

BMO Insurance Whole Life



Simple. Flexible. Guaranteed.

Two plan options: Wealth Accelerator
and Estate Protector

Table of Contents

BMO Insurance Whole Life at a Glance	2	Non-Forfeiture Options	15
Insurance Protection	5	Automatic Premium Loan	15
Plan Options	5	Reduced Paid-Up Insurance	15
Plan Types	5	Premium Offset	16
Underwriting	6	Additional Benefits and Features	17
Smoker Definition	6	BMO Insurance Health Advocate Plan	17
Ratings	7	Riders	18
Death Benefit	8	Term Insurance Riders	18
Premiums	9	Third Party Term Insurance	18
Premium Payment Options for the Basic Coverage	9	Conversion Option	18
Premium Switch Option	10	Term Exchange Program	19
Policy Fee	10	Critical Illness Insurance Riders	20
Premium Payment Mode	10	Other Riders and Benefits	21
Pre-Authorized Cheque Plan (PAC)	10	Life Insurance Taxation	22
Credit Card Payment	10	Exempt Status	22
Non-Payment of Premium	10	Enhanced Sum Insured	22
Additional Payment Option (APO)	11	Side Account	22
Performance Bonus	12	When Tax May be Payable	23
Performance Bonus Rate	12	How Cash Withdrawals are Taxed	23
Crediting the Performance Bonus	12	How Policy Loans are Taxed	23
Asset Exposure Composition	12	Change of Canadian Resident Status	23
Paid-Up Additions	13	Policy Administration	24
Cash Value	13	Applying for Coverage	24
Guaranteed Cash Value	13	Policy Delivery	24
Paid-Up Addition (PUA) Cash Value	13	Changes to Insurance Coverage	24
Additional Payment Balance	13	How to Start/Re-start the Additional Payment Option	24
Accessing the Cash Value of the Policy	14	How to Elect Premium Offset	24
Cash Withdrawals	14	Policy Statements	25
Policy Loans	14	Online Advisor Support	25
Outstanding Policy Debt	15	Marketing Support	26
		Illustrations on The Wave	26
		Financial Concepts	26
		In Force Illustrations	26
		What's New at BMO Insurance?	26
		Glossary of Terms	27

This Guide is designed as a marketing aid for insurance advisors and is not binding. In the event of a discrepancy between this Guide and the actual policy issued, the provisions of the insurance policy govern.

BMO Insurance Whole Life at a Glance



Simplicity and Built-In Guarantees

BMO Insurance Whole Life is a non-participating permanent life insurance plan offering an increasing death benefit with guaranteed cash values and guaranteed level premiums payable for 10 or 20 years or to age 100, after which time the policy becomes fully paid up.

The increasing death benefit (above the basic coverage) is provided by an annual Performance Bonus that BMO Insurance automatically uses to purchase additional “paid-up” insurance coverage (or Paid-Up Additions).

One product. Two plan options.

We’ve made BMO Insurance Whole Life even better – we have two plan options to address two distinct markets – the wealth accumulation market and the estate protection market.

Estate Protector offers long term cash values and death benefit growth which can be a great fit for estate planning scenarios.

Wealth Accelerator offers a higher cash value in the early years which can be ideal for clients who need more liquidity from their life insurance policy.

Performance Bonus and Paid-Up Additions

Each year, a Performance Bonus is calculated on the policy anniversary using a Performance Bonus Rate that’s declared annually. The Performance Bonus is then automatically used to purchase additional “paid-up” insurance coverage (or a “Paid-Up Addition”) which increases the amount of the death benefit and cash value available on the policy *at no additional cost beyond the premiums for the basic coverage*.

The Performance Bonus Rate takes into account the rate of return of a portfolio of fixed income investments and enhanced equity investments designed to target higher overall portfolio yields. To reduce the year-to-year fluctuations (i.e. volatility) of the Performance Bonus Rate, BMO Insurance uses a smoothing formula with a goal of generating more stable long-term returns.

The Performance Bonus Rate is guaranteed to never be negative.

The assets held for BMO Insurance Whole Life policies form part of the general assets of BMO Insurance and are managed in partnership with BMO Asset Management and BMO Capital Markets.

Flexibility

BMO Insurance Whole Life includes several features which can help manage your clients’ insurance coverage if their circumstances change:

Additional Payment Option: this feature enables your clients to accelerate the growth of the death benefit and cash value of their policy. It allows them to make additional payments on their policy above the premiums for their basic coverage and any riders subject to a yearly maximum. The Additional Payment Balance will also be used to calculate the Performance Bonus at the end of each year which will then add more Paid-Up Additions to their policy.

Premium Switch Option: with this feature, your clients can change the premium payment option, subject to certain conditions. This flexibility helps them manage the cost of the annual cost of their policy, without affecting the amount of their basic coverage.

Reduced Paid-Up Insurance Option: if your clients don’t want to continue premium payments, they can elect to reduce their basic coverage to an amount that requires no further premiums. If selected, the policy will still qualify for future increases in coverage from Paid-Up Additions purchased with the Performance Bonus (based on the reduced basic coverage).

Policy Loans: once the policy has cash value, your clients can elect to take out a policy loan to temporarily pay for their premiums (via an Automatic Premium Loan) or to simply access funds for lifestyle purposes.

Premium Offset: by electing this feature, your clients may choose to stop paying premiums and have the required amounts deducted from the Paid-Up Additions Cash Value and Additional Payment Balance, if any. Depending on the growth of the Total Cash Value, this may allow them to stop paying premiums before the end of the premium pay period stated in their policy.



Product Overview

Plan Options	Estate Protector – offers exceptional long term cash values for estate planning scenarios. Wealth Accelerator – provides higher cash values in the early years to help clients who need more liquidity.
Issue Ages	0 – 80 (age nearest)
Initial Face Amount	Minimum: \$50,000 (\$25,000 for Term conversions) Maximum \$35,000,000
Rate bands	\$25,000 – \$99,999 \$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$999,999 \$1,000,000+
Coverage type	Single life Joint Last-to-Die (2 lives)
Guaranteed premium payment options	10 Pay 20 Pay Pay to age 100
Policy fee	\$50 annually
Risk class	Non-smoker Smoker
Death benefit	Sum Insured plus the sum of all Paid-Up Additions.
Performance bonus	A bonus that's calculated on each policy anniversary using a Performance Bonus Rate that's declared annually. The Performance Bonus Rate will never be negative. The Performance Bonus is calculated each year by multiplying the Performance Bonus Rate by: the sum of the cash value of the basic coverage and the Additional Payment Balance.
Paid-up addition ("PUA")	Once a Performance Bonus is calculated, the bonus amount is then automatically used to purchase "paid-up" insurance coverage (or "PUA"). This additional amount of permanent life insurance (above the basic coverage) does not require any additional premiums once added to a policy.
Cash value	Based on a table of guaranteed cash values for the base sum insured starting in the 1 st policy year.
PUA cash value	Based on each PUA sum insured and a separate table which is guaranteed at the time of purchase of each PUA.
Total cash value	Cash Value + PUA Cash Value + Additional Payment Balance – Outstanding Policy Debt
Premium Switch option	Allows the policy owner to switch to a less expensive premium option after the policy has been in force for at least two years. The premium payment period for the base sum insured is extended for the remaining number of premiums required. Options available: • switch from the "10 Pay" to the "20 Pay" option • switch from the "10 Pay" to the "Pay to Age 100" option • switch from the "20 Pay" to the "Pay to Age 100" option
Additional Payment option	Allows the policy owner to make Additional Payments on their policy above the premiums for their basic coverage.
Premium Offset	Provides policy owners with the option to have premium amounts deducted from the policy's Paid-Up Additions Cash Value and Additional Payment Balance, if any.
Policy loans	Allows the policy owner to borrow up to 90% of the total cash value less any outstanding policy debt.
Non-forfeiture options	Automatic Premium Loan Reduced Paid-Up Insurance
Riders and benefits	Term 10, Term 15, Term 20, Term 25 & Term 30 (Single Life or Joint Last-to-Die) Total Disability Waiver of Premium Living Benefit (Critical Illness) 10, 20, 75 and 100 Children's Term Insurance Rider Accidental Death Benefit Joint-Last-to-Die Conversion Option Joint Last-to-Die Special Death Benefit Option (when there's an Additional Payment Balance) <i>No additional rider fees are charged when Term or Living Benefit Riders are added to a BMO Insurance Whole Life policy.</i>
Other benefits Included at no extra charge	BMO Insurance Health Advocate™ Plan Access to medical information and services as well as personal assistance services. Disability Benefit You may request that an amount be paid from the Total Cash Value as a Disability Benefit

Refer to the contents of this guide for more details.



