrecognized items amortized into expense for the years ended December 31 are as follows:

	Pension Benefits		Postretirement Benefit	
	2017	2016	2017	2016
	(In millions)			
Service cost	$ 76	$ 71	$ 6	$ 6
Interest cost	100	95	9	11
Expected return on plan assets	(131)	(132)	(9)	(10)
Amortization of transition amount	1	1	-	-
Amortization of prior service costs	-	-	(2)	(8)
Amortization of actuarial net loss	58	46	3	17
Curtailment	-	-	-	(6)
Settlement	11	-	-	2
Net periodic expense	$ 115	$ 81	$ 7	$ 12

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Changes in the projected benefit obligations and plan assets during the years ended December 31, 2017 and December 31, 2016 were as follows (in millions):

	Pension Benefits		Postretirement Benefits	
Change in benefit obligation	**2017**	**2016**	**2017**	**2016**
Benefit obligation, at beginning of period	$ 2,352	$ 2,038	$ 226	$ 240
Service cost	76	71	6	6
Interest cost	101	95	9	11
Actuarial loss	282	229	20	9
Curtailments	-	(9)	-	(9)
Settlements	(37)	-	-	(18)
Benefits paid	(74)	(72)	(12)	(13)
Other	19	-	-	-
Benefit obligation, at end of period	$ 2,719	$ 2,352	$ 249	$ 226

	Pension Benefits		Postretirement	
Change in fair value of plan assets	**2017**	**2016**	**2017**	**2016**
Plan assets, at beginning of period	$ 1,766	$ 1,672	$ 134	$ 134
Actual return on plan assets	252	151	23	13
Employer contributions	146	15	-	-
Settlements	(37)	-	-	-
Benefits paid	(74)	(72)	(12)	(13)
Other	19	-	-	-
Plan assets, at end of period	$ 2,072	$ 1,766	$ 145	$ 134

	Pension Benefits		Postretirement	
Funded status	**2017**	**2016**	**2017**	**2016**
Funded status at end of period	$ (647)	$ (586)	$ (104)	$ (92)
Unrecognized transition liability	1	2	-	-
Unrecognized prior service costs	1	1	4	2
Unrecognized actuarial net loss	889	796	61	58
Net amount recognized	$ 244	$ 213	$ (39)	$ (32)

	Pension Benefits		Postretirement	
Recognized as of December 31	**2017**	**2016**	**2017**	**2016**
Prepaid benefit cost	$ -	$ -	$ 11	$ 9
Less assets non admitted	-	-	(11)	(9)
Accrued liability	(647)	(586)	(112)	(85)
Net amount recognized	$ (647)	$ (586)	$ (112)	$ (85)

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Unrecognized actuarial net gains or losses represent cumulative amounts by which plan experience for return on plan assets or changes in benefit obligations has been more or less favorable than assumed. These net differences are recognized in surplus, and in future years recognized as components of expense**.**

The amounts below are estimated to be amortized from surplus into net periodic benefit cost in 2018 as follows:

	Pension Benefits	Other Benefits
	(In millions)	
Net transition obligation	$ 1	$ -
Net prior service cost	-	(2)
Net loss	75	4
	$ 76	$ 2

Assumptions

Weighted average assumptions used in calculating the benefit obligations were as follows:

	Pension Benefits		Post Retirement Benefits	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Discount rate	3.80%	4.35%	3.75%	4.30%
Rate of compensation increase	3.00%	3.00%	n/a	n/a

Weighted average assumptions used in calculating the net periodic benefit cost were as follows:

	Pension Benefits For the Years Ended		Post Retirement Benefits For the Years Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Discount rate	4.35%	4.75%	4.30%	4.70%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%
Expected return on plan assets:				
Assets in trust account	7.80%	8.00%	7.80%	8.00%
Assets held under insurance contract/other	n/a	4.35%	n/a	4.35%

Assumed health care cost trend rates were as follows:

	As of December 31,	
	2017	2016
Medical & Prescription Pre - Age 65	7.5%, grading to 4.5% over 13 years	6.3%, grading to 4.5% over 10 years

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The trend rates above reflect the Company's current claim experience and management's expectation that future rates of growth will decline. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. At December 31, 2017, a one-percent-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated postretirement benefit obligation ("APBO") for postretirement benefits by $0.1 million and $2.0 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated postretirement benefit obligation for postretirement benefits by $0.1 million and $1.9 million, respectively. At December 31, 2016, a one-percentage-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated postretirement benefit obligation for postretirement benefits by $0.1 million and $1.5 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated postretirement benefit obligation for postretirement benefits by $0.1 million and $1.4 million, respectively.

The accumulated benefit obligations ("ABO") for the funded and unfunded pension plans were $2,072 million and $413 million, respectively, at December 31, 2017 and $1,754 million and $335 million, respectively, at December 31, 2016. The APBO for the postretirement plans was $249 million at December 31, 2017 and $226 million at December 31, 2016.

For the pension plans with ABO in excess of plan assets, the projected benefit obligations, accumulated benefit obligations, and fair value of plan assets were $2,719 million, $2,485 million, and $2,072 million respectively at December 31, 2017 and $1,033 million, $917 million, and $583 million respectively at December 31, 2016.

Prior to 2017, the pension plans held immediate participation guarantee group annuity ("IPG") contracts purchased from the Company. These contracts were expected to provide future benefits to plan participants specifically covered by these contracts of $18 million at December 31, 2016. During 2017, the contract liabilities totaling $19 million were transferred into the obligations of the pension plans and are reflected in the Projected Benefit Obligations of the plans. The IPG contracts are no longer active.

With respect to the Company's pension plans, the actuarially calculated funding amount ranges from the minimum amount the Company would be required to contribute to the maximum amount that would be deductible for tax purposes. Contribution amounts in excess of the minimum amounts are deemed voluntary. Amounts in excess of the maximum amount would be subject to an excise tax and may not be deductible under the Internal Revenue Code. The Company made contributions totaling $142 million in 2017 to its pension plans and expects to make a $18.1 million contribution in 2018 to its field clerical defined benefit pension plan.

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Benefit Payments

The following table disclosed the expected benefit payments for the Company's pension and postretirement plans. The expected benefit payments for 2018 include the payments associated with the decision to terminate the Field Clerical defined benefit pension plan.

	Pension Benefits	Other Benefits
Estimated Future Payments	(In millions)	
2018	$ 235	$ 13
2019	140	14
2020	142	14
2021	152	15
2022	149	15
2023-2027	822	85

Plan Assets

The Company's pension and postretirement plans' asset allocation by major asset class at December 31, 2017 and December 31, 2016, and the target allocation for 2018, are as follows:

	Target Allocation	Percentage of Plan Assets at	
Asset Category	**2018**	**As of December 31, 2017**	**As of December 31, 2016**
U.S. Stocks	10%-50%	31%	36%
International Stocks	5%-15%	6%	7%
Non-convertible Bonds	45%-75%	63%	57%
Convertible Bonds	0%-10%	0%	0%
		100%	100%

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The investment strategy with respect to the Company's pension plan assets is to preserve capital and to seek investment returns with a goal of fully funding the plan.

The expected rate of return was 7.8% for the year ending December 31, 2017 and 8.0% for the year ending December 31, 2016. These rates of return are an aggregation of expected returns within each asset category. The return with respect to each asset class considers both historical returns and the future expectations for such returns.

Target allocations of assets are determined with the objective of maximizing returns and minimizing volatility of net assets through adequate asset diversification and partial liability immunization. Adjustments are made to target allocations based on the Company's assessment of the impact of economic factors and market conditions.

The following table summarizes the Master Trust's financial instruments carried at fair value hierarchy levels. The fair values were estimated using the same methodology described in Note 4.

	As of December 31, 2017 (In millions)			
Description	**Level 1**	**Level 2**	**Level 3**	**Estimated Fair Value**
Common stocks	$ -	$ 639	$ -	$ 639
Fixed maturities				
U.S. Government	144	-	-	144
All other Government	-	5	-	5
States, Territories	-	3	-	3
Political Subdivisions	-	1	-	1
Special revenue	-	6	-	6
Industrial and Miscellaneous	-	1,207	-	1,207
Total Fixed maturities	144	1,222	-	1,366
Total	$ 144	$ 1,861	$ -	$ 2,005

NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

	As of December 31, 2016 (In millions)			
Description	**Level 1**	**Level 2**	**Level 3**	**Estimated Fair Value**
Common stocks	$ -	$ 643	$ -	$ 643
Fixed maturities				
U.S. Government	2	-	-	2
All other Government	-	7	-	7
States, Territories	-	3	-	3
Political Subdivisions	-	1	-	1
Special revenue	-	6	-	6
Industrial and Miscellaneous	-	1,025	-	1,025
Total Fixed maturities	2	1,042	-	1,044
Total	$ 2	$ 1,685	$ -	$ 1,687

There were no financial instruments carried at fair value and classified as Level 3 for the years ending December 31, 2017 and 2016.

