



Sample Term Sheet

q-forward

(Life & Longevity Markets Association)

29 October 2010

Sample Term Sheet q-forward



Please see accompanying document:
'Technical Note: The q-forward' for further background on this product

Description:

Forward contract linked to a reference mortality index Indicative terms and conditions dated [•]

General Terms

Party A	[Floating Rate Payer]
Party B	[Fixed Rate Payer]
Currency	[•]
Exposure Start Year	[•] <i>[The start of the period in which the Realised Aggregate Mortality Rate will be determined. This is expected to be expressed as a year (e.g. 2010) for which the relevant mortality rate is published rather than a specific date].</i>
Exposure End Year	[•] <i>[The end of the period in which the Realised Aggregate Mortality Rate will be determined. This is expected to be expressed as a year (e.g. 2020) for which the rate is published rather than a specific date].</i>
Trade Date	[•] <i>[Date of entering into transaction]</i>
Effective Date (if different from Trade Date)	[•] <i>[Date which is the first day of the term of the transaction]</i>
Termination Date	[•] <i>[Such date to allow time lag following publication of Index level]</i>
Notional Amount	£[•]MM
XYZ Longevity Index	'[XYZ Longevity Index]' set of [graduated] mortality rates, as defined in the Index Description and published by [LLMA] or any successor publisher displayed on Bloomberg Screen [XXXX] or website [www.xxxxxxxx.com] or any successor service.
Calculation Agent	[Party A or B or firm x]

Disclaimer

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Payments and Termination Details:	
Party A payment on the Termination Date	Notional Amount x Fixed Rate
Party B payment on the Termination Date	Notional Amount x Realised Aggregate Mortality Rate
Fixed Rate	[•]% [To be agreed on the Trade Date]
Realised Aggregate Mortality Rate	<p>Weighted average of mortality rates as defined for this transaction. The average may be taken over (i) genders, (ii) ages, (iii) countries, (iv) other sub classifications, as well as (v) different Mortality Rate Periods. Example:</p> $W \times 0.2 \times \{q_{60}^{R,M} + q_{61}^{R,M} + q_{62}^{R,M} + q_{63}^{R,M} + q_{64}^{R,M}\} + (1 - W) \times 0.2 \times \{q_{60}^{R,F} + q_{61}^{R,F} + q_{62}^{R,F} + q_{63}^{R,F} + q_{64}^{R,F}\}$ <p>[In words: W multiplied by the average mortality rate experienced by male lives between 60 to 64 year olds + (1 - W) multiplied by the average mortality rate experienced by female lives between 60 and 64]</p>
W	[•]% [Weighting towards male mortality rates]
$q^{R,Gx}$	Realised mortality rate for gender G and age x (as given by the Age Definition) in the Reference Period as published in the [XYZ Longevity Index]
Mortality Rate Period	The mortality rate over the period between successive index publication dates. [Typically the period will be one year. Example: $q_x^c [2008] = 0.12$ means a mortality rate of 12% for the Reference Period ending in year 2008].
Reference Period	The period between the Exposure Start Year and the Exposure End Year. [It may include more than one Mortality Rate Period].
Reference Population	Specification of population that defines the [XYZ Longevity Index]. For example, England & Wales national population males, or UK male assured lives.
Age Definition	As given by the Index Description
Delay in publication	If the relevant mortality rates for the XYZ Longevity Index have not been published on or prior to any date for which they fall to be applied for the purposes of this transaction, [the Calculation Agent shall determine the Realised Aggregate Mortality Rate in good faith, taking into consideration all available information that deems relevant].
Index Description	The description of the Index published by LLMA and known as Index Definition Document Version [x.x], dated [dd-mmm-yyyy], which is available on website [www.xxxxxxxx.com] [as amended by the LLMA from time to time].
Provisions relating to valuations	[•]

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