

Milliman reports 6 basis point increase in Hedge Cost Index for VA guarantees in April



Index stands at 62 basis points

Ram Kelkar, CFA
 Daren Lockwood, PhD, FRM
 Xiaohong Mo, FSA, MAAA, CFA
 Adam Schenck, MS, FRM

The expected hedge cost for a hypothetical lifetime GMWB block (see Index Methodology¹) is estimated to be 62 bps as of April 2010, up 6 bp from the previous month. The Index Methodology provides additional details about the assumptions and methodologies underlying the Milliman Hedge Cost Index.

Expected hedge costs decreased by 79 bps in 2009, from an elevated level of 137 bps at the end of 2008. Seventy-one bps of this decrease was a result of an increase in long-dated USD swap interest rates from the 2%-3% range to the mid-4% region.

FIGURE 1: EXPECTED HEDGE COST (IN BPS OF GUARANTEED WITHDRAWAL BASE - SEE INDEX METHODOLOGY FOR DETAILS)

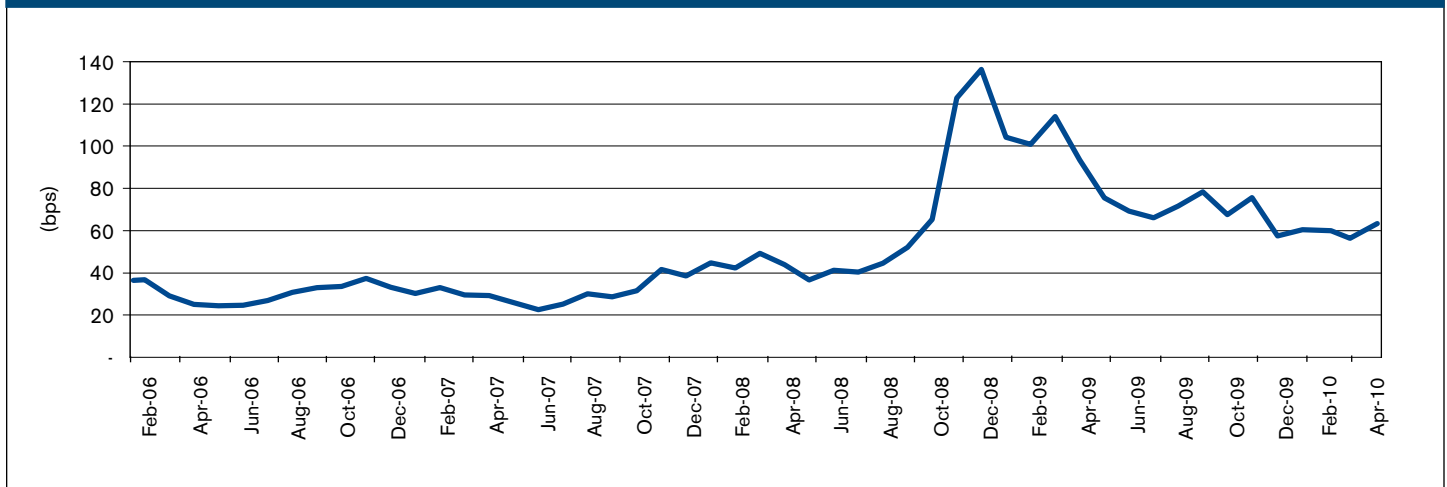
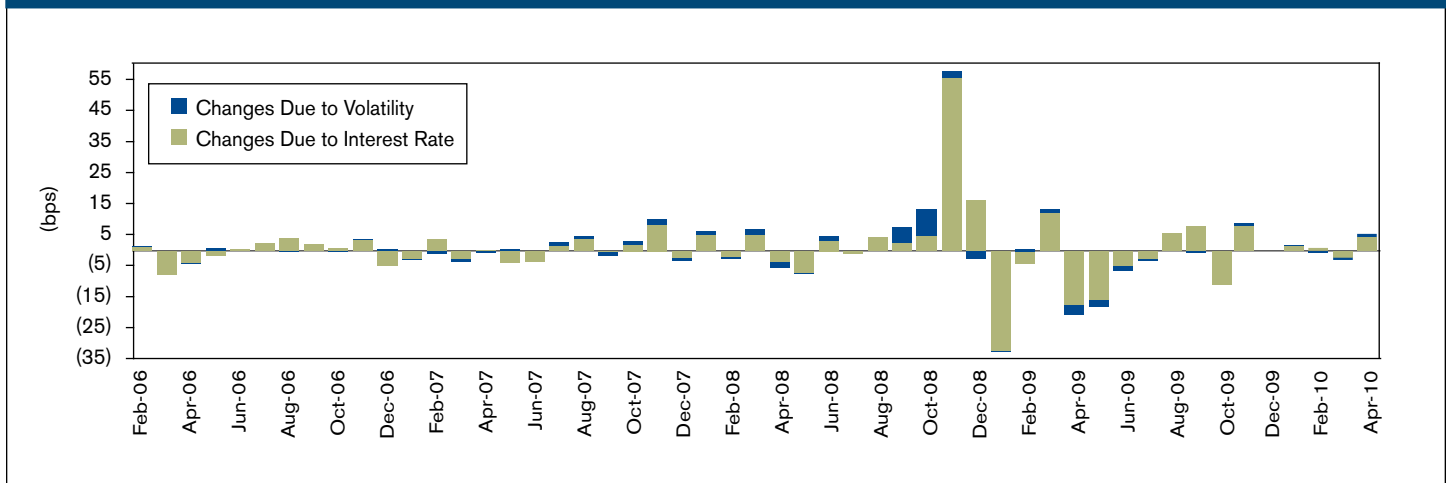