How BMO Insurance Whole Life can help your clients achieve their goals

Client	Profile	Goal	BMO Insurance Whole Life Solution
Affluent individuals	Older individuals (or couples) with significant taxable assets such as a family cottage, non-registered mutual funds, stocks, real estate or RRSPs/RRIFs, etc. They have paid off non-taxable debt (such as mortgages and other loans) and want to maximize the value of their estate.	Minimize impact of taxes and maximize estate value.	10 Pay, 20 Pay or Pay to age 100 where the amount of insurance provides enough coverage to offset the amount of taxes due on their estate.
	Individuals who have completed (or are nearing completion of) the asset accumulation phase of their lives, have a sizeable taxable investment portfolio to transfer to their heirs and need life insurance.	Maximize estate value and simplify estate transfer.	10 Pay or 20 Pay where their scheduled premiums equal the amount of their investment portfolio that they wish to transfer to their heirs.
	High income earners who have an adequate time horizon to plan and save for retirement and who have maximized their RRSP and TFSA contribution limits.	Tax efficient source of retirement income.	10 Pay or 20 Pay coupled with a back-end loan which can be used as a source of supplemental retirement income.
Business owners	Business owners looking for a tax effective way to pass on corporate assets to shareholder's heirs.	Tax efficient transfer of corporate assets.	10 Pay or 20 Pay where their scheduled premiums equal the amount of their investment portfolio that they wish to transfer out of their company and into the hands of their heirs.
	Business owners with good cash flow who also have a demonstrated need for life insurance. They are agreeable to and are comfortable with managing debt as part of their business operations.	Low cost life insurance without tying up capital in a policy.	10 Pay or 20 Pay coupled with a loan for the amount of their premiums; loan proceeds would be invested back in their business. This, together with eligible tax deductions, would lower the overall cost of the insurance.
	Small business owners who want and need a source of supplemental retirement income and have corporate funds to invest in a plan; they also need life insurance. They are agreeable to and are comfortable with managing debt as part of their business operations.	Life insurance and supplemental cash flow at retirement.	10 Pay or 20 Pay coupled with a back-end loan which can be used as a source of supplemental retirement income.
Young families	Young couples or individuals who need a cost effective way to replace their lost income and pay-off their debt in case of premature death.	Debt and income protection.	Pay to age 100 bundled with life and critical illness riders to cover off the financial impact of unforeseen life events such as death or a critical illness.
Juveniles	Parents (or grandparents) looking to provide their children (or grandchildren) with the gift of life insurance with guaranteed premiums that also increases in value.	Final expense coverage with the ability to continue insurance during adulthood.	Pay to age 100 for a nominal amount of initial coverage; the amount of death benefit would grow as Paid-Up Additions are added to the policy.

Note: The ideas presented in this guide should be reviewed for suitability to individual circumstances. The information contained in this guide is general in nature and should not be construed as legal or tax advice. You and your clients are encouraged to seek the advice of other professionals such as legal and tax experts to ensure that the ideas presented are appropriate for the circumstances of the individual(s) for whom this plan is being considered.

Insurance Protection

Plan Options

BMO Insurance offers two plan options to address your client's specific short and long-term insurance needs:

Estate Protector offers long term cash values and death benefit growth. This plan option is ideal for building long term values for estate protection that can be passed in a tax efficient manner to the next generation.

Wealth Accelerator offers a higher cash value in the early years. It is ideal for clients who need more liquidity from their life insurance policy to cover various business or personal needs within the next 10 to 20 years.

Both plan options offer the same great product features including plan types, premium payment options, Performance Bonus and riders. They differ in the guaranteed cash values, death benefit growth through paid-up additions and the premium rates payable for the policy benefits.

Plan Types

Depending on the type of coverage that your clients are looking for, the BMO Insurance Whole Life can be issued on any one of the following bases:

Single Life – coverage insuring one life with the death benefit becomes payable upon the death of the life insured.

Joint Last-to-Die (JLTD) – the death benefit becomes payable upon the last death of the joint lives insured, after which time the coverage terminates.



Joint Last-to-Die insurance coverage is typically used for estate planning purposes to help offset taxes and other costs that come due upon the last death of two spouses.





Underwriting

With BMO Insurance Whole Life, clients can qualify for Smoker (see definition below) or Non-Smoker rates.

You can get a copy of our most recent Underwriting Guidelines (319E) on The Wave illustration software. More specific requirements can also be printed with each illustration for the coverage that is being proposed.

Also note the following:

- There are no additional underwriting requirements if the Additional Payment Option is elected
- Juvenile premium rates are used if a life insured is less than eighteen years old.

Smoker Definition

Applicants who have used any form of tobacco within the past 12 months, including cigarettes, cigarillos, cigars, pipe tobacco, chewing tobacco, snuff, marijuana*, hashish, nicotine replacement products and smoking cessation products will be assessed as a smoker.

An exemption is made for the occasional cigar smoker.

An occasional cigar smoker is defined as an individual who does not smoke more than 12 cigars a year (or 1 a month).

The urine test must be negative for nicotine. For the purpose of this definition, cigarillo smokers are not considered as cigar smokers. This exemption only applies to occasional cigar smokers. Applicants with any other occasional smoking habits will be assessed as a smoker.

** BMO Insurance will consider occasional marijuana smokers for non-smoker rates for life and critical illness Insurance. Occasional marijuana smokers will be considered for non-smoker rates, subject to an underwriting review of the complete risk profile of the applicant. Occasional marijuana smoking is defined as up to two marijuana cigarettes per week for recreational purposes only (excludes medicinal marijuana users).*



Ratings

BMO Insurance applies a “rated age” to the basic coverage for any applicable multiple substandard ratings that result from underwriting the insured(s) on the policy. The rated age is based on a table that converts the multiple extra (%) to a number of years which are added to the insurance age for the life insured.



If your clients are rated, take a second look!

The rated age method can have a significant advantage when compared to products that use the multiple extra (%) method.

Compare the difference! For example, a +150% does not mean that the rated premium will be 150% of the non-rated premium.

Example:

Insured: Male 55, Non-smoker
Rating: +150% (using BMO Insurance’s current age rating table)
Age rating: +4 years
Rated age: Male 59, Non-smoker

Premiums for the basic coverage are calculated using the rate for a Male 59 Non-smoker.

“Flat extras” are used for temporary ratings and added to the premium for the basic coverage but do not affect the insurance age of the insured.

Male 55, Non-smoker	Male 55, Non-smoker rated to Male 59, Non-smoker
Non-rated annual premium \$8,500	Rated (+150%) annual premium \$9,900 ($< 150\% \times \$8,500$)



Example: A male 50 non-smoker has been rated with temporary flat extra of \$1.20 per \$1,000 of coverage for 5 years. The premium on his policy for \$500,000 would be an additional \$600 ($\1.20×500) for the first five years after which time the rating would no longer be charged.