Defined Contribution Plans

The Company sponsors defined contribution plans. Home office employees are covered by investment and profit sharing plan pension plans 401(k)/401(a). Employees can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 10% (if not highly paid) of non-matched contributions. In addition, the Company provides a profit sharing allocation in proportion to salary. Field representatives are covered by a 401(k)/401(a) investment plan in which they can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 12% (if not highly paid) of non-matched contributions. The assets for the home office employees and field representatives' plans are held in a trust. Full time agents and general agents are covered by non-contributory plans. The Company contributed $29 million to these plans in 2017 and $24 million in 2016. The Company funds these plans and reflects the funded amounts as a liability.

NOTE 8 – INCOME TAXES

Consolidated Federal Income Tax Return

The Company's federal income tax return is consolidated with the following entities:

- Guardian Insurance & Annuity Company, Inc. and its subsidiaries,
- Park Avenue Life Insurance Company,
- Sentinel American Life Insurance Company,
- Family Service Life Insurance Company,
- Managed Dental Care of California,
- Managed Dental Guard of Texas,
- Managed Dental Guard of New Jersey,
- Innovative Underwriters Inc.,
- Berkshire Life Insurance Company of America
- First Commonwealth, Inc. and its subsidiaries
- Reed Group Ltd,
- GIS Canada Holdings Corp,
- Guardian Abbey LLC,
- STX Healthcare Management Services, Inc.,
- Vital Smiles, Inc.

The Company files a consolidated federal income tax return as parent, with its subsidiaries. The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net capital losses, which it may incur, or to recoup its net operating or capital losses carried forward as an offset to future net income or capital gains subject to federal income taxes.

The Internal Revenue Code limits the amount of non-life insurance losses that may offset life insurance company taxable income. The consolidated income tax liability is allocated among the members of the group pursuant to a tax allocation agreement. In accordance with the tax allocation agreement, each qualifying member of the group computes its tax provision and liability on a separate return basis, but may, where applicable, recognize benefits of net operating losses and capital losses utilized in the consolidated group. Subsidiary tax liabilities/benefits are settled subsequent to the filing of the federal income tax return.

The Company does not anticipate any significant changes to its tax contingencies within the next 12 months.

NOTE 8 – INCOME TAXES (CONTINUED)

Deferred income taxes are generally recognized, based on enacted tax rates, when assets and liabilities have different values for financial statement and tax purposes.

The Tax Cuts and Jobs Act ("the Act") was enacted into law on December 22, 2017. Effective January 1, 2018, the Act reduces the corporate tax rate to 21%. The Act also included several provisions that impact life insurance companies, including the elimination of the net operating loss carryback and changing the calculation of life insurance tax reserves. As a result, the Company performed a review of its grouping of temporary differences and modified its grouping methodology for advanced premium in the admissibility calculation. The net surplus impact primarily as a result of the Act was $140 million reduction in unassigned surplus.

The Company included reasonable estimates for certain effects of the Act and recorded provisional amounts as of December 31, 2017. The Company recorded provisional amounts for tax reserves which resulted in an increase in both deferred tax assets and deferred tax liabilities of $142 million. The Company also recorded a provisional amount of $28 million for the amount of deferred tax assets expected to be realized following the balance sheet date as part of 11 (b) of the admissibility calculation. The Company is currently evaluating these provisional amounts and expects to be complete within one year of the enactment date of the Act. Future changes to these provisional amounts, if any, will be recognized as a change in accounting estimate as the necessary information to update the provisional amounts becomes available.

The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2017		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 1,385	$ 37	$ 1,422
Statutory valuation allowance adjustments	-	-	-
Adjusted Gross Deferred Tax Assets	1,385	37	1,422
Deferred Tax Assets Nonadmitted	23	-	23
Subtotal Net Admitted Deferred Tax Asset	1,362	37	1,399
Deferred Tax Liabilities	737	75	812
Net Admitted Deferred Tax Asset	$ 625	$ (38)	$ 587

	December 31, 2016		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ 1,895	$ 45	$ 1,940
Statutory valuation allowance adjustments	-	-	-
Adjusted Gross Deferred Tax Assets	1,895	45	1,940
Deferred Tax Assets Nonadmitted	274	-	274
Subtotal Net Admitted Deferred Tax Asset	1,621	45	1,666
Deferred Tax Liabilities	817	122	939
Net Admitted Deferred Tax Asset	$ 804	$ (77)	$ 727

	Change		
	Ordinary	Capital	Total
Gross Deferred Tax Assets	$ (510)	$ (8)	$ (518)
Statutory valuation allowance adjustments	-	-	-
Adjusted Gross Deferred Tax Assets	(510)	(8)	(518)
Deferred Tax Assets Nonadmitted	(251)	-	(251)
Subtotal Net Admitted Deferred Tax Asset	(259)	(8)	(267)
Deferred Tax Liabilities	(80)	(47)	(127)
Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability)	$ (179)	$ 39	$ (140)

As a result of the new tax law and rate, gross DTAs and DTLs were reduced by $947 million and $541 million, respectively.

A valuation allowance is recorded if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company's management has concluded that the deferred income tax assets are more likely than not to be realized. Therefore, no valuation allowance has been provided.

NOTE 8 – INCOME TAXES (CONTINUED)

Admission calculation components SSAP No. 101 (Paragraph 11)

The Company follows the guidance in Statement of Statutory Accounting Principles No. 101 - Income Taxes, A Replacement of SSAP No. 10R and SSAP No.10 ("SSAP 101"). SSAP 101 included a similar calculation for limitation of gross deferred tax assets as SSAP 10R for insurers that maintain a minimum of 300% of their authorized control level RBC computed without net deferred tax assets. The Company exceeded the 300% minimum RBC requirement at December 31, 2017 and 2016.

	December 31, 2017		
	Ordinary	**Capital**	**Total**
a. Federal income taxes paid in prior years recoverable through loss carrybacks.*	$ -	$ 37	$ 37
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below)	550	-	550
The lesser of:			
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	550	-	550
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	N/A	N/A	914
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.	812	-	812
Deferred tax assets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	$ 1,362	$ 37	$ 1,399

	December 31, 2016		
	Ordinary	**Capital**	**Total**
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	$ 683	$ 44	$ 727
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below)	-	-	-
The lesser of:			
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	N/A	N/A	-
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.	938	1	939
Deferred tax assets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	$ 1,621	$ 45	$ 1,666

	Change		
	Ordinary	**Capital**	**Total**
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	$ (683)	$ (7)	$ (690)
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below)	550	-	550
The lesser of:			
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	550	-	550
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	N/A	N/A	914
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and	(126)	(1)	(127)
Deferred tax assets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	$ (259)	$ (8)	$ (267)

*Due to the new tax law eliminating the net operating loss carryback, the Company can no longer admit its ordinary DTA under SSAP 101 Paragraph 11a.

	2017	**2016**
Ratio percentage used to determine recovery period and threshold limitation amount	1050%	996%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	$ 7,458	$ 6,743

NOTE 8 – INCOME TAXES (CONTINUED)

Impact of Tax Planning Strategies

	December 31, 2017	
	Ordinary	**Capital**
1. Adjusted Gross DTAs amount	$ 1,385	37
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.0%	2.5%
3. Net Admitted Adjusted Gross DTAs amount	1,362	37
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.0%	6.1%

	December 31, 2016	
	Ordinary	**Capital**
1. Adjusted Gross DTAs amount	1,895	45
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.0%	2.3%
3. Net Admitted Adjusted Gross DTAs amount	1,621	45
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.0%	6.0%

	Change	
	Ordinary	**Capital**
1. Adjusted Gross DTAs amount	(510)	(8)
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax	0.0%	0.2%
3. Net Admitted Adjusted Gross DTAs amount from	(259)	(8)
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the	0.0%	0.1%

Does the Company's tax-planning strategies include the use of reinsurance? Yes ______ No X

All DTL were recognized as of December 31, 2017 and December 31, 2016

Current income taxes incurred consisted of the following major components:

Description	December 31, 2017	December 31, 2016	Change
(In millions)			
Federal income tax expense on operating income	$ 97	$ 169	$ (72)
Prior year overaccrual	(32)	(28)	(4)
Contingent tax	-	-	-
Current Federal operations income tax expense	$ 65	$ 141	$ (76)
Federal income tax expense on capital gains	$ 141	$ 136	$ 5
Prior year underaccrual	11	28	(17)
Current Federal capital gain income tax expense	$ 152	$ 164	$ (12)
Federal and foreign income taxes incurred	$ 217	$ 305	$ (88)

