

GUARANTY INCOME LIFE INSURANCE COMPANY 2010 Summary Annual Report

CHAIRMAN'S MESSAGE

Guaranty celebrated its 85th Anniversary on January 19, 2011, and we continue a history of providing safe and secure products to our policy owners and producers. Our operating income has been consistently profitable over the last six years by offering consumer oriented products, backed by high quality investments and excellent service to our customers.

George A. Foster, Jr., Chairman

PRESIDENT'S COMMENTS

Sales of fixed annuity products declined in 2010 due to low interest rates; however, Annuicare[®] sales increased by 43% compared to 2009. Annuicare[®], our trademarked products, are reinsured with Munich American Re, the U.S. life reinsurance subsidiary of Munich Re. Sales were boosted by a tax law change effective January 1, 2010, which allows LTC premiums to be paid from untaxed annuity distributions and the LTC benefits paid remain tax free.

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.

Our Annuicare[®] riders are among the most creative in the industry. GILICO's other consumer-friendly products offer unique risk protection, income payout options and satisfaction to our policyowners and have attracted quality producers to Guaranty.

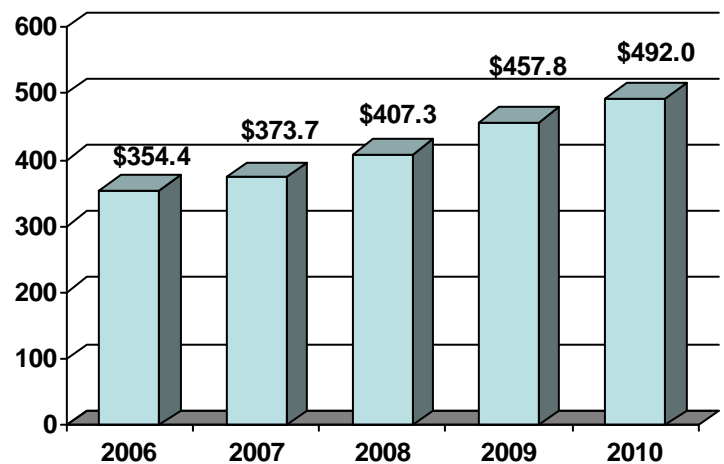
We look forward to building on our family history and proud tradition of caring for our policyowners, producers, strategic partners and associates. We will continue to deliver industry leading products and service to grow Guaranty's distinguished legacy.

John Lancaster, President

FINANCIAL RESULTS

Statutory premiums for the year ended December 31, 2010, were \$63.8 million compared to \$84.2 million for the year-end 2009. Statutory assets increased 7% to \$492 million compared to \$458 million at December 31, 2009. Statutory operating income was \$0.1 million for 2010 versus \$1.54 million in 2009. After recognizing losses, mainly from write downs on mortgage backed bonds, statutory net loss was \$0.7 million for 2010 compared to a loss of \$1.6 million in 2009.

**Asset Growth
(\$ in Millions)**



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 with no stock market risk.

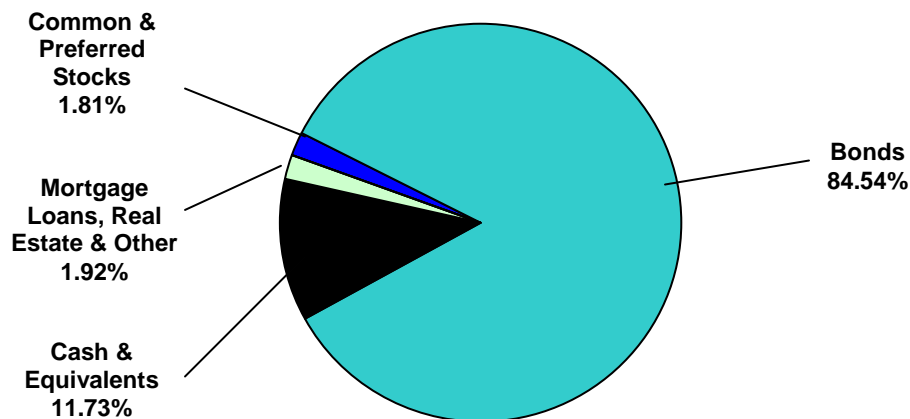
INVESTMENTS

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 to 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.

Based on our fundamentally conservative investment plan, Guaranty utilizes expert investment advisors to acquire high quality securities. As a result, at December 31, 2010, more than 98% of Guaranty's portfolio was invested in investment grade securities. 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. Furthermore, less than 2% of Guaranty's assets were invested in real estate and direct mortgages. Common and preferred stocks represented approximately 1.8% of invested assets. Guaranty does not have any debt and maintains considerable liquidity with more than 9% of assets in cash and short-term investments at December 31, 2010.

2010 INVESTMENT PORTFOLIO



AA RATED PORTFOLIO WITH GREAT LIQUIDITY.

Guaranty Income Life Insurance Company was founded in 1926 and is a Legal Reserve Insurance Company which is required to maintain reserves equal to or greater than guaranteed surrender values. Guaranty is currently licensed in 31 states. In addition to cost-effective life insurance, long-term care and annuity programs, Guaranty Income offers products and services to help families meet their financial needs of wealth protection and wealth creation today and in the future.