Death Benefit

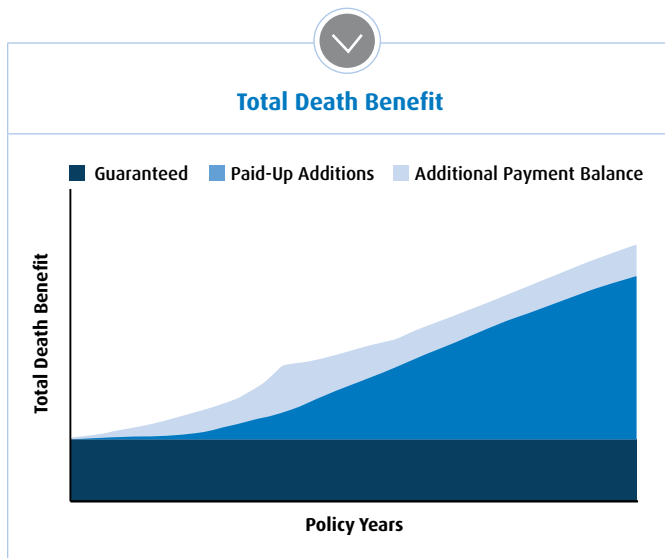
The total death benefit on a BMO Insurance Whole Life policy is made up of the following components:

- the sum insured of the basic coverage
- the total of all paid-up additions credited to the policy
- the Additional Payment Balance

Refer to the Paid-Up Additions section of this guide for more details about how BMO Insurance determines these amounts.

For information about the Additional Payment Balance, refer to the Additional Payment Option section of this Guide.

Note that any outstanding policy debt and any unpaid premium due will reduce the total death benefit payable.



This projection is for illustrative purposes only. The amount of the paid-up insurance coverage can vary over time.



Premiums

Premiums for the policy are the sum of the amount payable for the basic coverage (which includes a policy fee) plus the premiums for any riders attached to the policy.

After the last premium for the basic coverage is paid, the policy becomes paid-up and requires no further premiums. Coverage continues for life.

Premium Payment Options for the Basic Coverage

Premiums for BMO Insurance Whole Life policies are level and guaranteed for the payment period selected. Premium amounts vary by the amount of coverage, issue age, risk class, sex and premium payment period. There are three premium options available on BMO Insurance Whole Life:

Premiums for riders attached to the policy may continue past the last premium due date for the basic coverage, depending on the type of coverage selected (Refer to the Riders section for a list of available riders).



If circumstances change, clients can decrease or stop their premium payments without any penalty. Refer to the Premium Switch Option and Premium Offset sections for more details.

Premium Payment Option	Description	Ideal for clients looking to:
10 Pay	Guaranteed level premiums are payable for 10 years.	<ul style="list-style-type: none"> • pay-up their policy in as few years as possible; and • maximize the tax-deferred growth of the cash value in their policy and; • optimize the growth potential of the death benefit.
20 Pay	Guaranteed level premiums are payable for 20 years.	<ul style="list-style-type: none"> • make sure that their policy is paid-up over a given number of years (e.g. by the time they retire); and • want the flexibility to access the cash value of their policy in the future, if they happen to need a source of funds.
Pay to Age 100	Guaranteed level premiums are payable until attained insurance age 100.	<ul style="list-style-type: none"> • permanent life insurance with guaranteed level premiums; and • some increase in the amount of death benefit paid to their beneficiaries above the amount of their basic coverage.

Premium Switch Option

After their policy has been in force for at least two years, your clients have the flexibility to change the premium payment option subject to certain conditions. This flexibility provides them with the ability to switch to a less expensive premium option if their circumstances change.

If selected, the premium payment period for their basic coverage will be extended for the remaining number of years that premiums are required using the rates for the same age and risk class which were in effect when the policy was issued.

The following “switch” options are available:

- switch from the “10 Pay” to the “20 Pay” option
- switch from the “10 Pay” to the “Pay to Age 100” option
- switch from the “20 Pay” to the “Pay to Age 100” option

Example:

Issue age: Male 50, Non-smoker

Premium payment option selected at issue: 10 Pay

3 years after issue, client wants to switch to the 20 Pay Option:

Number of premiums remaining: $20 - 3 = 17$ years

Rates used to determine premiums: 20 Pay, Male 50, Non-smoker rates which were in effect when the policy was issued.

If, instead, the client wanted to switch from the 10 Pay to the Pay to Age 100 option, then:

Number of premiums remaining: $100 - 50 - 3 = 47$ years

Rates used to determine premiums: Pay to Age 100, Male 50, Non-smoker rates in effect when the policy was issued.



The Premium Switch Option is a great way for clients to change their premium commitment to a more affordable option without sacrificing the amount of their basic coverage.

When the Premium Switch option is exercised, we will pay the difference in the cash value of the basic coverage to your client as a cash withdrawal. The amount may be subject to tax.

Example:

In the example above, Male 50 non-smoker with Sum Insured of \$500,000. If the client switched from the 10 Pay to 20 Pay, he would receive a cash withdrawal payout of about \$4,000 at the time of the switch.

Policy Fee

A fee of \$50 is charged annually to administer the policy while premiums for the basic coverage are payable. The amount is guaranteed not to change during the lifetime of the policy.

The multi-policy discount is available for multiple applications of term, whole life and living benefits plans submitted to our Head Office within 60 days of the initial application. For personally

owned policies the policy owner/lives insured must be an individual purchasing multiple plans or family members applying for multiple plans at the same time. In the case of corporate owned policies, the lives insured must have an established business relationship.

The policy fee on the first policy will be the full policy fee, which will be reduced by \$25 for the second and subsequent associated policies. Please refer to the Multi-Policy Discount document (809E) for details.

Premium Payment Mode

The client can select whether they would like to pay annually, semi-annually or monthly pre-authorized cheque (PAC).

To calculate the semi-annual premium the total annual premium is multiplied by 0.52. For monthly PAC the total annual premium is multiplied by 0.09.

Pre-Authorized Cheque Plan (PAC)

To have premiums paid by PAC:

- Complete and sign a PAC authorization on the application.
- Attach a specimen cheque marked “Void” for account from which PAC payments will be made.
- For non-C.O.D. applications, obtain a cheque for 1 month’s premium.
- The monthly PAC payment date will be the same date of the month as the policy date.

To calculate the monthly PAC withdrawal, multiply the total annual premium, including policy fee and benefits, by 0.09. Please note: The minimum PAC withdrawal is \$15.00 for a single policy or several policies combined. When a PAC deposit is returned NSF, the policy owner will be required to pay the premium that’s due and all arrears before future PAC deposits are reinstated.

The initial premium can be collected by Pre-Authorized Cheque, if requested on the application. *Note: The Temporary Insurance Agreement (TIA) is NOT available if the initial premium payment is not submitted at the time of the application, or if Online Payment is chosen.*

Credit Card Payment

The **first annual** premium up to a maximum of \$100,000 can be paid by Visa or MasterCard. Complete and sign the credit authorization form on the application. Renewal premiums cannot be paid by a credit card.

Non-Payment of Premium

If a premium is not paid within 31 days when it is due (i.e. the grace period), an automatic premium loan will be issued to cover the amount that’s payable unless your client has elected the Reduced Paid-Up Insurance option (see the Non-Forfeiture Options section for more details) or Premium Offset.

Additional Payment Option (APO)

Your clients can choose to make Additional Payments on their policy over and above the required premiums, up to certain maximum amounts, to accelerate the growth of the death benefit and cash value of their policy.

When an Additional Payment is made, an 8% Additional Payment Administrative Fee is deducted. The fee covers commissions, premium tax and administration expenses. The balance then accumulates in the Additional Payment Balance of the policy. At the end of each policy year, the amount in the Additional Payment Balance will qualify for the Performance Bonus which subsequently adds more Paid-Up Additions to the policy.

The Additional Payment Balance (APB) is included in the Total Cash Value and Total Death Benefit of the policy.