NOTE 8 – INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2017	2016	Change
DTAs Resulting from Book/Income Tax Differences In:		(In millions)	
Ordinary:			
Reserves	$ 582	$ 617	$ (35)
Policy acquisition costs	258	411	(153)
Dividend provision	180	298	(118)
Liabilities for employees and agents	100	152	(52)
Non admitted assets	222	335	(113)
Contract liabilities and unpaid claims	1	1	-
Leasehold improvement	12	12	-
Other	30	69	(39)
Gross ordinary DTA - (admitted and nonadmitted)	$ 1,385	$ 1,895	$ (510)
Statutory valuation allowance adjustment - ordinary	-	-	-
Total ordinary DTA - (nonadmitted)	23	274	(251)
Admitted ordinary DTA	1,362	1,621	(259)
Capital:			
Impaired securities	32	39	(7)
Other	5	6	(1)
Gross capital DTA - (admitted and nonadmitted)	37	45	(8)
Total capital DTA - (nonadmitted)	-	-	-
Admitted capital DTA	37	45	(8)
Total admitted DTA	$ 1,399	$ 1,666	$ (267)
DTLs Resulting from Book/Income Tax Differences In:			
Ordinary:			
Deferred and uncollected premiums	$ 229	$ 370	$ (141)
Advanced Premium	66	-	66
Reserve Transition Adjustment (8 Year)	142	-	142
Guaranteed dividend	120	202	(82)
Other invested assets	68	86	(18)
Pension	43	64	(21)
Reserves 10 Year spread	13	27	(14)
Other	56	68	(12)
Ordinary DTL	$ 737	$ 817	$ (80)
Capital:			
Unrealized capital gains	25	26	(1)
Deferred gain	49	92	(43)
Other	1	4	(3)
Capital DTL	75	122	(47)
Total DTL	$ 812	$ 939	$ (127)
Net admitted DTA/(DTL)	$ 587	$ 727	$ (140)

The Change in net deferred income taxes is comprised of the following:

	2017	2016	Change
Adjusted gross deferred tax assets	$ 1,422	$ 1,940	$ (518)
Total Deferred Tax Liabilities	812	939	(127)
Net deferred tax assets (liabilities)	$ 610	$ 1,001	$ (391)
Tax effect of net unrealized gains (losses)			-
Change in net deferred income tax			$ (391)

Changes in net deferred income tax, including changes attributable to changes in tax rates and changes in tax status, if any, shall be recognized as a separate component of gains and losses in unassigned funds (Surplus).

NOTE 8 – INCOME TAXES (CONTINUED)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant book to tax adjustments causing this difference were the following:

	December 31, 2017	Effective Tax Rate
	(In millions)	
Net gain from operations after dividends to policyholders and before Federal income tax @ 35%	$ 181	
Net realized capital gains (losses) @ 35%	43	
Provision calculated at statutory rate	224	35.00%
Tax effect of:		
Interest maintenance reserve	24	3.75%
Affiliated Dividends	(18)	(2.81%)
Pension Adjustment	(38)	(5.94%)
Change in Tax law and rate	423	66.09%
Other	(7)	(1.09%)
Total statutory income taxes	$ 608	95.00%
Federal income taxes incurred	217	33.91%
Change in net deferred income taxes	391	61.09%
Total statutory income taxes	$ 608	95.00%

Operating Loss and Tax Credit Carryforwards

As of December 31, 2017, the Company does not have any net ordinary loss carryforwards, capital loss carryforwards or tax credit carryforwards.

The following are income taxes incurred in prior years that are available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
		(In millions)	
2017	$ -	$ 135	$ 135
2016	-	152	152
2015	-	137	137
Total	$ -	$ 424	$ 424

As of December 31, 2017, the Company does not have any deposits admitted pursuant to the Internal Revenue Code Section 6603.

NOTE 9 – REINSURANCE CEDED

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding business to reinsurers under various modified coinsurance agreements, coinsurance agreements, and combinations thereof, and yearly renewable term agreements. These agreements provide for reinsurance of selected individual life and disability policies and group life and group health contracts. Under the terms of the modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the Company. The Company retains the primary obligation to the policyholder for reinsured policies. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, the Company evaluates the financial condition of its reinsurers in order to minimize its exposure to losses from reinsurer insolvencies.

The effects of these ceding agreements on the components of gain from operations in the accompanying statutory basis statements of operations are as follows:

	2017	2016
	(In millions)	
Premiums, annuity considerations and fund deposits	$ (463)	$ (460)
Commissions and expense allowances (other income)	121	119
Total revenues	(342)	(341)
Benefit payments to policyholders and beneficiaries	(350)	(359)
Net reductions to policy benefit reserves	(49)	(86)
Commissions and operating expenses	2	5
Total expenses	(397)	(440)
Net gain on operations from reinsurance ceded	$ 55	$ 99

NOTE 10 – REINSURANCE ASSUMED

The Company enters into various modified coinsurance agreements, coinsurance agreements, and combinations thereof and yearly renewable term agreements that provide reinsurance on life insurance, annuities, credit life, disability insurance, and credit accident and health business. Under the terms of the various reinsurance treaties, the Company assumed (net of retrocession) approximately $3.3 billion face amount of life insurance at December 31, 2017 and $3.4 billion at December 31, 2016. Under the terms of modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the ceding company.

The Company entered into a coinsurance agreement with BLICOA an affiliated insurance company effective January 1, 2013. Under the agreement, the Company assumed 80% of the net individual disability insurance (IDI) originally ceded to BLICOA from the Company via the July 1, 2001 coinsurance treaty as well as 80% of the IDI and multi-life (ML) business written by BLICOA since the 2001 treaty. The reinsurance is done on a funds withheld basis with supporting invested assets remaining in BLICOA.

Also, as part of the terms of the agreement, the Company can request that BLICOA pay an amount equal to the Annual Funds Withheld Increase to the Company. In 2017 the Company did not request that BLICOA pay an amount equal to the Annual Funds Withheld Increase it recorded in 2016. In January 2016, as part of the terms of its reinsurance agreement with BLICOA, the Company requested that BLICOA pay a partial amount of the Annual Funds Withheld Increase it recorded in 2015. BLICOA paid the Company the agreed upon settlement amount of $65 million in January 2016. The settlement consisted of $33 million of bonds and $32 million of cash.

The Company entered into one Individual Life Yearly Renewable Term reinsurance agreement with an affiliated insurance company GIAC, effective January 1, 2011. The agreement covers GIAC's current form Secondary Guarantee Universal Life and Survivorship Universal Life plans having policy effective dates of January 1, 2011 and later. Reinsurance under the agreement is assumed on an automatic 90% first dollar quota share basis.

NOTE 10 – REINSURANCE ASSUMED (CONTINUED)

The following tables outline the effects of these assumption agreements on the accompanying Statutory Basis Statements of Operations.

Reinsurance Assumed from Affiliates

	2017	2016
	(In millions)	
Premiums, annuity considerations and fund deposits	$ 659	$ 639
Reserve adjustments on reinsurance (other income)	22	23
Total revenues	681	662
Benefit payments to policyholders and beneficiaries	258	275
Net additions to policy benefit reserves	138	126
Commissions and operating expenses	225	210
Total expenses	621	611
Net gain on operations from reinsurance assumed	$ 60	$ 51

Reinsurance Assumed from Non-Affiliates

	2017	2016
	(In millions)	
Premiums, annuity considerations and fund deposits	$ 3	$ 2
Total revenues	3	2
Benefit payments to policyholders and beneficiaries	(1)	(2)
Net reductions to policy benefit reserves	(2)	(1)
Commissions and operating expenses	4	7
Total expenses	1	4
Net gain/(loss) on operations from reinsurance assumed	$ 2	$ (2)

Total Reinsurance Assumed

	2017	2016
	(In millions)	
Premiums, annuity considerations and fund deposits	$ 662	$ 641
Reserve adjustments on reinsurance (other income)	22	23
Total revenues	684	664
Benefit payments to policyholders and beneficiaries	257	273
Net additions to policy benefit reserves	136	125
Commissions and operating expenses	229	217
Total expenses	622	615
Net gain on operations from reinsurance assumed	$ 62	$ 49

NOTE 11 – RELATED PARTY TRANSACTIONS

During 2016, the Company sold $27 million of bank loans that it held in its general account to a downstream affiliate, Park Avenue Institutional Advisers CLO LTD 2016-1 (“PAIA CLO 2016-1”). The Company recorded a $1 million loss on the sale of the bank loans in 2016. PAIA CLO 2016-1 is a special purpose vehicle (“SPV”) that was established in the Cayman Islands whose purpose is to be the “Issuer” of one or more classes of notes that are secured by a portfolio of investments held by the Issuer and rated by at least one rating agency (the "Rated Notes"), and one or more classes of notes that are unrated and subordinate in right of payment to the Rated Notes (the "Subordinated Notes"). PAIA CLO 2016-1 issued $363 million in notes in August 2016.

