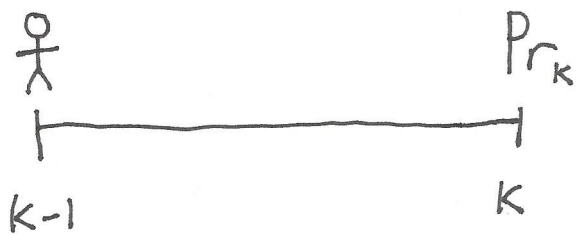


# MLC # 290

$$i = 0.1$$

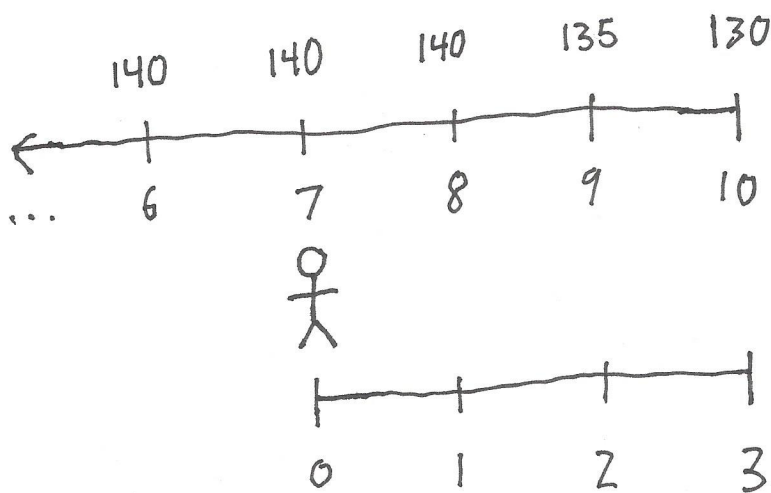
$$q_x^{(w)} = .05$$

sidebar:



$$\pi_k = {}_{k-1}p_x^{(y)} \cdot Pr_k$$

$$NPV = \sum_k v^k \cdot \pi_k = \sum_k v^k {}_{k-1}p_x^{(y)} \cdot Pr_k$$



$$NPV = 140v + 135 p_{67}^{(y)} v^2 + 130 {}_2p_{67}^{(y)} v^3$$

$$p_{67}^{(y)} = (1 - q_{67}^{(d)}) (1 - q_{67}^{(w)}) = (1 - .02544)(0.95) = .92583$$

$${}_2p_{67}^{(y)} = (1 - q_{67}^{(d)}) (1 - q_{68}^{(d)}) (1 - q_{67}^{(w)})^2 = (1 - .02544)(1 - .02779)(.95)^2 = .85510$$

$$NPV = \frac{140}{1.1} + \frac{135(.92583)}{1.1^2} + \frac{130(.85510)}{1.1^3} = 314.09$$

C