Additional Payments are not required to keep a policy in force and are not considered premiums for the basic coverage and Waiver of Premium rider. Additional Payments must be payable at the same time and from the same source as the required premiums for the policy and are subject to our administrative minimums; ad-hoc payments are not allowed. Your clients can choose to stop and then re-start Additional Payments as long as the basic coverage premium is payable. However, Additional Payments cannot be made while premiums are being waived under the Waiver of Premium rider or if the Reduced Paid-Up Option has been exercised.

Additional Payment Balance (APB)

The Additional Payment Balance is equal to the sum of all Additional Payments received minus the sum of the following:

- the total amount of Additional Payment Administrative Fees deducted
- the total amount of cash withdrawals made from the Additional Payment Balance
- charges deducted from the Additional Payment Balance for the Enhanced Sum Insured
- and any benefit paid under the Joint Last to Die Special Death Benefit Option.

By adding a term rider, your clients can increase their APO payments to further accelerate the growth of their policy values or to stop paying their out-of-pocket premiums sooner (Refer to the Premium Offset section for more details).





Performance Bonus

Each year, a Performance Bonus is calculated on the policy anniversary using a Performance Bonus Rate that's declared annually. The Performance Bonus is then automatically used to purchase additional "paid-up" insurance coverage (or a "Paid-Up Addition") which increases the amount of the death benefit and cash value available on the policy *at no additional cost above the premiums due for the basic coverage.*

Performance Bonus Rate

The Performance Bonus Rate takes into account the rate of return of a portfolio of fixed income investments and enhanced equity investments designed to target higher overall portfolio yields. To reduce the year-to-year fluctuations (i.e. volatility) of the Performance Bonus Rate, BMO Insurance uses a smoothing formula with a goal of generating stable long-term returns.

The Performance Bonus Rate is guaranteed to never be negative.

The assets held for BMO Insurance Whole Life policies form part of the general assets of BMO Insurance and are managed in partnership with BMO Asset Management and BMO Capital Markets.

Crediting the Performance Bonus

Once a year, the Performance Bonus Rate (expressed as a percentage return) is declared and used to calculate the Performance Bonus for each policy when it reaches its anniversary during the year.

The Performance Bonus Rate for the year is shown on the annual statement for each policy. The actual Performance Bonus is then calculated by multiplying the Performance Bonus Rate by the cash value of the basic coverage plus the Additional Payment Balance (if any). BMO Insurance then automatically uses this Performance Bonus to purchase "paid-up" insurance coverage.

The paid-up insurance coverage is shown on the client's annual statement as a "New Paid-Up Addition This Year".

Asset Exposure Composition

The current portfolio return is based on an asset mix of:

- fixed income investments (bonds, real estate) managed by BMO Asset Management and indexed to the BMO Long Term Corporate Bond ETF (ZLC)
- enhanced equity investments managed by BMO Capital Markets with returns indexed to the Low Volatility TSX (TXLV) and S&P500 (SP5LVI) market indices

The asset exposure mix is expected to fall within the following ranges:

Asset Class	Target Asset Exposure Mix
Fixed Income	50% - 80%
Enhanced Equity	20% - 50%

Partnering with BMO Asset Management and BMO Capital Markets, BMO Insurance provides clients with equity exposure that is combined with a strategy to help reduce any downside risk when markets are weak.

Minimum Guaranteed Performance Bonus
The Performance Bonus rate can change from year-to-year but will never be negative.

Past performance is no guarantee of future performance. Also, as part of a BMO Life Assurance Company policy, policy owners do not purchase units in any designated fund or a legal interest in any security.

Paid-Up Additions

Once BMO Insurance calculates the Performance Bonus, it is automatically used to purchase additional permanent life insurance coverage (or "Paid-Up Addition"/"PUA") above the basic coverage. PUAs do not require any additional premiums.

Each new PUA is limited to the maximum allowed increase under the Income Tax Act (Canada), which under current legislation, is 8% of the previous year's total death benefit.



Information about the Performance Bonus Rate for the year and the Paid-Up Additions are listed in your client's annual policy statement as noted in the following sample:

Your Performance Bonus Details	
Performance Bonus Factor This Year:	5.50%
New Paid-Up Addition This Year	\$1,300
Previous Total Paid-Up Additions	\$2,000
Total Paid-Up Additions on March 10, 2024	\$3,300

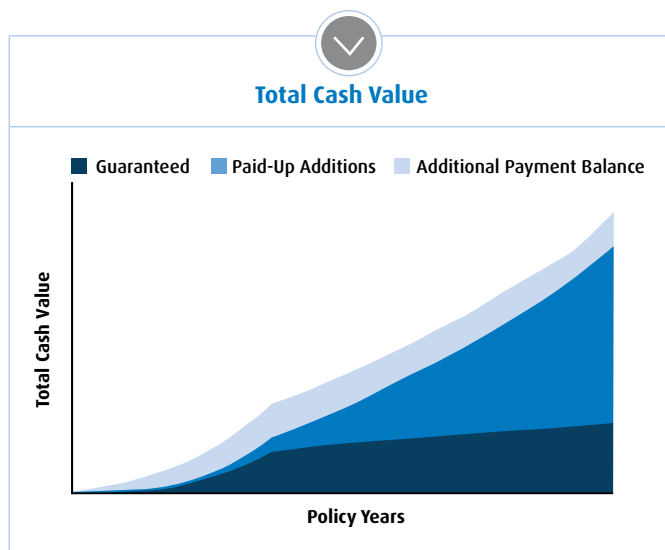


The amount of each PUA is not guaranteed and is subject to:

- a) the amount of the Performance Bonus credited to each policy in any year
- b) the maximum allowable increase in coverage under the Income Tax Act (Canada)

Cash Value

BMO Insurance Whole Life has a cash value that your clients can use if they need access to funds. The Total Cash Value of a policy is the sum of the following components: the Guaranteed Cash Value, Paid-up Additions Cash Value and the Additional Payment Balance.



This projection is for illustrative purposes only. The amount of the paid-up insurance coverage can vary over time.

Guaranteed Cash Value

A table of guaranteed cash values for the basic coverage is shown on the Policy Information Pages attached to a policy when it is issued. Guaranteed cash values start in the 1st policy year and increase each year thereafter.

Paid-Up Addition (PUA) Cash Value

The PUA cash value is not guaranteed at the time of the policy issue unlike the guaranteed cash values of the basic coverage. PUA cash values are guaranteed at the time that each PUA is added to a policy.

Additional Payment Balance

At the end of each year, the amount in the Additional Payment Balance will qualify for the Performance Bonus which then adds Paid-Up Additions to the policy.

The Additional Payment Balance is equal to the sum of all Additional Payments received minus the sum of the following:

- the total amount of Additional Payment Administrative Fees deducted,
- the total amount of cash withdrawals made from the Additional Payment Balance,
- charges deducted from the Additional Payment Balance for the Enhanced Sum Insured, and
- any Special Death Benefit Option payout.



Accessing the Cash Value of the Policy

The Total Cash Value can be accessed either through cash withdrawals or policy loans.

Cash Withdrawals

Cash withdrawals allow your clients to take out amounts directly from the Total Cash Value of the policy, subject to the following:

- a minimum cash withdrawal of \$500 applies.
- the minimum remaining Total Cash Value after the withdrawal is the greater of \$500 or any outstanding policy debt.
- cash withdrawals over \$200,000 could be subject to delayed processing of your client's request up to 30 days.

Cash withdrawals will first be made from the Additional Payment Balance unless your client notifies us otherwise. Once depleted, any remaining amount that's requested will be withdrawn from Paid-Up Addition Cash Value and then from the Guaranteed Cash Value of the basic coverage.

When the client makes a cash withdrawal from the Total Cash Value of the Policy, BMO Insurance will proportionately reduce the sum insured of the PUAs coverage, basic coverage and Enhanced Sum Insured (as applicable).

A portion of a partial or complete cash withdrawal from the Total Cash Value is reported as income to the policy owner. Refer to the Life Insurance Taxation section for more details.