FIGURE 2: CHANGES IN EXPECTED HEDGE COST (IN BPS OF GUARANTEED WITHDRAWAL BASE - SEE INDEX METHODOLOGY FOR DETAILS)



¹ To view the Milliman Hedge Cost Index Methodology, go to: <http://www.milliman.com/expertise/life-financial/products-tools/guarantee-index/pdfs/hedge-cost-index-methodology.pdf>.

ABOUT MILLIMAN HEDGE COST INDEX

Milliman publishes an expected cost of hedging indicator as part of the Milliman Guarantee Index report to demonstrate the impact of changes in volatility levels and interest rate assumptions on the cost of hedging VA guarantees. Indicative hedge costs for a hypothetical lifetime *GMWB* block are calculated using the Milliman Guarantee Index and current swap interest rate levels. Attribution analysis for the results will help Index users better understand the monthly changes in hedge cost based on movements in volatility and risk-free interest rates.

The expected hedging costs are calculated using a generic lifetime *GMWB* product that is similar to product designs common in the market. The modeling of the guarantee is based on typical actuarial and behavioral assumptions widely used by many variable annuity (VA) writers. Additional details about product design and key assumptions for the hypothetical lifetime *GMWB* block are provided in the Index Methodology.

FIGURE 3: HISTORICAL HEDGE COSTS AND ATTRIBUTION ANALYSIS (IN BPS OF GUARANTEED WITHDRAWAL BASE)

EXPECTED HEDGE COSTS (BPS OF GUARANTEED WITHDRAWAL BASE)

EXPECTED HEDGE COSTS (BPS OF GUARANTEED WITHDRAWAL BASE)					EXPECTED HEDGE COSTS (BPS OF GUARANTEED WITHDRAWAL BASE)				
DATE	CHANGES FROM PRIOR MONTH			EXPECTED HEDGE COST	DATE	CHANGES FROM PRIOR MONTH			EXPECTED HEDGE COST
	DUE TO INT RATES	DUE TO VOL	TOTAL CHANGE			DUE TO INT RATES	DUE TO VOL	TOTAL CHANGE	
1/31/06	N/A	N/A	N/A	35	3/31/08	5	2	7	49
2/28/06	1	0	1	36	4/30/08	(4)	(2)	(5)	44
3/31/06	(8)	(0)	(8)	29	5/31/08	(7)	(0)	(7)	36
4/30/06	(4)	(0)	(4)	25	6/30/08	3	1	5	41
5/31/06	(1)	1	(1)	24	7/31/08	(1)	(0)	(1)	40
6/30/06	0	(0)	0	24	8/31/08	4	(0)	4	44
7/31/06	2	(0)	2	26	9/30/08	3	5	8	52
8/31/06	4	(0)	4	30	10/31/08	5	8	13	65
9/30/06	2	0	2	33	11/30/08	56	2	58	123
10/31/06	1	(0)	1	33	12/31/08	16	(3)	14	137
11/30/06	4	0	4	37	1/31/09	(32)	(0)	(32)	104
12/31/06	(5)	0	(4)	33	2/28/09	(4)	1	(3)	101
1/31/07	(3)	(0)	(3)	30	3/31/09	12	1	13	114
2/28/07	4	(1)	3	33	4/30/09	(18)	(3)	(21)	93
3/31/07	(3)	(1)	(4)	29	5/31/09	(16)	(2)	(18)	75
4/30/07	0	(0)	(0)	29	6/30/09	(5)	(1)	(6)	69
5/31/07	(4)	0	(3)	25	7/31/09	(3)	(1)	(3)	66
6/30/07	(3)	(0)	(3)	22	8/31/09	6	0	6	71
7/31/07	2	1	3	25	9/30/09	8	(1)	7	78
8/31/07	4	1	5	30	10/31/09	(11)	0	(11)	67
9/30/07	(0)	(1)	(1)	28	11/30/09	8	1	8	75
10/31/07	2	1	3	31	12/31/09	(16)	(1)	(18)	58
11/30/07	8	2	10	41	1/28/10	2	0	2	60
12/31/07	(2)	(1)	(3)	38	2/25/10	0	(1)	(1)	59
1/31/08	5	1	6	44	3/30/10	(2)	(1)	(3)	56
2/29/08	(2)	(0)	(2)	42	4/29/10	5	1	5	62

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