

GUARANTY INCOME LIFE INSURANCE COMPANY (GILICO)

2013 INVESTMENT PHILOSOPHY

Successful investment management requires constant vigilance. GILICO's goal is to optimize the return on investments while maintaining a maximum degree of safety for policyowners.

GILICO IS SAFETY CONSCIOUS

The foremost objective of GILICO's investment philosophy is to provide policyowners safety for their money. Within this objective, we strive to generate the highest returns available on a **diverse portfolio** while maintaining acceptable parameters of safety. Our portfolio is balanced to **minimize** three major risks outlined below.

1) **Credit Risk is Minimized**

Credit risk, the risk that debt issuers will default in their payments of principal and interest, is minimized by the **purchase of investment grade vehicles and by diversification**. GILICO's skilled, in-house Investment Committee utilizes carefully selected outside money managers who were chosen for their expertise in specific investment categories. These experts observe credit risk daily using sophisticated techniques and resources. GILICO achieves diversification by limiting purchases in any one investment by both dollars and classification.

Our commitment to high quality is evidenced by the credit ratings of the portfolio. As of December 31, 2012, 98% of GILICO's bonds were rated investment grade. The average quality of our bond portfolio is AA. Dedication to quality investments offers additional security to our policyholders.

2) **Interest Rate Volatility**

Volatility is the normal nature of interest rates. The value of invested assets is affected adversely when interest rates rise. When interest rates fall, the ability to reinvest earnings also causes some risk. GILICO addresses these risks through **duration matching**, a process of matching the expected lives of our assets (investments) with the obligations (benefits and reserves) to our life and annuity policyholders. Matching assets and liabilities by duration protects against losses that may occur if GILICO were forced to sell assets to meet fund withdrawals. By utilizing state-of-the-art technology, we constantly analyze the interest rate risk of our investments to ensure safe performance over a wide variety of interest rate scenarios.

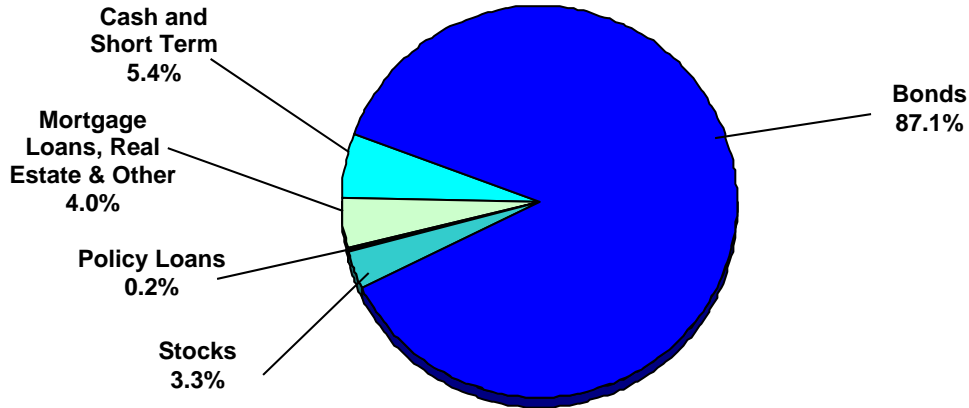
3) **Investment Liquidity**

Investment liquidity means assets can quickly be sold for cash. By maintaining a high quality portfolio that is 92.5% invested in cash and bonds, GILICO ensures the ability to meet the cash flow needs of our policyholders. Our goal is to eliminate the risk of experiencing losses that may occur from the sale of low quality or illiquid investments.

GILICO predominantly invests in bonds for safety, quality and liquidity.

(See our Invested Assets Chart)

**GILICO INVESTED ASSETS
AT 12/31/2012**



ABOUT THE COMPANY

Guaranty Income Life Insurance Company was incorporated in 1926 under the laws of the state of Louisiana and is a Legal Reserve insurance company. The Company is currently licensed in 31 states.

In addition to cost effective life insurance, long-term care and annuity programs, GILICO offers products and services to help families meet their financial needs, including wealth protection and wealth creation, today and in the future.

GILICO and its agents or representatives do not give tax, legal or accounting advice. Please consult your own attorney, accountant or tax advisor to determine the suitability of any life insurance, long-term care or annuity policy for your own situation.

“By following a conservative and risk sensitive investment philosophy, Guaranty Income provides long-term safety and security to our policyholders.”

*John Lancaster
President*