

September 18, 2008

GILICO's Financial Info and Investment Portfolio



In light of the past two weeks of unprecedented turbulence and volatility on Wall Street, we wanted to update you on GILICO's investments. The U.S. Government takeover of Fannie Mae and Freddie Mac, Lehman Brothers' bankruptcy filing, Merrill Lynch being saved by Bank of America's purchase and American International Group requiring an \$85 billion dollar loan backed by U.S. taxpayers have impacted the whole world economy. These market conditions have created great challenges for all financial services industry companies.

GILICO emphasizes quality investments and maintains a liquid, conservative investment plan that has allowed us to avoid most of the problems suffered by the industry giants.

Many insurance companies owned Common and Preferred Stock in Fannie and Freddie. GILICO did not own any stock in these companies and does not expect any investment losses in the third quarter from these entities.

Our total direct Preferred Stock and Bond exposure to Lehman and AIG is less than 0.5% of invested assets. We may suffer losses on these investments, but our diversity requirements have kept our exposure small.

GILICO does not purchase or sell Credit Default Swaps or other derivatives that have required some insurance companies to take large write downs this quarter. We have not purchased bonds backed by sub-prime loans and GILICO has no debt outstanding.

A.M. Best affirmed our B+ [good] rating in August and our Capital to Liabilities ratio remains the strongest in our company's 82 year history.

We wanted to provide you with this brief summary of our portfolio condition to reassure you and your policy owners of GILICO's commitment to provide quality products backed by liquid, diverse investments to protect them. We appreciate your business and confidence.

FOR PRODUCER USE ONLY – NOT FOR CONSUMER USE.