In 2017 and 2016, the Company made the following capital contributions to its real estate joint ventures and affiliates which are an addition to Other invested assets in the Statutory Basis Balance Sheets:

	2017	2016
	(In millions)	
Guardian CapCo, LLC	$ -	$ 3
Truamerica Properties, LLC	-	7
Truamerica Properties II, LLC	-	1
Lowes Capital Partners 2A, LLC	-	3
Lowes Capital Partners 2B, LLC	-	2
Guardian Abbey, LLC	1	1
Guardian Shores, LLC	-	16
Total	$ 1	$ 33

In 2017 and 2016, the Company made the following capital contributions to its subsidiaries:

	2017	2016
	(In millions)	
GIAC	$ 50	$ 100
GIS	112	365
FCW	58	204
Guardian Acquisition I, LLC	25	-
Total	$ 245	$ 669

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

The capital contribution to GIS and Guardian Acquisition I, LLC are recorded as an addition to Other invested assets in the Statutory Basis Balance Sheets, while the capital contributions to GIAC and FCW are recorded as an addition to Common and preferred stocks in the Statutory Basis Balance Sheets.

Of the $112 million contribution to GIS in 2017, $90 million was made by transferring Access Professional Dental Care, LLC and Access Dental Services, LLC and its subsidiaries, previously wholly owned subsidiaries of FCW, and $2 million was related to the transfer of real estate joint venture LLCs.

Of the $365 million contribution to GIS in 2016, $235 million was made by transferring real estate joint venture LLCs and $130 million was made by transferring Reed Group, Ltd., a previously wholly owned subsidiary of FCW.

In 2017, the Company received no returns of capital from its real estate affiliates. In 2016, the Company received returns of capital from its real estate affiliates as follows, which are a reduction to Other invested assets in the Statutory Basis Balance Sheets:

		2016
		(In millions)
Guardian LCP Hospitality I, LLC	$	1
Guardian Westwood Holdings, LLC		10
Guardian LCP Hospitality Finance, LLC		3
Total	$	14

In 2017 and 2016, the Company received net returns of capital of $60 million and $56 million respectively from its real estate joint ventures. These distributions are a reduction to Other invested assets in the Statutory Basis Balance Sheets.

In 2017 and 2016, the Company also received returns of capital from its subsidiaries as follows:

		2017		2016
		(In millions)		
BLICOA	$	-	$	20
FCW		113		158
GIS		-		178
PALIC		25		-
Total	$	138	$	356

The return of capital from GIS is recorded as a reduction to Other invested assets in the Statutory Basis Balance Sheets, while the returns of capital from BLICOA, FCW, and PALIC are recorded as an reduction to Common and preferred stocks in the Statutory Basis Balance Sheets.

Of the $113 million return of capital from FCW in 2017, $90 million was a transfer of Access Professional Dental Care, LLC and Access Dental Services, LLC and its subsidiaries, wholly owned subsidiaries of FCW.

Of the $158 million return of capital from FCW in 2016, $130 million was a transfer of Reed Group Ltd., a wholly owned subsidiary of FCW.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

In 2017 and 2016, the Company received the following dividends from its affiliates and subsidiaries which are recorded as Net investment income in the Statutory Basis Statements of Operations:

	2017	2016
	(In millions)	
BLICOA	$ 3	$ 6
Managed Dental Care of California ("MDC")	5	5
Managed Dental Guard of Texas, Inc. (TX)	1	1
FCW	37	-
Innovative Underwriters, Inc.	1	-
	$ 47	$ 12

The Company has expense sharing agreements with its subsidiaries. During 2017 and 2016, the Company had net billings of $278 million and $296 million, respectively, under the expense sharing agreements. Amounts billed to subsidiaries are included in Commissions and operating expenses in the Statutory Basis Statements of Operations. The unpaid net receivable balance due from subsidiaries relevant to these agreements was $31 million and $29 million on December 31, 2017 and December 31, 2016, respectively, and are included in Other assets and Other liabilities in the Statutory Basis Balance Sheets.

Effective May 1, 2017, the Company (Lender) amended its revolving line of credit agreement with GIAC (Borrower) from $350 million to $750 million. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to (a) the Prime Rate plus 1.00% if a Prime Rate Loan or (b) the Eurodollar Rate plus 1.00% if a Eurodollar Rate Loan. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to 0.125% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in quarterly installments on the last day of each March, June, September and December or on the termination of this line of credit. For Value Received, the Borrower, promises to pay on the maturity date or dates determined by the Lender, the principal sum of $750 million or the aggregate unpaid principal sum of all Loans which the Lender actually makes to the Borrower, whichever amount is less, together with interest in arrears payable on each Interest Due Date at a rate computed on the basis of a 360-day year for the actual number of days in each interest period. The line of credit agreement shall have an initial term of 364 days beginning with the date first stated above, and shall automatically renew for successive periods of 364 days, unless the Lender shall notify the Borrower of its intention not to renew the line of credit agreement not less than sixty (60) days prior to the expiration of the then existing term. GIAC is in compliance with certain financial covenants imposed by the line of credit agreement. As of December 31, 2017, and 2016 the amounts of drawings on the line of credit amounted to $0 million and $148 million, respectively, and are included in Cash, cash equivalents and short-term investments in the Statutory Basis Balance Sheets. Interest income and commitment income of $3 million and $2 million as of December 31, 2017 and 2016, respectively, are included in Net investment income in the Statutory Basis Statements of Operations.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

Effective January 3, 2017, the Company (Lender) has a revolving line of credit agreement with GIS (Borrower) for $300 million. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to (a) the Prime Rate plus 1.00% if a Prime Rate Loan or (b) the Eurodollar Rate plus 1.00% if a Eurodollar Rate Loan. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to 0.125% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in monthly installments no later than the last day of each month or on the termination of this line of credit. For Value Received, the Borrower, promises to pay on the maturity date or dates determined by the Lender, the principal sum of $300 million, or the aggregate unpaid principal sum of all Loans which the Lender actually makes to the Borrower, whichever amount is less, together with interest in arrears payable on each Interest Due Date at a rate computed on the basis of a 360-day year for the actual number of days in each interest period. The line of credit agreement shall have an initial term of 364 days beginning with the date first stated above, and shall automatically renew for successive periods of 364 days, unless the Lender shall notify the Borrower of its intention not to renew the line of credit agreement not less than sixty (60) days prior to the expiration of the then existing term. GIS is in compliance with certain financial covenants imposed by the line of credit agreement. As of December 31, 2017, the amounts of drawings on the line of credit amounted to $25 million, and are included in Cash, cash equivalents and short-term investments in the Statutory Basis Balance Sheets. Interest income and commitment income of $1 million as of December 31, 2017, are included in Net investment income in the Statutory Basis Statements of Operations.

The Company (Lender) had a revolving line of credit agreement with RS (Borrower) for $15 million which terminated upon the sale of RS on July 29, 2016.

Related Party Commitments:

The Company provides financial guarantees on behalf of some of its subsidiaries and affiliates as listed below. Per the statutory accounting guidance SSAP 5R, a liability has not been recorded on the Company's Statutory Basis Balance Sheets for any of these guarantees.

The Company continues to provide MDC, a subsidiary, a written letter of financial support for $5 million of which $1.5 million was funded in prior years. This amount was recorded as an additional investment in MDC. The letter was necessary for regulatory purposes in order to guarantee additional capital infusion to its California dental subsidiary as needed. At this time, MDC is not expected to further draw on the remaining $3.5 million as the subsidiary has $5 million more capital than is required by California.

As of December 31, 2017 and 2016, the Company had no commitments to make capital contributions to its' subsidiaries.

Settlement of Intercompany Transactions:

In accordance with NAIC SAP, all transactions between related parties are required to have a written agreement that provides for a timely settlement of amounts owed, including a specific due date. Amounts over ninety days due are to be non-admitted along with any uncollected receivable from a related party that is not part of a written agreement. The Company has determined that written agreements are in place for all intercompany transactions and that these written agreements contain specific due dates. As of December 31, 2017, there was no intercompany receivable that was more than 90 days past due.

