



GUARANTY
Income Life Insurance Company

February 14, 2007

Fran Matso Lysiak
BestWeek
Ambest Road
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Dear Ms. Lysiak:

Congratulations on your front page article, "Pension Reforms May Spur Annuity/Long-Term Care Combos," in the February 5, 2007 edition of *BestWeek*. This was an excellent follow up to your October 30, 2006 article, "ACLI Chief: Long-Term Care Insurance Added to Annuities Is Most Critical Piece of Pension Act." Both the Pension Protection Act ("PPA"), providing tax incentives for combo products, and the Deficit Reduction Act signed February 8, 2006 making it more difficult to qualify for Medicaid, will stimulate sales for all LTC products.

Your article pointed out that Genworth, John Hancock and MetLife are all likely to be big players in the combo market in the next few years. We agree. Many insurers already claim to have "LTC benefits" with their annuity products, but **not all combos are created equally.**

I am enclosing an educational article by Tim Hill, FSA, published in the February 6, 2006 edition of the *National Underwriter*. Mr. Hill anticipated the passage of the PPA and separated the types of combo products into three distinct categories.

Type one is currently offered by many annuity insurers. It provides no additional LTC benefits, but does waive any remaining surrender charges on the annuity, if the owner qualifies for LTC benefits.

Type two combos offer "some" LTC benefit by crediting a higher interest rate on the annuity or making a higher monthly payout for annuity owners who have health problems that qualify them for LTC benefits. Approximately a dozen companies offer these "enhanced yield" combo products.

Type three combo products offer a "Substantial LTC Benefit" in addition to the annuity funds. This is the type of product that provides the most LTC coverage and will gain the most benefit from the PPA tax advantages. **Currently, only four insurers offer this "Substantial LTC/Annuity Combo" product, Genworth, Golden Rule, Great American and Guaranty Income Life.**

AnnuiCare[®], the original Annuity/LTC combination product, was introduced by Guaranty Income Life in 1999. Guaranty Income Life was the first insurer to attach a tax-qualified long-term care rider to a traditional annuity. Golden Rule/State Life introduced their type three combo product in 2000. Great American Life began offering their type three combo in 2006. Genworth has received approval in several states, including Louisiana, in the last few months and will begin selling their product in 2007.

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The predecessor to these Annuity/LTC combo products and the leading product in combo sales is MoneyGuard, which is a Life/LTC combo offered by First Penn/Lincoln Financial since 1989. (See October 16, 2006 article by Mark Doherty.)

I wanted to give you this summary information and history to help you distinguish product types for the many insurers who will claim to have products in the combo market during the next three years. Only a limited number of insurers may actually offer the "Substantial LTC Benefit" combo. This is because there are significant barriers to entry for this market. Communication, coordination, state and federal regulatory requirements and computer systems are critical areas for type three combo products. The biggest barriers are the administration systems and department segregations at the larger insurers. The discipline to develop and administer these consumer oriented, type three combo products requires extensive coordination of personnel in different divisions or departments of an insurance company.

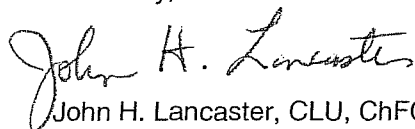
Health and LTC actuaries usually do not work with Life and Annuity actuaries. Sales, claims, underwriting and policyowner service employees rarely cross over to other divisions. Therefore, new product development will be slower than normal, until an insurer commits to a "Combo or Hybrid Department."

A combo Annuity/LTC product has greater flexibility to address multiple needs at a lower premium than separate, single solution products. Combining two products allows the financial asset to always work for the policyowner in some manner to provide LTC insurance benefits or annuity values, depending on the owner's needs in the future.

We certainly appreciate and commend your efforts to publicize these new combo products. They promise tremendous benefits to consumers, insurers and the U.S. taxpayers who may not have to pay an ever increasing amount for Medicaid.

~~We look forward to the Best Review and Preview Conference in Dana Point, California, and hope to visit with you there.~~

Sincerely,



John H. Lancaster, CLU, ChFC, FLMI, MSFS
President

JHL/dc

Enclosures

cc: Joe Zazzera
~~Robert Stewart~~