These guarantees are valued at fair value and are included as part of insurance liabilities with the underlying host insurance contracts in note 19.

The following table provides information on the liabilities for guarantees that are included in the valuation of the host contracts.

	2010	2009
	GMB [1,2]	GMB [1,2]
At January 1	1,145	2,410
Incurred guarantee benefits	511	(1,265)
AT DECEMBER 31	**1,656**	**1,145**
Account value	13,448	12,929
Net amount at risk [3]	1,853	1,658

[1] Guaranteed minimum benefit in the Netherlands.
[2] Balances are included in the insurance liabilities on the face of the balance sheet; refer to note 19.
[3] The net amount at risk represents the difference between the maximum amount payable under the guarantees and the account value.

FAIR VALUE MEASUREMENT OF GUARANTEES IN INSURANCE CONTRACTS

The fair values of guarantees mentioned above (with the exception of life contingent guarantees in the United States) are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the long-term nature of these guarantees, their fair values are determined by using complex valuation techniques. Because of the dynamic and complex nature of these cash flows, AEGON uses stochastic techniques under a variety of market return scenarios. A variety of factors are considered, including expected market rates of return, equity and interest rate volatility, credit risk, correlations of market returns, discount rates and actuarial assumptions.

Since the price of these guarantees is not quoted in any market, the fair value of these guarantees is computed using valuation models which use observable market data supplemented with the Group's assumptions on developments in future interest rates, volatility in equity prices and other risks inherent in financial markets. All the assumptions used as part of this valuation model are calibrated against actual historical developments observed in the markets. Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability has been reflected within Level III of the fair value hierarchy. Refer to note 3 for more details on AEGON's fair value hierarchy.

The expected returns are based on risk-free rates. AEGON adds a premium to reflect the credit spread as required. The credit spread is set by using the credit default swap (CDS) spreads of a reference portfolio of life insurance companies (including AEGON), adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments to other creditors). Because CDS spreads for United States life insurers differed significantly from those for European life insurers, AEGON's assumptions reflect these differences in the valuation. If the credit spreads were 20 basis points higher or lower respectively, and holding all other variables constant in the valuation model, 2010 income before tax would have been EUR 158 million and EUR 173 million higher or lower respectively (2009: EUR 136 million and EUR 145 million higher or lower).

For equity volatility, AEGON uses a term structure assumption with market-based implied volatility inputs for the first five years and a long-term forward rate assumption of 25% thereafter. The volume of observable option trading from which volatilities are derived generally declines as the contracts' term increases, therefore, the volatility curve grades from implied volatilities for five years to the ultimate rate. The resulting volatility assumption in year 20 for the S&P 500 index (expressed as a spot rate) was 24.8% at December 31, 2010 and 25.3% at December 31, 2009. Correlations of market returns across underlying indices are based on historical market returns and their inter-relationships over a number of years preceding the valuation date. Assumptions regarding policyholder behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities.

Had AEGON used a long-term equity implied volatility assumption that was 5 volatility points higher or lower, the impact on income before tax would have been a decrease of EUR 144 million or an increase of EUR 127 million, respectively, in 2010 IFRS income before tax (2009: EUR 155 million decrease and EUR 136 million increase).