Example:

We will deduct cash withdrawals first from the Additional Payment Balance, then the Paid-Up Addition Cash Value and finally from the Guaranteed Cash Value unless notified in writing from your client.

Policy Loans

Policy loans allow your clients to borrow funds from the Total Cash Value of the policy. The following limitations apply:

- The minimum loan amount at any time is \$500 and the minimum remaining Total Cash Value must be the greater of \$500 or the outstanding policy debt.
- The maximum policy loan is 90% of the Total Cash Value less any outstanding policy debt.
- The interest rate charged on policy loans will be determined by BMO Insurance and may change from time to time.
- The outstanding balance on policy loans will reduce any proceeds on death or termination. A policy loan repayment may take place at any time.

A portion or the full amount of a policy loan may be reported as taxable income to the policy owner. Refer to the Life Insurance Taxation for more details.



Use of policy loans allows your client to take advantage of accessing the cash value of their policy without affecting their eligibility for Paid-Up Additions.



Outstanding Policy Debt

Outstanding policy debt refers to the sum of:

- all policy loans
- accrued unpaid interest on policy loans
- automatic Premium Loan
- accrued unpaid interest on automatic premium loans

Any outstanding policy debt reduces the policy values at the time of termination. The balance can be repaid partially or in full at any time.

If the outstanding policy debt exceeds the total cash value, your client will be notified and have 31 days to repay a portion of the outstanding policy debt in order to keep their insurance from terminating. The minimum repayment amount is equal to one year of interest on the outstanding policy debt plus the excess outstanding policy debt amount above the Total Cash Value.

Non-Forfeiture Options

BMO Insurance Whole Life offers two non-forfeiture options:

- Automatic Premium Loan
- Reduced Paid-Up Insurance

The default non-forfeiture option is Automatic Premium Loan unless specified otherwise by your client.

Automatic Premium Loan

An Automatic Premium Loan is used to pay any outstanding premiums that are due at the end of the grace period, as long as the Total Cash Value net of any existing outstanding policy debt is sufficient to cover the amount of the premium.

The interest rate on the loan, determined by BMO Insurance, is variable and can change from time to time. Interest will accrue on the automatic premium loan balance and any unpaid portion will be capitalized at each policy anniversary. The automatic premium loan including accrued interest can be repaid at any time.

Reduced Paid-Up Insurance

During the period that premiums are payable for the basic coverage, your client may stop paying premiums and request to change their policy to a “Reduced Paid-Up” (“RPU”) status. The amount of the death benefit under the Reduced Paid-Up Insurance option will be lower than the total of the basic coverage and PUAs added to the policy.

Once this option is exercised, the following adjustments will be made to the policy:

- No further premium payments will be required.
- The amount of the basic coverage will be reduced.
- The total of all Paid-Up Additions will be reduced in the same proportion as the basic coverage.
- All riders on the policy will be terminated.

In order to elect the RPU option, your clients must send BMO Insurance a written request at the time they wish to exercise the option. The resulting sum insured of the reduced paid-up insurance coverage must be at least \$5,000.

Note: If elected, a cash withdrawal will be made equivalent to the proportionate reduction in PUA. The amount of the basic coverage under the Reduced Paid-Up Insurance option is still eligible to earn a Performance Bonus, and the resulting Paid-Up Additions based on the reduced basic coverage.



To illustrate the impact of selecting the Reduced Paid-Up Insurance option, simply click on the “Switch to RPU option” on the Wave:

The screenshot shows a software interface for policy management. At the top, it displays 'Plan: BMO Insurance Whole Life Estate Protector' and 'Owner:'. Below this, there are fields for 'Face Amount: 500,000', 'SOLVE FOR: Initial Face Amount', and '250,000'. A 'Premium option:' dropdown is set to '10 Pay', and a checkbox labeled 'Switch to RPU option' is checked. Other visible fields include 'Type: Single Life', 'Number of lives: 1', and 'starting in year: 7'. At the bottom, there is a table for 'Insured Data' with columns for Client name, DOB, Age nearest, Sex, Status, and Rating. The first row shows 'Client 1_1' with an age of 45 and sex of Male.

Once the Reduced Paid-Up option is exercised by your client, it cannot be reversed.



Premium Offset

The “Premium Offset” (PO) is a non-contractual feature which allows policy owners to use the Additional Payment Balance and Paid-Up Addition Cash Value to ‘pre-pay’ their contractual premium. This point is known as the “Premium Offset” point.

The policy owner may request, in writing, to elect this feature as long as the policy has been in force for at least five years and the sum of the Paid-Up Addition Cash Value and Additional Payment Balance (if any) is projected to be enough to cover all future premiums. An in force illustration will be required for this purpose and must be attached to the request. Therefore, a policy does not automatically qualify for a Premium Offset.

If a Premium Offset is elected, the premium payment mode on the policy will be changed to annual. The Additional Payment Balance will first be used to pay the required premiums and, once depleted, the remaining amounts will be drawn from the Paid-Up Addition Cash Value. If there are insufficient amounts in the Additional Payment Balance and Paid-Up Additions Cash Value at any point in time after a policy is on Premium Offset, your client will need to resume premium payments.



Electing to have premiums paid using the Premium Offset does NOT guarantee that the policy is paid up. The Premium Offset point depends on several factors including the Performance Bonus plus the actual value of the Additional Payment Balance and Paid-Up Additions Cash Value which may be insufficient to cover the required premiums on the policy.

Additional Benefits and Features

To complement their basic coverage, clients have access to an additional benefit that can enhance the value of their basic insurance protection of their BMO Insurance Whole Life policy.

BMO Insurance Health Advocate™ Plan

Included at no extra charge

Every BMO Insurance Whole Life policy includes – at no additional cost – the BMO Insurance Health Advocate Plan. This program includes access to medical information and services as well as personal assistance programs.

Medical Information and Services

This component of the BMO Insurance Health Advocate Plan offers your clients unlimited access to medical information and services from Teladoc Medical Experts®† – a leader when it comes to delivering world class medical advice and support. These services include:

Expert Medical Opinion: Teladoc Medical Experts will conduct an in-depth analysis of medical records and re-test pathology to establish or confirm a diagnosis and treatment plan.¹ They will receive a comprehensive medical summary from Teladoc Medical Experts with a recommendation(s) that your client can share with their doctor.

Find a Doctor: Teladoc Medical Experts will conduct a customized search guided by your criteria and geographic preference and recommend top-rated Canadian physicians that specialize in a medical condition.¹ They will also contact the specialists to ensure they are accepting new patients.

Care Finder: Should your client need treatment outside of Canada, Teladoc Medical Experts will locate specialists or facilities outside of Canada for their treatment/condition-specific needs.¹

Personal Health Navigator: Teladoc Medical Experts will help your clients navigate the Canadian health care system by providing them with medical information and resources, one-on-one support, and customized health coaching for a wide range of health related concerns – not only for a serious illness or condition. One simple phone call connects your client to a Member Advocate, who can provide them with the information they need to make informed healthcare decisions.

Personal Assistance Services

This component of the BMO Insurance Health Advocate Plan offers your clients personal assistance services provided by TELUS Health, one of Canada's leading providers of these programs and includes:

Health Coaching: Health Coaches are Registered and Occupational Health Nurses who offer practical and personalized support for a variety of health conditions and health risks. Health coaches can assist your clients by answering questions, work with them to create a risk reduction action plan and to motivate them to reach their goals.

Dependent Care Consultation Services: Dependent Care Consultants provide personalized, caring advice as well as resources and community referrals for questions and concerns related to childcare, elder care and family related issues. From prenatal care, parenting advice, and assistance with securing daycare to gathering information related to home care services, seniors' accommodations, caregiver support groups and palliative care options, a Dependent Care Consultant partners with your clients to find answers to their unique needs.