NOTE 12 – LIABILITY FOR UNPAID CLAIMS AND CLAIM RESERVES

Activity in the liability for unpaid accident and health claims and claim reserves is summarized as follows and is included in Reserves for policy benefits on the Statutory Basis Balance Sheets:

	2017	2016
	(In millions)	
Balance of unpaid claims and claim reserves, net of reinsurance recoverable, at January 1	$ 3,788	$ 3,574
Incurred related to:		
Current year	2,349	2,283
Prior years	(146)	(90)
Affiliated reinsurance	87	106
Total incurred	2,290	2,299
Paid related to:		
Current year	1,531	1,526
Prior years	354	332
Affiliated reinsurance	236	227
Total paid	2,121	2,085
Balance of unpaid claims and claim reserves, net of reinsurance recoverable, at December 31	$ 3,957	$ 3,788

The affiliated reinsurance for the years ended December 31, 2017 and December 31, 2016 is primarily due to an intercompany reinsurance agreement between the Company and BLICOA effective January 1, 2013.

The amount of incurred claims related to prior years was a reduction $146 million and $90 million for the years ended December 31, 2017 and December 31, 2016, respectively, primarily due to favorable claim experience on the Company's long-term disability reserves, driven by favorable development of both the reported and unreported claim reserves.

Loss / Claim Adjustment Expenses:
The balance in the liability for unpaid accident and health claim adjustment expenses was $84 million and $79 million as of December 31, 2017 and December 31, 2016, respectively. The Company incurred $55 million and paid $50 million of claims adjustment expenses in 2017 of which $15 million of the paid amount was attributable to insured or covered events of prior years. The Company did not increase or decrease the provision for insured events of prior years. Estimated anticipated salvage and subrogation related to the liability for unpaid claims / losses is not material and therefore does not reduce the liability.

The liability for unpaid accident and health claims and claim adjustment expenses represents the Company's best estimate with a margin; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant and result in increase in liabilities. As of December 31, 2017, and 2016, the Company had no significant changes in methodologies and assumptions used in calculating the liability. The Company updates its experience study annually for recent company claim experience used to set the liability for unpaid claims.

NOTE 13 – ASO PLANS

The net gain from operations from ASO uninsured plans and the uninsured portion of partially insured plans was as follows during the years ended December 31, 2017 and December 31, 2016:

	2017		
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
		(In millions)	
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	$ 23.3	$ -	$ 23.3
Total net other income or expenses (including interest paid to or received from plans)	8.2	-	8.2
Net gain from operations	15.1	-	15.1
Total claim payment volume	519	-	519

	2016		
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
		(In millions)	
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	$ 4.4	$ -	$ 4.4
Total net other income or expenses (including interest paid to or received from plans)	1.5	-	1.5
Net gain from operations	2.9	-	2.9
Total claim payment volume	488	-	488

NOTE 14 – LEASES

New York Home Office Building:

In June 1998, the Company executed a 21-year lease for its New York home office facility. A portion of the property is subleased to tenants under lease terms expiring through 2019. The lease is classified as operating. Rental expense for the property was $21 million for the year ended December 31, 2017 and $21 million for the year ended December 31, 2016. Sublease income was $9 million for the year ended December 31, 2017 and $9 million for the year ended December 31, 2016.

On January 9, 2017, the Company exercised its purchase option on the building. If the terms contained in the purchase option agreement are met the Company will be required to pay the $147 million purchase price to the seller on September 30, 2019. During 2017, the Company entered into an agreement to sell the building which is expected to close in late 2019 and is not expected to result in a loss.

The following is a schedule by year of the minimum rental payments due under the lease:

		(In millions)
Year ending December 31,		
2018	$	21
2019		16
Total	$	37

The minimum aggregate sublease income is as follows:

		(In millions)
Year ending December 31,		
2018	$	9
2019		7
Total	$	16

NOTE 14 – LEASES (CONTINUED)

Other Leases:
The Company has additional lease agreements that are operating leases principally for the rental of real estate. Rental expense for these properties was $22 million for year ended December 31, 2017 and $20 million for the year ended December 31, 2016.

The Company's major office facility leases are primarily used for administrative and business support operations are as follows:

- On September 13, 2017, the Company signed a seventeen-year five month lease agreement for its New York home office facility. The Company expects to begin using the building in January 2019 as a replacement of the current New York home office facility. The Company is obligated to pay approximately $15 million in annual base rent plus operating expenses and taxes.
- On March 8, 2017, the Company signed a fifteen-year lease agreement for its New Jersey home office facility. The Company expects to begin using the building in quarter one of 2018 and is obligated to pay approximately $3 million in annual base rent plus operating expenses and taxes.
- On August 11, 2016, the Company signed a ten-year lease agreement for its Spokane home office facility. The Company began using the building in March.

The following is a schedule by year of the minimum rental payments due under the lease:

	(In millions)
Year ending December 31,	
2018	$ 23
2019	36
2020	34
2021	32
2022 - and Thereafter	30
Total	$ 155

The minimum aggregate sublease income is as follows:

	(In millions)
Year ending December 31,	
2018	$ 6
2019	6
2020	6
2021	5
2022 - and Thereafter	4
Total	$ 27

The Company guarantees the leases for some of its agents. The fair value of the guarantees as of December 31, 2017 is estimated to be $1 million. The remaining lease obligations that are guaranteed as of December 31, 2017 is $22 million.

NOTE 15 – COMMITMENTS

Commitments to fund real estate, private equities, mortgage loans, and private placements in the normal course of business totaled $1,393 million and $1,416 million as of December 31, 2017 and December 31, 2016, respectively.

NOTE 16 – LITIGATION

The Company is engaged in various legal actions, in the ordinary course of business, arising out of its insurance, broker-dealer and investment operations. In the opinion of management, any losses together with the ultimate liability resulting from such actions would not have a material adverse effect on the financial position of the Company.

NOTE 17 – LINES OF CREDIT

The Company has $75 million in unsecured credit available. The interest rate on these lines is calculated on a base rate such as the bank's Prime rate plus a spread which varies from 0 - 125bps depending on the bank, or LIBOR plus a spread which varies from 75 - 125bps depending on the bank. The Company did not use the lines of credit during 2017 or 2016 and had $0 outstanding liability at December 31, 2017 and December 31, 2016.

NOTE 18 – POLICYHOLDERS' SURPLUS

There were no special contingency reserves included in policyholder's surplus at December 31, 2017 or December 31, 2016. The Company holds other reserves totaling $46 million at December 31, 2017 and $4 million at December 31, 2016 as required by New York State law for aviation business and Arkansas permanent surplus requirements. Surplus at December 31, 2017 and December 31, 2016 is as follows:

	2017	2016
	(In millions)	
Accumulated earnings	$ 7,921	$ 7,676
Unrealized loss - common stock	(298)	(309)
Asset valuation reserve	(829)	(810)
Nonadmitted asset values	(156)	(389)
Total unassigned surplus	6,638	6,168
State required segregated surplus	46	4
Surplus	$ 6,684	$ 6,172

NOTE 19 – FINANCIAL INFORMATION

The following reconciles the New York SAP net income and surplus of Guardian as reported to regulatory authorities to consolidated GAAP income and GAAP equity:

	2017	2016
	(In millions)	
Statutory net income	$ 423	$ 368
Adjustments to GAAP basis:		
Realized capital gains	328	257
Capitalization of deferred policy acquisition costs	64	61
Future policy benefits	(1,131)	(1,080)
Elimination of IMR amortization	(99)	(122)
Establishment of deferred federal income taxes	404	(1)
Service fees	1,131	1,086
Policyholder dividends	34	5
Elimination of interest on affiliate reinsurance	(146)	(140)
Other	(101)	49
Consolidated GAAP income	$ 907	$ 483

	2017	2016
	(In millions)	
Statutory surplus	$ 6,684	$ 6,172
Adjustments to GAAP basis:		
Capitalization of deferred policy acquisition costs	3,442	3,817
Deferred software costs	22	37
Future policy benefits	(7,835)	(7,342)
Elimination of IMR	531	464
Elimination of AVR	829	810
Establishment of additional deferred federal income taxes	(1,206)	(1,240)
Policyholder dividends	435	401
Notes payable	(1,977)	(1,210)
Unrealized gains on investments and GAAP adjustments of affiliates	11,203	8,714
Consolidated GAAP equity	$ 12,128	$ 10,623

NOTE 20 – SURPLUS NOTE

On October 6, 2009, the Company issued Surplus Notes ("2009 Notes") with a principal balance of $400 million, bearing interest at 7.375%, and a maturity date of September 30, 2039. Proceeds from the issuance of the 2009 Notes were $392.4 million, net of discounts and fees. The 2009 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these 2009 Notes is scheduled to be paid semiannually on March 31 and September 30 of each year. The 2009 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2009 Notes are not part of the legal liabilities of the Company. The 2009 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2009 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the "make-whole" redemption price equal to the greater of the principal amount of the 2009 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2009 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 50 basis points. On December 28, 2017 and January 9, 2018, the Company redeemed 2009 Notes with a principal balance of $166.9 million and a carrying value of $165.7 million as part of an exchange transaction (see paragraph regarding the exchange transaction below). The Company paid $33 million in interest for the years ended December 31, 2017 and $30 million in 2016, respectively.

