

**DRAFT TERM SHEET
LOSS PORTFOLIO TRANSFER
OLD FUND LIABILITIES
STATE OF MONTANA**

Contract: Aggregate Excess of Loss (Loss Portfolio Transfer)

Effective Date: January 1, 2005, continuous until cancelled or commuted

Business Covered: Workers Compensation Loss and Allocated Loss Adjustment Expense related to losses occurring before July 1, 1990

Limit of Liability: \$103,000,000

Premium: \$ 81,400,000

Reports and Remittances: Quarterly settlements based on Claim Payment Bordereaux

Funding Terms: Premiums transferred to reinsurer less quarterly loss fund

Experience Account: Determined Quarterly as:
A. Beginning Premium Balance; less
B. Actual Loss and ALAE payment in the period; plus
C. Interest credited to the Experience Account (TBD)

Commutation: The Agreement may be commuted by the State on each Anniversary following 90 days written notice, assuming the Experience Account is in a positive position when valuing ultimate losses payable at such time at a present value basis. Upon commutation, reinsurer shall pay an amount to the State equal to the sum of:
A. The Experience Account Balance at date of commutation, assuming such balance is positive.
B. Payment of such balance will result in a full and final release of the reinsurer from any current and future obligations under the agreement.