Nutritional Support: Diet can strongly affect mood, energy levels and overall health. Your clients can connect with a registered dietician to assist them with establishing and maintaining a healthy, well-balanced diet, to focus on disease prevention and disease management, and get support with weight management and to support them with achieving their nutrition related goals.

Professional Counselling Support Services: Caring professional counsellors are dedicated to supporting your clients through the issues that may be impacting their lives. 24/7 access to confidential, short-term clinical support is available, at no cost to them. This virtual counselling service can support your clients and their immediate dependents with concerns related to mental health, grief and loss, addictions, relationships and life changing events.

Online Health and Wellness Resources: Your clients can find answers fast, with the online wellbeing resources library including hundreds of articles, toolkits, audio recordings, wellness assessments, behavioral change programs and more. They can navigate wellbeing content, produced by industry experts, on topics related to family, health, life, money and work



Your clients and their immediate family members, including their spouse and children, have access to these services any time. In addition, once every three years their extended family members, including their parents, their siblings and their spouse's parents and siblings, get to access these services for FREE², without compromising your access.

Riders

To complement their basic coverage, clients can add supplemental coverages with a variety of riders for more complete protection on their BMO Insurance Whole Life policy.

Term Insurance Riders

Term life insurance riders are available under a Single Life or Joint Last-to-Die coverage option.

Term 10 Rider: This rider provides 10 year term coverage, renewable to age 85 and convertible to permanent insurance up to age 71.

Issue ages	18 – 75
Sum insured	\$100,000 – \$10,000,000
Rate bands	\$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$999,999 \$1,000,000 – \$2,499,999 \$2,500,000 +

Term 15 Rider: This rider provides 15 year term coverage, renewable to age 85 and convertible to permanent insurance up to age 71.

Issue ages	18 – 70
Sum insured	\$100,000 – \$10,000,000
Rate bands	\$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$999,999 \$1,000,000 – \$2,499,999 \$2,500,000 +

Term 20 Rider: This rider provides 20 year term coverage, renewable to age 85 and convertible to permanent insurance up to age 71

Issue ages	18 – 65
Sum insured	\$100,000 – \$10,000,000
Rate bands	\$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$999,999 \$1,000,000 – \$2,499,999 \$2,500,000 +

Term 25 Rider: This rider provides 25 year term coverage, renewable to age 85 and convertible to permanent insurance up to age 71.

Issue ages	18 – 60
Sum insured	\$100,000 – \$10,000,000
Rate bands	\$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$999,999 \$1,000,000 – \$2,499,999 \$2,500,000 +

Term 30 Rider: This rider provides 30 year term coverage, renewable to age 85 and convertible to permanent insurance up to age 71.

Issue ages	18 – 55
Sum insured	\$100,000 – \$10,000,000
Rate bands	\$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$999,999 \$1,000,000 – \$2,499,999 \$2,500,000 +

Third Party Term Insurance

Your clients have the option to obtain a term rider for a third party (Single Life coverage) upon proof of insurable interest. This rider may be converted to a new policy without evidence of insurability up to age 71. If the death benefit of the policy is paid while the rider is still in force, this rider may be continued as a separate policy, with an issue date and issue age the same as the rider.



Term Insurance riders are a great way for clients to add more low cost life insurance to complement their permanent coverage!

Conversion Option

Your clients may convert their Term 10, 15, 20, 25 and 30 coverages at any time prior to attained age 71 to any permanent plan regularly issued by BMO Life Assurance Company for conversion purposes, for up to the full face amount without evidence of insurability at their attained insurance age at rates in effect at the time of conversion, and with the original plan's underwriting risk profile. A Single Life term rider can be converted to a single life permanent plan, while a Joint Last-to-Die term rider can be converted to a Joint Last-to-Die permanent plan.

Term conversion with reset

Your clients may have the option to convert their Term rider coverage at any time prior to attained age 71 to eligible whole life or universal life plans. The permanent coverage must be at least 50% of the total sum insured converted. The remaining portion of the term rider can be added as a new term rider at attained age with a duration that either matches or is longer than the original term plan duration. No underwriting required. No face amount increase allowed.

The conversion with term reset can be exercised only once. This Term reset is not available on term (base or rider) coverages that originated from a term conversion with reset. Term reset is not available on policies that are on Waiver of Premium.

Term conversion with reset is available on term policies and riders issued with Wave 40.0 (July 2, 2019) or later.



Term Exchange Program

Your clients may exchange the full or partial amount of the Sum Insured of any eligible:

- Term 10 rider to a Term 15, 20, 25 or 30 policy;
- Term 15 rider to a Term 20, 25 or 30 policy.

Any partial exchange must meet the plan minimum for both the remaining term and the new Term Plan. The new plan will still maintain the conversion to a permanent plan privilege.

The Term Exchange Program can be beneficial for clients who want to:

- Exchange their Term 10 or Term 15 coverage for another term without additional underwriting.
- Lock in premium rates for a longer term without having to submit a new application.
- Reduce the overall cost of their premiums over the long term.

Term Exchange Program

Exchange period	<p>While the Term 10 or Term 15 rider is in force, the policy owner can apply for the exchange commencing:</p> <ul style="list-style-type: none"> • on or after the 1st policy anniversary for a full exchange • on or after the 2nd policy anniversary for a partial exchange and ending prior to the earlier of: <ol style="list-style-type: none"> 1) the 5th policy anniversary 2) the Life Insured's Attained Insurance Age 70 if exchanged to a Term 15, Attained Insurance Age 65 if exchanged to a Term 20, Attained Insurance Age 60 if exchanged to a Term 25 or Attained Insurance Age 55 if exchanged to a Term 30
Eligible exchange plans	<ul style="list-style-type: none"> • Term 10 Exchange: Term 15, Term 20, Term 25, Term 30 • Term 15 Exchange: Term 20, Term 25, Term 30
Premiums	<p>Premiums on the new plan will be based on:</p> <ul style="list-style-type: none"> • The then current rates offered on eligible plans at the time of the exchange. • The Life Insured's age on their birthday nearest the coverage date of the new plan coverage. • The insurance risk class applicable to the insured under the original term rider (including any ratings).
Limitations	<p>A Term 10 or Term 15 rider cannot be exchanged (in full or in part) while premiums are being waived under a Waiver of Premium benefit rider. The availability period will not be extended while premiums are being waived.</p>

Term 10 Exchanges to Term 15 and Term 25 are only available on Wave 36.0 and later.



The Term Exchange Program allows your clients to switch their Term 10 or Term 15 rider coverage to a new term policy without any further evidence of insurability!



Critical Illness Insurance Riders

Living Benefit 10 Rider: This rider provides 10 year term critical illness insurance coverage renewable to age 75 and convertible to age 60. The Living Benefit 10 Rider pays a lump sum benefit if the Insured is first diagnosed with a covered condition prior to age 75.

Issue ages	18 – 65 (renewable to age 75)
Sum insured	\$25,000 – \$2,000,000
Rate bands	\$25,000 – \$99,999 \$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$2,000,000
Expiry date	age 75

- Includes 25 Critical Illness covered conditions and 7 Early Discovery covered conditions.
- Convertible up to age 60 to a LB75, LB100 or 15LB100 plan with guaranteed rates. Rates will be those in effect on the Coverage Issue Date of the LB10 rider.

Living Benefit 20 Rider: This rider provides 20 year term critical illness insurance coverage renewable to age 75 and convertible to age 60. The Living Benefit 20 Rider pays a lump sum benefit if the Insured is first diagnosed with a covered condition prior to age 75.

Issue ages	18 – 55 (renewable to age 75)
Sum insured	\$25,000 – \$2,000,000
Rate bands	\$25,000 – \$99,999 \$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$2,000,000
Expiry date	age 75

- Includes 25 Critical Illness covered conditions and 7 Early Discovery covered conditions.
- Convertible up to age 60 to a LB75, LB100 or 15LB100 plan with guaranteed rates. Rates will be those in effect on the Coverage Issue Date of the LB20 rider.