On June 19, 2014 the Company issued Surplus Notes ("2014 Notes") with a principal balance of $450 million, bearing interest at 4.875%, and a maturity date of June 19, 2064. Proceeds from the issuance of the 2014 Notes were $444.6 million, net of discounts and fees. The 2014 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these 2014 Notes is scheduled to be paid semiannually on June 19 and December 19 of each year. The 2014 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2014 Notes are not part of the legal liabilities of the Company. The 2014 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2014 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the "make-whole" redemption price equal to the greater of the principal amount of the 2014 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2014 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 25 basis points. The Company paid $22 million in interest for the years ended December 31, 2017 and 2016, respectively.

On January 24, 2017, the Company issued a Surplus 2017 Notes ("2017 Notes") with a principal balance of $350 million, bearing interest at 4.850%, and a maturity date of January 24, 2077. Proceeds from the issuance were $343.6 million, net of discounts and fees. On December 28, 2017 and January 9, 2018, the Company issued an additional amount of the 2017 Notes with a principal balance of $229.3 million as part of an exchange transaction (see paragraph regarding the exchange transaction below). All of the 2017 Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these 2017 Notes is scheduled to be paid semiannually on January 24 and July 24 of each year. The 2017 Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2017 Notes are not part of the legal liabilities of the Company. The 2017 Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2017 Notes may be redeemed at the option of the Company at any time (in whole or in part) at the "make-whole" redemption price equal to the greater of the principal amount of the 2017 Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2017 Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 30 basis points. The Company paid $8 million in interest for the year ended December 31, 2017.

NOTE 20 – SURPLUS NOTE (CONTINUED)

The Company completed an exchange transaction in which it issued additional 2017 Notes in exchange for redeemed 2009 Notes. They was settled predominately on December 27, 2017 with a minimal amount settling on January 8, 2018. The 2009 Notes had a principal balance of $166.9 million ($165.7 million carrying value) and the additional 2017 Notes had a principal balance of $229.3 million ($170.5 million carrying value). Of the $63.6 million discount at the time of the exchange, $4.8 million pertaining to inducement for note holders to exchange their notes, was recorded as expense on the transaction date along with an increase to the carrying value of 2017 Notes. The remaining $58.8 million will be charged to the Statutory Basis Statements of Operations over the life of the 2017 Notes.

NOTE 21 – UNCLAIMED PROPERTY

The Company holds reserves for potential liability totaling $7 million at December 31, 2017 and $12 million at December 31, 2016, respectively. The Company has recorded paid claims of $3 million in 2017 and $0 million in 2016.

NOTE 22 – AFFORDABLE CARE ACT FEE

The health insurance industry assessment mandated by the Patient Protection and Affordable Care Act of 2010 was levied on health insurers beginning in 2014 based on a ratio of an insurer's net health insurance premiums written for the previous calendar year compared to the total premiums written by U.S. health insurance industry for that year. On January 1, 2018, the Company will record a liability in the amount of $42 million for estimated fee to be paid in September 2018. The estimated fee is based on $2,106 million of dental and vision premiums written in 2017. The Company's Total Adjusted Capital on December 31, 2017 was $8,044 million and the Authorized Control Level reported on its December 31, 2017 RBC was $709 million. After adjusting for $42 million recorded in special surplus that pertains to the estimated 2018 fee the Company's Total Adjusted Capital was $8,002 million and its RBC Authorized Control Level was $709 million. An RBC action level would not have been triggered had the fee for 2018 been reported as of December 31, 2017.

The Consolidated Appropriations Act, 2016 imposed a moratorium on the health insurance industry assessment mandated by the Affordable Care Act for the 2017 calendar year. Therefore there were no health insurance provider fees paid in 2017 and no liability was established.

NOTE 23 – SUBSEQUENT EVENTS

The Company considers events occurring after the balance sheet date but prior to February 27, 2018, the issuance of the financial statements to be subsequent events requiring disclosure. There were no subsequent events for the period ended December 31, 2017.

Guardian Life Insurance Company of America
Annual Statement for the Year Ended December 31, 2017
Schedule 1 - Selected Financial Data

The following is a summary of certain financial data included in other exhibits and schedules subjected to audit procedures by independent auditors and utilized by actuaries in the determination of reserves.

		2017 Annual Statement References
Investment Income Earned		Exhibit of Net Investment Income
Government Bonds	$ 50,594,566	
Bonds Exempt From US Tax		
Other Bonds (unaffiliated)	1,560,400,863	
Bonds of Affiliates		
Preferred Stocks (unaffiliated)		
Preferred Stocks of Affiliates		
Common Stocks (unaffiliated)	24,165,460	
Common Stocks of Affiliates	46,561,675	
Mortgages Loans	166,157,174	
Real Estate	68,979,212	
Contract Loans	253,409,506	
Cash/Short-term Investments	10,263,142	
Other Invested Assets		
Derivative Instruments	161,889,175	
Aggregate Write-Ins for Investment Income	(11,486,758)	
Gross Investment Income	$ 2,330,934,015	
Real Estate Owned - Book Value less Encumbrances	$ 345,067,002	Schedule A - Part 1
Mortgage Loans - Book Value:		
Farm Mortgages	$ -	Schedule B - Part 1
Residential Mortgages	-	
Commercial Mortgages	4,000,576,006	
Total Mortgage Loans	$ 4,000,576,006	
Mortgage Loans by Standing - Book Value:		
Good Standing	4,000,576,006	Schedule B, Part 1
Good Standing with Restructured Terms	-	Schedule B, Part 1
Interest overdue more than 90 days, not in foreclosure	-	Schedule B, Part 1
Foreclosure in Process	-	Schedule B, Part 1
Other Long Term Assets - Statement Value	2,368,508,831	Schedule BA, Part 1
Bonds and Stocks of Parents, Subsidiaries and Affiliates - Book Value		Schedule D - Summary by Country
Bonds	38,124,689,784	
Preferred Stocks	-	
Common Stocks	1,537,827,041	

Schedule 1 - Selected Financial Data - Continued

		2017 Annual Statement References
Bonds and Short Term Investments by Class & Maturity		Schedule D, Part 1A Sec 1
Bonds by Maturity - Statement Value		
Due within one year or less	$ 1,448,993,968	
Over 1 year through 5 years	8,317,634,879	
Over 5 years through 10 years	12,791,918,163	
Over 10 years through 20 years	4,506,262,890	
Over 20 years	11,639,736,750	
Total by Maturity	$ 38,704,546,650	
Bonds by Class - Statement Value		
Class 1	$ 22,232,692,691	
Class 2	14,685,469,862	
Class 3	752,751,004	
Class 4	869,002,798	
Class 5	163,654,737	
Class 6	975,558	
Total by Class	$ 38,704,546,650	
Total Bonds Publicly Traded	26,676,970,920	
Total Bonds Privately Placed	12,027,575,730	
Preferred Stocks - Statement Value	-	Schedule D, Part 2, Sec. 1
Common Stocks - Market Value	1,537,827,055	Schedule D, Part 2, Sec. 2
Short Term Investments - Book Value	25,310,000	Schedule DA, Part 1
Options, Caps Floors, Collars, Swaps and Forwards	(29,961,206)	Schedule DB, Part A,
Futures Contracts	7,795,385	Schedule DB, Part B,
Cash on Deposit	(26,348,883)	Schedule E, Part 1
Life Insurance In Force		Exhibit of Life Insurance
Industrial	-	
Ordinary	370,963,866	
Credit Life	-	
Group Life	59,637	
Amount of Accidental Death Insurance In Force Under		
Ordinary Policies	1,034,677	Exhibit of Life Insurance
Life Insurance Policies with Disability Provisions In Force		Exhibit of Life Insurance
Industrial	-	
Ordinary	199,960,487	
Credit Life	-	
Group Life	-	
Supplementary Contracts In Force		Exhibit of Number of Policies,
Ordinary - Not Involving Life Contingencies	-	Contracts,Certificates,Income Payable,
Amount on Deposit	227,509,779	Account Values In Force for Supplementary
Income Payable	86,209	Contracts, Annuities, A&H and Other Policies
Ordinary - Involving Life Contingencies		
Income Payable	338	

