

Strength. Endurance. Leadership.

Dear Shareholder,

The Effects of the Jamaica Debt Exchange

The period for investors to commit to participating in the Jamaica Debt Exchange (JDX) has now closed. All indications are that the financial community has been very supportive with a take-up rate close to 100%.

The International Monetary Fund has approved the standby lending facility for Jamaica of US\$1.27 billion, which will be boosted by US\$1.1 billion in credit from other international development multilaterals. US\$950 million of this loan package will go into the Financial Sector Support Fund to assist banks and securities dealers who may have some short term issues.

In designing the JDX, the Jamaican Government took pains to consult with stakeholders, including GHL, with a view to ensuring that the JDX was designed to minimize, as far as practical, the consequences of the exchange on the financial community.

As you are aware, GHL has three main operating entities in Jamaica: Guardian Life Limited—a life insurance company; West Indies Alliance—a general insurance company; and Guardian Asset Management Jamaica—an asset management company. Guardian Life Limited is by a wide margin our biggest operating entity in Jamaica.

Guardian Life Limited, consistent with its prudent approach to managing its financial assets, prefers to invest in fixed interest, long term, non-callable bonds since these types of financial assets better match their obligations to policyholders. Prior to the JDX, the Government of Jamaica was issuing mostly callable bonds which necessitated our actuaries to make very conservative assumptions about when these bonds would be called. This resulted in Guardian Life Limited establishing future policyholder liabilities which were in turn very conservative as well. The JDX has replaced these callable bonds with non-callable bonds. While the result of this exchange on the one hand lowers Guardian Life Limited's investment income, on the other hand it frees up some of our reserves which had been maintained for future policyholder obligations.

The net effect of this "reserve release" coupled with the expected lower investment income is that the JDX will have a relatively insignificant impact on the Profit and Loss statements of GHL's Jamaican companies, **and more importantly will not have a negative impact on GHL's overall final reported figures for 2009.**

In fact, post the JDX exchange, Guardian Life Limited's solvency position as measured by the industry's standard Minimum Continuing Capital and Surplus Requirements, or MCCR, stands well above the Government of Jamaica's minimum capital requirement ratio of 135%, making their balance sheet one of the strongest in the Jamaican market.

We also expect the longer-term effect of the JDX on our Jamaican business to be minimal. This is because most of the very high yield bonds which are being replaced as part of the JDX were issued during the early part of 2009 in response to the global financial crisis. We viewed these high yields, which were well above the long-term average, as a temporary event and not sustainable over time. Consequently no major adjustments will need to be made in order to sustain our profitable business model in Jamaica.

We believe that the JDX provides the basis for a medium term reform plan that could reverse fiscal imbalances, improve the sustainability of Government debt, and provide the macro-economic framework for meaningful GDP growth; all of which are in the best interest of anyone with a stake in the long-term health of the Jamaican economy.

Over the last decade GHL's investments in Jamaica have grown from strength to strength. We expect that, with continued good management and a keen focus on all aspects of profitability, our business units will thrive in this new environment as well.

We are confident that the bold Debt Exchange implemented by the Government of Jamaica will provide crucial reshaping of their economy. We are also pleased to note that International ratings agency, Fitch Ratings, has as a result of this and the recently-approved IMF Stand-By Arrangement, upgraded Jamaica's long-term foreign and local currency ratings to 'B-' and its short-term foreign currency rating to 'B'.

Forward Looking Statements

This letter may contain certain forward-looking statements, including, but not limited to, statements as to future operating results and plans that involve risks and uncertainties. We use words such as "expects", "anticipates", "believes", "estimates", the negative of these terms and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.



Jeffrey Mack
Group CEO