Living Benefit 75 Rider: This rider provides a level premium to age 75 critical illness insurance coverage. The Living Benefit 75 Rider pays a lump sum benefit if the Insured is first diagnosed with a covered condition prior to age 75.

Issue ages	18 – 65
Sum insured	\$25,000 – \$2,000,000
Rate bands	\$25,000 – \$99,999 \$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$2,000,000
Expiry date	age 75

- Includes 25 Critical Illness covered conditions and 7 Early Discovery covered conditions.

Living Benefit 100 Rider: This is a level premium to age 100 critical illness rider. The Living Benefit 100 Rider pays a lump sum benefit if the Insured is first diagnosed with a covered condition prior to age 100. A maturity benefit equal to the Sum Insured less any amount paid as a result of a claim will be paid to the policy owner when the life insured reaches attained insurance age 100.

Issue ages	18 – 65
Sum insured	\$25,000 – \$2,000,000
Rate bands	\$25,000 – \$99,999 \$100,000 – \$249,999 \$250,000 – \$499,999 \$500,000 – \$2,000,000
Expiry date	age 100 (includes Maturity Benefit)

- Includes 25 Critical Illness covered conditions and 7 Early Discovery covered conditions.



Bundle up and save!

By adding a CI rider to a BMO Insurance Whole Life Plan policy, your clients have a more complete insurance – without the extra cost of paying two separate policy fees!

Other Riders and Benefits

Disability Waiver of Premium Rider: This benefit will pay a pre-determined premium specified at issue, if the insured on the rider is totally disabled for more than six months, prior to the policy anniversary following age 60.

Issue ages	18 – 55
Maximum premium insured	\$50,000

Accidental Death Benefit Rider: This benefit will pay an additional amount if the insured's death results from an accident, prior to the policy anniversary following age 65.

Issue ages	10 – 60
Sum insured	\$25,000 – 500,000

Children's Term Rider: This rider will allow your client to obtain inexpensive term insurance protection for children of the life insured, at least 15 days old and less than 18 years. This rider has a valuable conversion option for up to five times the rider's sum insured.

Issue ages	18 – 60
Sum insured	\$5,000 – \$30,000 (in increments of \$5,000)
Conversion Ages:	21 st to 25 th birthday of the child
Expiry date	policy anniversary nearest the (adult) Insured's 65 th birthday.

Joint Last-to-Die Conversion Option: This no cost benefit can provide your clients with the flexibility to convert a single life to

JLTD coverage without further evidence of insurability at the time of the switch. The option is available only when both lives are underwritten at time of application for the policy.

Exercising the conversion to JLTD can be made any time after 5 years from the issue date of the coverage. The premium for the new coverage will be based on the joint insurance age calculation and premium rates in effect at the time of the switch of the coverage.

The conversion to JLTD must be made before any of the lives insured reach the attained insurance age 70.

Joint Last-to-Die Special Benefit Option: This benefit provides a death benefit upon the death of a Joint Life Insured. This option can only be selected when the Additional Payment Option is first elected.

The Special Death Benefit is equal to the lesser of:

- a) the Additional Payment Balance, or;
- b) the amount of the Total Cash Value, minus any Outstanding Policy Debt divided by 90%.

The Special Death Benefit is paid to the designated beneficiary of the Special Death Benefit Option.

The rider is available as long as none of the lives insured are uninsurable (ratings up to 600%).

Disability Benefit: This benefit gives your client the option to request that an amount be paid from the Total Cash Value as a Disability Benefit if a Life Insured becomes disabled. The requested amount must be at least \$500; and does not exceed the Total Cash Value of the Policy minus Outstanding Policy Debt.

Under current tax laws as of the effective date of this guide, the payment of this benefit is not considered a disposition and does not generate any taxable income. However, BMO Insurance does not guarantee, and is not responsible for, the tax treatment applicable to this feature.



With the Disability Benefit, your clients have a built-in DI coverage on their whole life policy!

Life Insurance Taxation

Life insurance is subject to tax rules in the Income Tax Act (Canada) (also referred to as the Tax Act).

Exempt Status

The tax exempt status refers to whether a policy is exempt from accrual taxation, as described in the provisions of the Tax Act. All BMO Insurance life insurance plans are designed and administered to be tax exempt life insurance policies.

The Cash Value of your client's policy grows on a tax deferred basis, within limits prescribed by the Tax Act. We may make the following adjustments in order to maintain the tax exempt status:

- limit the amount of new PUA that are added to a policy.
- surrender a portion or all PUAs when there is a decrease in the amount of coverage on the policy.
- automatically increase or decrease the Enhanced Sum Insured

Enhanced Sum Insured

The Enhanced Sum Insured is an additional amount of life insurance coverage that may be added to a policy as a result of the tax-exempt test adjustments.

On each policy anniversary, a charge for the Enhanced Sum Insured is calculated and deducted from the policy's values in the following order:

- first, from any Performance Bonus;
- then, from the Paid-Up Addition Cash Value,
- and lastly, from the Additional Payment Balance.

If any amount of this charge is deducted from the Paid-Up Addition Cash Value, the Paid-Up Additions Death Benefit will be reduced proportionately.

Side Account

The Side Account is a taxable account that is established for the purposes of maintaining the tax-exempt status of the policy.

Based on the result of the tax-exempt test on the policy anniversary, we will transfer any excess amount from the Additional Payment Balance to the Side Account. We will also transfer to the Side Account any amount of the Performance Bonus which remains after it is used to purchase the eligible Paid-Up Addition.

The Side Account will be credited a daily interest rate but the balance in the Side Account is not eligible for the Performance Bonus.

Cash Withdrawals may be made from the Side Account.

The Side Account does not form part of the policy and is therefore is not included in the Total Cash Value and Total Death Benefit. Its value has no protection from creditors.

When the policy terminates, the policy owner (or the estate, if he/she is deceased) will receive any amount in the Side Account.



When Tax May be Payable

Any change to a policy (such as exercising the Premium Switch Option – see Premium Switch Option section), withdrawals from the cash value or obtaining a policy loan may be taxable events and will need to be reported as income for income tax purposes.

How Cash Withdrawals Are Taxed

If the full Cash Surrender Value is withdrawn:

The taxable gain =

The Total Cash Value – the Adjusted Cost Basis (ACB)

If a partial cash withdrawal is made:

The taxable gain =

Amount of the cash withdrawal – ACB × (Amount of cash withdrawal/Total Cash Value)

Examples of taxable gain on a cash withdrawal:

For a full surrender:

Total Cash Value:	\$100,000
Withdrawal:	\$100,000
ACB (before withdrawal):	\$50,000
Taxable gain:	$\$100,000 - \$50,000 = \$50,000$

For a partial withdrawal:

Total Cash Value:	\$100,000
Withdrawal:	\$30,000
ACB (before withdrawal):	\$50,000
Taxable gain:	$\$30,000 - \$50,000 \times (\$30,000/\$100,000) = \$15,000$
ACB (after withdrawal):	$\$50,000 - \$50,000 \times 30\% = \$35,000$

How Policy Loans Are Taxed

Generally speaking, the taxable amount of a policy loan when it is taken out is:

Taxable portion of a policy loan =

Amount of policy loan – Adjusted Cost Basis (ACB)

The ACB tends to be higher in the early years, but eventually erodes down to zero at later durations. Therefore, policy loans can provide more tax-free income in the early years of a policy when compared to cash withdrawals. After the loan is taken out, the ACB is then reduced by an equivalent amount.