Schedule 1 - Selected Financial Data - Continued

		2017 Annual Statement References
Group - Not Involving Life Contingencies		
Amount on Deposit	44,095,258	
Income Payable	-	
Group - Involving Life Contingencies		
Amount on Deposit	-	
Income Payable	-	
Annuities - Ordinary		Exhibit of Number of Policies,
Immediate - Amount of Income Payable	588,539	Contracts,Certificates,Income Payable,
Deferred - Fully Paid Account Balance	70,480,187	Account Values In Force for Supplementary
Deferred - Not Fully Paid - Account Balance	142,461,177	Contracts, Annuities, A&H and Other Policies
Annuities - Group		
Amount of Income Payable	79,643	Exhibit of Number of Policies,
Fully Paid Account Balance	-	Contracts,Certificates,Income Payable,
Not Fully Paid - Account Balance	-	Account Values In Force for Supplementary
		Contracts, Annuities, A&H and Other Policies
Accident and Health Insurance - Premiums In Force		
Ordinary	-	
Group	3,085,350,014	
Credit	-	
Other	505,734,414	
Deposit Funds and Dividend Accumulations		Exhibit of Number of Policies,
Deposit Funds - Account Balance	25,306,757	Contracts,Certificates,Income Payable,
Dividend Accumulations - Account Balance	99,331,551	Account Values In Force for Supplementary
		Contracts, Annuities, A&H and Other Policies
Claim Payments 2017		Schedule O, Part 1
Group Accident and Health Year - Ended December 31, 2015		Section A
2017	1,523,992	
2016	1,725,073	
2015	1,673,781	
2014	1,588,682	
2013	1,545,258	
Prior	2,101,014	
Other Accident & Health		Section B
2017	29,891	
2016	29,691	
2015	31,526	
2014	21,585	
2013	17,494	
Prior	130,947	
Credit Accident & Health	-	Section C
2017	-	
2016	-	
2015	-	
2014	-	
2013	-	
Prior	-	

Schedule 1 - Selected Financial Data - Continued

		2017 Annual Statement References
Other Coverages that use developmental methods to calculate Claims Reserves:		Section D
2017	-	
2016	-	
2015	-	
2014	-	
2013	-	
Prior	-	
Other Coverages that use developmental methods to calculate Claims Reserves:		Section E
2017	-	
2016	-	
2015	-	
2014	-	
2013	-	
Prior	-	
Other Coverages that use developmental methods to calculate Claims Reserves:		Section F
2017	-	
2016	-	
2015		
2014	-	
2013	-	
Prior	-	
Other Coverages that use developmental methods to calculate Claims Reserves:		Section G
2017	-	
2016	-	
2015	-	
2014	-	
2013	-	
Prior	-	

The Guardian Life Insurance Company of America
Investments of Reporting Entities
December 31, 2017

Section 2 Investment Risk Interrogatories

Answer the following interrogatories by stating the applicable U.S dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of the annual statement.
$55,568,820,448

2. Ten largest exposures to a single issuer/borrower/investment.

	Issuer	Description of Exposure		Amount	Percentage of Total Admitted Assets
2.01	GUARDIAN INVESTOR SERVICES	STOCK	$	823,561,817	1.5%
2.02	FIRST COMMON WEALTH INSURANCE COMPANY	STOCK	$	443,456,590	0.8%
2.03	GUARDIAN INS & ANNUITY CO NY, NY	STOCK	$	310,222,464	0.6%
2.04	JP MORGAN CHASE	BONDS/STOCK	$	261,097,193	0.5%
2.05	ISHARES MSCI EAFE	STOCK	$	220,889,121	0.4%
2.06	GOLDMAN SACHS GROUP INC	BONDS/STOCK	$	205,027,746	0.4%
2.07	GILEAD SCIENCES	BONDS/STOCK	$	201,892,562	0.4%
2.08	AT&T INC	BONDS/STOCK	$	199,265,081	0.4%
2.09	BERKSHIRE LIFE INSURANCE CO OF AMERICA	STOCK	$	189,096,958	0.3%
2.10	SIMON PROPERTY GROUP	BONDS	$	186,745,869	0.3%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating:

	Bonds		Amount	% of Total Admitted Assets	Preferred Stocks		Amount	% of Total Admitted Assets
3.01	NAIC-1	$	22,232,692,692	57.4%	P/RP-1	$	-	0.0%
3.02	NAIC-2	$	14,685,469,862	37.9%	P/RP-2	$		0.0%
3.03	NAIC-3	$	752,751,004	1.9%	P/RP-3	$		0.0%
3.04	NAIC-4	$	869,002,798	2.2%	P/RP-4	$		0.0%
3.05	NAIC-5	$	163,654,737	0.4%	P/RP-5	$		0.0%
3.06	NAIC-6	$	975,558	0.0%	P/RP-6	$	-	0.0%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assts?
Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02	Total admitted assets held in foreign investments	$	7,842,827,286	20.3%
4.03	Foreign-currency-denominated investments	$	852,015,647	2.2%
4.04	Insurance liabilities denominated in that same foreign currency	$	-	0.0%

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01 Countries rated NAIC-1	$	7,275,941,339	18.8%
5.02 Countries rated NAIC-2	$	385,877,296	1.0%
5.03 Countries rated NAIC-3 or below	$	181,008,651	0.5%

6. Largest foreign investment exposures to a single country, categorized by NAIC sovereign rating:

		1	2
Countries rated NAIC-1			
6.01 Country: UNITED KINGDOM	$	1,770,675,039	4.6%
6.02 Country: AUSTRALIA	$	1,210,071,991	3.1%
Countries rated NAIC-2:			
6.03 Country: MEXICO	$	311,696,274	0.8%
6.04 Country: SPAIN	$	64,181,022	0.2%
Countries rated NAIC-3 or below			
6.05 Country: BAHAMAS	$	22,000,000	0.1%
6.06 Country: TRINIDAD	$	18,578,833	0.0%

7. Aggregate unhedged foreign currency exposure: $ - 0.0%

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

		1	2
8.01 Countries rated NAIC-1	$		0.0%
8.02 Countries rated NAIC-2	$		0.0%
8.03 Countries rated NAIC-3 or below	$	-	0.0%

9. Largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

		1	2
Countries rated NAIC-1:			
9.01 Country:	$		0.0%
9.02 Country:	$		0.0%
Countries rated NAIC-2:			
9.03 Country:	$		0.0%
9.04 Country:	$		0.0%
Countries rated NAIC-3 or below			
9.05 Country:	$	-	0.0%
9.06 Country:	$	-	0.0%

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	Issuer	NAIC	3	4
10.01	SHELL INTERNATIONAL	1	$ 177,418,795	0.5%
10.02	AMERICAN MOVIL	1	$ 137,647,489	0.4%
10.03	GE CAPITAL INTL FUNDING	1	$ 94,138,297	0.2%
10.04	STATOILHYDRO ASA	1	$ 91,420,961	0.2%
10.05	BP CAPITAL MARKETS	1	$ 86,898,573	0.2%
10.06	TRANSCANADA PIPELINES	1	$ 78,465,295	0.2%
10.07	HSBC HOLDINGS	1	$ 78,310,511	0.2%
10.08	SIEMENS FINANCIERINGSMAT	1	$ 73,202,410	0.2%
10.09	COMMONWEALTH BANK	1	$ 73,198,150	0.2%
10.10	TELEFONICA EMISIONES	2	$ 64,181,022	0.2%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure.

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11

11.02	Total admitted assets held in Canadian investments	$ -	0.0%
11.03	Canadian-currency-denominated investments	$ -	0.0%
11.04	Canadian-denominated insurance liabilities	$ -	0.0%
11.05	Unhedged Canadian currency exposure	$ -	0.0%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions		
	Largest three investments with contractual sales restrictions:		
		$ -	0.0%
12.03		$ -	0.0%
12.04		$ -	0.0%
12.05		$ -	0.0%

13. Amounts and percentages of admitted assets held in the largest ten equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?
Yes [ ] No [X]

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2	3
13.02	GUARDIAN INVESTOR SERVICES	$ 823,561,817	2.1%
13.03	FIRST COMMON WEALTH INSURANCE COMPANY	$ 443,456,590	1.1%
13.04	GUARDIAN INS & ANNUITY CO NY, NY	$ 310,222,464	0.8%
13.05	ISHARED MSCI EAFE	$ 220,889,121	0.6%
13.06	BERKSHIRE LIFE INSURANCE CO OF AMERICA	$ 189,096,958	0.5%
13.07	VICTORY MUTUAL FUNDS	$ 73,889,308	0.2%
13.08	POWERSHARES	$ 68,460,290	0.2%
13.09	SPDR GOLD TRUST	$ 61,471,113	0.2%
13.10	PARK AVENUE LIFE INS COMP	$ 41,186,135	0.1%
13.11	ISHARES SILVER TRUST	$ 15,081,895	0.0%

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01. Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 14.01 is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities Largest three investments held in nonaffiliated, privately placed equities:	$ -	0.0%
14.03		$ -	0.0%
14.04		$ -	0.0%
14.05		$ -	0.0%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02		$	0.0%
15.03		$	0.0%
15.04		$	0.0%
15.05		$	0.0%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?
Yes [ ] No [X]

