

GUARANTY INCOME LIFE INSURANCE COMPANY

2008 Summary Annual Report



FROM THE PRESIDENT

2008 was another successful year for Guaranty Income Life. Sales increased sixteen percent (16%) while expenses remained among the lowest in the industry. Statutory Assets grew nine percent (9%) to \$407 million, a record for Guaranty.

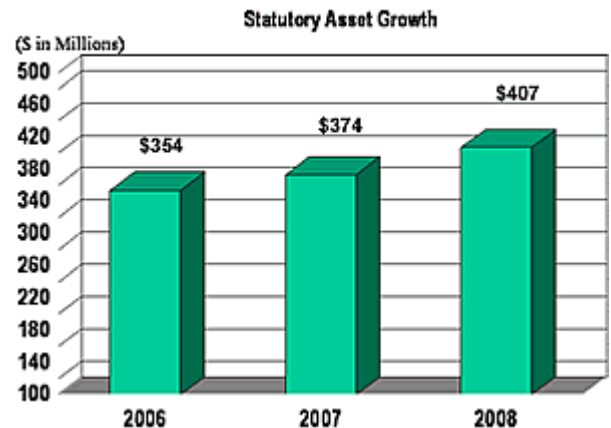
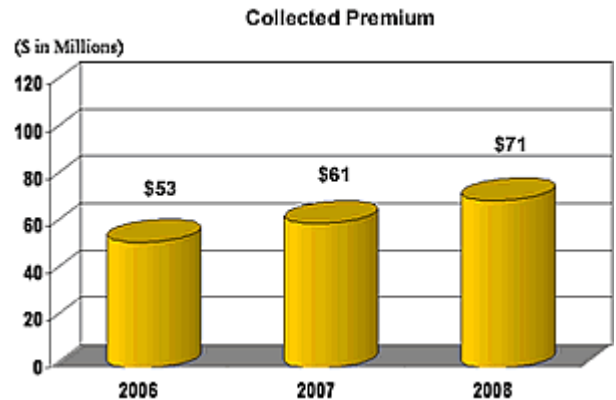
Guaranty is one of the most highly regarded life insurance companies in the United States and a nationally recognized competitor because of our innovative products, 24/7 web site assistance, producer training emphasis and efficient, friendly service.

Guaranty offers competitive annuity, life insurance and long-term care products and services to help families meet their financial needs, including wealth creation and protection, today and in the future.

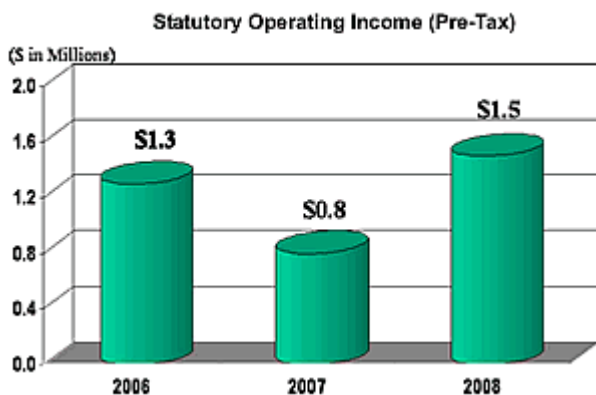
Our Annuicare[®] riders, which package the benefits of LTC protection with our annuity products, are among the most creative in the industry. Sales of Annuicare[®] have grown over the last three years. This is attributable to our reinsurance agreement with Munich American Re and the passage of the Pension Protection Act (“PPA”) which introduced new tax incentives for Annuity/LTC combination products. Effective January 1, 2010, the PPA tax changes allow LTC premiums to be paid from untaxed annuity distributions and the LTC benefits paid remain tax free. Annuicare[®] and our other consumer-friendly products offer unique risk protection and satisfaction to our policyowners and have attracted quality producers to Guaranty.

We look forward to building on our 83-year history and proud tradition of caring for our policyowners, producers and other stakeholders. We will continue to deliver industry leading products and service to grow Guaranty’s distinguished legacy.

John Lancaster, President



FINANCIAL RESULTS



Statutory operating earnings were \$1.5 million and \$0.8 million for the years ended December 31, 2008 and 2007, respectively. After realizing capital losses in 2008, primarily from Lehman Bros. and General Motors, Guaranty Income Life reported a net loss of \$0.9 million compared to net income of \$0.9 million in 2007. Statutory capital and surplus remained stable at \$22.7 million.

On a Generally Accepted Accounting Principle (GAAP) basis, Guaranty recorded a net loss of \$0.1 million in 2008 compared to \$0.9 million of net income for 2007. At December 31, 2008, GAAP capital and surplus, adjusted for Statement of Financial Accounting Standards No. 115 (SFAS 115), was \$39.8 million compared to \$39.9 million at December 31, 2007.

SAFETY AND GUARANTEES

The foremost objective of Guaranty Income Life's investment philosophy is to provide policyowners safety for their money.

We purchase only high quality investment grade bonds and do not invest in derivatives or credit default swaps. Our products guarantee your principal and a minimum annual return of at least 3% with no stock market risk.

INVESTMENTS

Successful investment management requires constant vigilance in changing economic and interest rate environments. Guaranty's strategy is to optimize the return on our investments while maintaining liquidity with high quality bonds.

Guaranty's investment philosophy is to provide safety and credit policyowners a sound return on their money. Within this objective, we strive to generate the highest returns available on a diverse portfolio while matching the cash flow of our product liabilities.

Guaranty's bond portfolio has one of the highest quality ratings in the insurance industry of AA. Guaranty maintained a short-term duration of approximately six years. At December 31, 2008, investment grade bonds represent 96.2% of our bond portfolio. Cash, short-term investments and bonds continue to provide a liquid portfolio representing 96% of invested assets.