Example of taxable gain on a policy loan:

Total Cash Value:	\$100,000
Policy loan:	\$25,000
ACB (before loan):	\$50,000
Taxable gain:	Policy loan minus ACB = \$25,000 minus \$50,000 = (NIL) i.e. there is no taxable gain
ACB (after loan):	ACB (before loan) minus the lesser of the ACB or policy loan = \$50,000 minus \$25,000 = \$25,000

If, on the other hand, the ACB (before loan) was \$20,000, then:

Taxable gain:	Policy loan – ACB = \$25,000 minus \$20,000 = \$5,000
ACB (after loan):	ACB (before loan) minus the lesser of the ACB or policy loan = \$20,000 minus \$20,000 or \$25,000 = \$0

Change of Canadian Resident Status

Once a policy takes effect, if your client becomes a resident of a country other than Canada, non-resident withholding tax rules will apply. They must notify us if they change their country of residence so that BMO Insurance can withhold and remit any tax resulting from changes to or withdrawals from their policy.



Policy Administration

Applying for Coverage

BMO Insurance gives you the choice of applying for coverage in-person or non-face-to-face. Please use BMO Insurance's Application for Life Insurance and Critical Illness Insurance (126E) for in-person applications or SmartApp for both in-person and non-face-to-face applications.

Go to bmoinsurance.com/advisor to get a copy the 126E application under "Forms and Materials", or to bmo.com/smartapp to access SmartApp.

Policy Delivery

With SmartDelivery™, BMO Insurance's electronic policy delivery (eDelivery) solution, you control the delivery of the policy to your clients. Your clients also have the flexibility to electronically review, confirm acceptance and download a copy of their insurance policies at their convenience.

For more information, please visit bmoinsurance.com/smartdelivery

Changes to Insurance Coverage

Your client may request a decrease in the amount of their BMO Insurance Whole Life basic coverage subject to a minimum sum insured of \$25,000. A proportionate adjustment will be made to each Paid-Up Addition in order to maintain the policy's exempt status. A decrease to the amount of the basic coverage and Paid-Up Additions will mean that a portion of the cash value of the policy will be withdrawn resulting in a taxable disposition (as described in the Life Insurance Taxation section).

When your clients' needs require an increased amount of insurance coverage we will issue a new policy, using rates and plan in effect at the time, for the amount of the increase and subject to satisfactory evidence of insurability. The administration fee on the new policy will be waived as long as:

- the original policy remains in force
- the policy owner is the same
- the life under the basic coverage is the same



Many policy administration forms and questionnaires can be found in the Forms and Materials section of our website located at bmoinsurance.com/advisor

How to Start/Re-start the Additional Payment Option

Your client can elect the Additional Payment Option when they apply for their coverage. A new business illustration will need to be submitted and signed to verify the amount of their planned Additional Payments.

They may also elect the option at any time after the policy is in force by sending us a written request indicating the amount and duration of their planned Additional Payments. If the amounts or duration exceed the maximum amount allowed on the policy, we will advise them accordingly.

Additional Payments may change or stop at any time. For policies that are on direct premium billing, we will need a written notice from your client indicating the change.

Whether elected at or after issue, Additional Payments are not subject to any additional underwriting.

How to Elect Premium Offset

Your client may request, in writing, to stop paying premiums and have the amounts deducted from the Paid-Up Addition Cash Value and the Additional Payment Balance, using a Premium Offset which is subject to our administrative rules and as long as the policy has been in force for at least five years. If a Premium Offset is elected, the Additional Payment Balance will first be used to pay premiums prior to the calculation of the Performance Bonus and the addition of Paid-Up Additions.

In order for your client to elect Premium Offset, we will require:

- a completed and signed in force illustration, and
- a completed "Request to Elect Premium Offset" form



If the projected values are sufficient to pay for future premiums, your client can then stop paying premiums. However, if there are insufficient amounts in the Additional Payment Balance and Paid-Up Addition Cash Value at any point in time after a policy is on Premium Offset, your client will need to resume premium payments. We will notify your client accordingly.



Electing to have premiums paid using the Premium Offset does NOT guarantee that the policy is paid up. The Premium Offset point depends on several factors including the Performance Bonus plus the actual value of the Additional Payment Balance and Paid-Up Additions Cash Value which may be insufficient to cover the required premiums on the policy.

Policy Statements

Your clients will receive a policy statement outlining the activity on their policy once a year. These statements will detail up-to-date policy information including the total Paid-Up Additions following their policy anniversary date and cash value for their policy. Copies of policy statements can be found by logging into advisorsupport.bmoinsurance.com

Online Advisor Support

If you're looking for information about the status of your client's application or information on their policy, once it's in force, be sure to login to advisorsupport.bmoinsurance.com



Marketing Support

Illustrations on The Wave

You can prepare personalized illustrations for your clients using The Wave illustration software. Learn more about how to use this easy-to-use illustration software and download the latest version by visiting the Resource Center at bmoinsurance.com/advisor

Financial Concepts

Whether your clients are looking for income protection, asset accumulation or estate preservation, The Wave also includes a series of Financial Concepts that illustrate how BMO Insurance Whole Life can be used as a cost effective solution to meet specific planning objectives.

In Force Illustrations

You can request personalized in force illustrations for your clients to determine how their current policy values could be affected by a change that they are considering or to simply assess the projected values on their policy. This is a great way to determine whether or not their coverage continues to meet their financial objectives. Requests can be made by submitting an in force illustration request form to our Client Services Department.

What's New at BMO Insurance?

Ask your BMO Insurance Business Development Manager to help you sign-up for our weekly emails. Also, be sure to "like" our LinkedIn page (BMO Insurance for Insurance Advisors) or visit bmoinsurance.com/advisor to learn more about our latest product changes, sales ideas and ways to build your practice.

Glossary of Terms

The following is a list of some of the common terms used with BMO Insurance Whole Life. For a more complete understanding, refer to a sample policy contract which is available on the Wave illustration software under the Product Information section.

Additional Payment Balance – is the sum of all Additional Payments we receive less any administrative fees, withdrawals, deductions and any amount paid under the Special Death Benefit Option.

Adjusted Cost Basis (ACB) – the amount used to calculate the taxable gain in a life insurance policy when certain transactions are made (e.g. policy loans or full and partial cash withdrawals). Generally speaking, the ACB is equal to the cumulative sum of premiums paid less the Net Cost of Pure Insurance.

Attained Insurance Age – is equal to the Insurance Age plus the number of completed policy years that have passed since the coverage was put in force.

Automatic Premium Loan – an amount that is borrowed directly from the insurance company from the policy's Total Cash Value to pay any outstanding premium due at the end of the grace period. The amount borrowed automatically reduces the Death Benefit and Total Cash Value of the policy. Interest is charged on the loan at a rate declared by the insurance company.

Cash Value (CV) – is the basic coverage cash value as stated in your client's Policy Information Pages which are attached to their policy.

Paid-Up Addition Cash value (PUA CV) – is the Paid-Up Addition cash value as stated in your client's latest policy statement.

Total Cash Value (TCV) – is the total of the Cash Value, Paid -Up Addition Cash Value and the Additional Payment Balance.

Insurance Age – the age of the life insured used to determine premiums using which is based on the age, sex, smoking status along with other additional risk factors that are assessed when the application for insurance is underwritten. In the case of Joint Last-to-Die plan type, an equivalent single age is used that takes into account all of the lives insured under the coverage.

Net Cost of Pure Insurance (NCPI) – the insurance 'cost' of the policy derived, in part, from a prescribed mortality table determined by the Canadian Institute of Actuaries. It's an important element of the ACB calculation but should not be confused with the premium which is the actual amount charged by the insurance company for the coverage in place.

Outstanding Policy Debt – is the sum of the policy loan, automatic premium loan and any accrued unpaid interest on existing loans.

Policy Loan – an amount that is borrowed directly from the insurance company from the policy's Total Cash Value. The amount borrowed automatically reduces the Death Benefit and Total Cash Value of the policy. Interest is charged on the loan at a rate declared by the insurance company.

Tax Exempt Test – an annual test that's done at the end of each policy year to determine whether the policy continues to be exempt from accrual taxation based on rules in the Tax Act.

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