If response to 16.01 is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	Type (Residential, Commercial, Agriculature)		2	3
16.02	COMMERCIAL	$	195,000,000	0.2%
16.03	COMMERCIAL	$	127,625,000	0.2%
16.04	COMMERCIAL	$	116,885,000	0.2%
16.05	COMMERCIAL	$	113,363,464	0.2%
16.06	COMMERCIAL	$	112,498,309	0.1%
16.07	COMMERCIAL	$	111,300,000	0.1%
16.08	COMMERCIAL	$	110,627,860	0.1%
16.09	COMMERCIAL	$	98,504,636	0.1%
16.10	COMMERCIAL	$	93,077,172	0.1%
16.11	COMMERCIAL	$	85,618,153	0.1%

Amount and percentages of the reporting entity’s total admitted assets held in the following categories of mortgage loans:

			Loans	
16.12	Construction Loans	$	82,568,916	0.3%
16.13	Mortgage loans over 90 days past due	$	-	0.0%
16.14	Mortgage loans in the process of foreclosure	$	-	0.0%
16.15	Mortgage loans foreclosed	$	-	0.0%
16.16	Restructured mortgage loans	$	-	0.0%

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as

		Residential			Commercial			Agriculature	
	Loan-to-Value		1	2		3	4		5	6
17.01	above 95%	$	-	0.0%	$		0.0%	$	-	0.0%
17.02	91% to 95%	$	-	0.0%	$		0.1%	$	-	0.0%
17.03	81% to 90%	$	-	0.0%	$	40,386,223	0.0%	$	-	0.0%
17.04	71% to 80%	$	-	0.0%	$	56,722,796	0.1%	$	-	0.0%
17.05	below 70%	$	-	0.0%	$	3,903,466,987	6.8%	$	-	0.0%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 18.01. is yes, responses are not required for the remainder of Interrogatory 18

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1		2	3
18.02		$		0.0%
18.03		$		0.0%
18.04		$		0.0%
18.05		$		0.0%
18.06		$		0.0%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans: 0 0.00%

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets?
Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

	1		2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loadns:			
	Largest three investments held in mezzanine real $	$	-	0.0%
19.03		$	-	0.0%
19.04		$	-	0.0%
19.05		$	-	0.0%

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year-end		At End of Each Quarter 1st Qtr	2nd Quarter	3rd Quarter
		1	2	3	4	5
20.01	Securities lending (do not include assets held as collateral for such transactions)	$ -	0.0%	$ -	$ -	$ -
20.02	Repurchase agreements	$ -	0.0%	$ -	$ -	$ -
20.03	Reverse repurchase agreements	$ -	0.0%	$ -	$	$ -
20.04	Dollar repurchase agreements	$ -	0.0%	$ -	$ -	$ -
20.05	Dollar reverse repurchase agreements	$ -	0.0%	$ -	$ -	$ -

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floor:

	Owned 1	Owned 2	Written 3	Written 4
21.01 Hedge	$ -	0.0%	$ -	0.0%
21.02 Income generation	$ -	0.0%	$ -	0.0%
21.03 Other	$ -	0.0%	$ -	0.0%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter 1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$ 12,540,911	0.0%	$ 6,976,680	$ 10,440,493	$ 12,188,113
22.02 Income generation	$ -	0.0%	$ -	$ -	$
22.03 Replications	$ -	0.0%	$ -	$ -	$ -
22.04 Other	$	0.0%	$ -	$ -	$ -

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for future contracts:

	At Year-end		At End of Each Quarter 1st Quarter	2nd Quarter	3rd Quarter
	1	2	3	4	5
23.01 Hedging	$ 8,159,950	0.0%	$ 9,988,750	$ 7,772,850	$ 7,795,500
23.02 Income generation	$ -	0.0%	$ -	$ -	$ -
23.03 Replications	$ -	0.0%	$ -	$ -	$ -
23.04 Other	$ -	0.0%	$ -	$ -	$ -

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA
As of December 31, 2017

Appendix A-001
Section 3.   Summary Investment Schedule

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement			
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage
1. Bonds:						
1.1 US Treasury Securities	$ 1,597,534,014	3.405%	$ 1,597,534,014		$ 1,597,534,014	3.405%
1.2 US Government agency and corporate obligations (excluding mortgage-backed securities):						
1.21 Issued by US Government Agencies	3,678,572	0.008%	3,678,572		3,678,572	0.008%
1.22 Issued by US Government-sponsored agencies	-	0.00%	-		-	0.000%
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	36,856,331	0.079%	36,856,331		36,856,331	0.079%
1.4 Securities issued by states, territories and possessions and political subdivisions in the US:						
1.41 States, territories and possessions general obligations	390,426,205	0.832%	390,426,205		390,426,205	0.832%
1.42 Political subdivisions of states, territories and possessions political subdivisions		0.00%				
general obligations	229,725,568	0.490%	229,725,568		229,725,568	0.490%
1.43 Revenue and assessment obligations	1,619,718,445	3.452%	1,619,718,445		1,619,718,445	3.452%
1.44 Industrial development and similar obligations	6,089,325	0.013%	6,089,325		6,089,325	0.013%
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA		0.00%			-	0.00%
1.512 Issued or guaranteed by FNMA and FHLMC		0.00%			-	0.00%
1.513 All other	-	0.000%	-		-	0.000%
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000%			-	0.000%
1.522 Issued by non-U.S. Government issuers and collaterized by mortgage-					-	
backed securities issued or guaranteed by agencies shown in Line 1.521	16,757,832	0.036%	16,757,832		16,757,832	0.036%
1.523 All other	1,456,799,939	3.105%	1,456,799,939		1,456,799,939	3.105%
2. Other debt and other fixed income securities (excluding short term):					-	
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	23,082,259,525	49.193%	23,082,259,525		23,082,259,525	49.197%
2.2 Unaffiliated non-U.S. securities (including Canada)	7,007,505,012	14.935%	7,007,505,012		7,007,505,012	14.936%
2.3 Affiliated securities	1,043,744,923	2.224%	1,043,744,923		1,043,744,923	2.225%
3. Equity interests:						
3.1 Investments in mutual funds	143,257,585	0.305%	143,257,585		143,257,585	0.305%
3.2 Preferred stocks:						
3.21 Affiliated	-	0.000%	-		-	0.00%
3.22 Unaffiliated	40,486,681	0.086%	40,486,681		40,486,681	0.086%
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated	-	0.000%	-		-	0.000%
3.32 Unaffiliated	294,659,581	0.628%	294,659,581		294,659,581	0.628%
3.4 Other equity securities:					-	
3.41 Affiliated	-	0.00%	-		-	0.00%
3.42 Unaffiliated		0.000%			-	0.000%
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated	-	0.000%	-		-	0.000%
3.52 Unaffiliated	-	0.000%	-		-	0.000%
4. Mortgage loans:						
4.1 Construction and land development	93,317,998	0.199%	93,317,998		93,317,998	0.199%
4.2 Agricultural	-	0.000%	-		-	0.000%
4.3 Single family residential properties	-	0.000%	-		-	0.00%
4.4 Multifamily residential properties	-	0.000%	-		-	0.000%
4.5 Commercial loans	3,378,243,690	7.200%	3,378,243,690		3,378,243,690	7.200%
4.6 Mezzanine real estate loans	-	0.00%	-		-	0.00%
5. Real Estate Investments:						
5.1 Property occupied by company	2,965,563	0.006%	2,965,563		2,965,563	0.006%
5.2 Property held for production of income (includes $0 of property acquired					-	
in satisfaction of debt)	360,971,455	0.769%	360,971,455		360,971,455	0.769%
5.3 Property held for sale ($0 including property acquired in the satisfaction of debt)	10,263,514	0.022%	10,263,514		10,263,514	0.022%
6. Contract loans	3,405,117,738	7.257%	3,405,117,738		3,405,117,738	7.258%
7. Deriatives	41,050,789	0.087%	41,050,789		41,050,789	0.087%
8. Receivables for securities	26,819,916	0.057%	26,819,916		26,819,916	0.057%
9. Securities Lending (Line 10, Asset Page reinvested collateral)	-	0.000%	-		-	
10. Cash and short-term investments	821,842,798	1.752%	821,842,798		821,842,798	1.752%
11. Other invested assets	1,811,428,489	3.861%	1,808,240,510		1,808,240,510	3.854%
12. Total Invested Assets	$46,921,521,488	100.00%	$46,918,333,509		$46,918,333,509	100.00%

* Gross Investment Holdings as valued in compliance with NAIC Accounting Practices & Procedures Manual