

# Understanding Term Life Insurance



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Term Life insurance is the easier type of life insurance to understand. You pay a premium for a period of time and if you die during that time the insurance proceeds are paid to the person or persons you designate (called a beneficiary). The most common type of term insurance is renewable and convertible term insurance. With proper financial planning, a Term Life plan can play an important role in meeting your short term and personal planning objectives. Your advisor can discuss with you in greater detail the merits of using Term Life insurance for short-term asset and creditor protection.

BMO® Insurance offers very competitive Term Life plans that can be adapted to a variety of personal and business insurance needs such as mortgage protection, funding buy/sell agreements between business partners, personal or small business loan.

There are many factors to consider when choosing a Term Life plan, so it is important to understand how your plan works and which factors can have an impact on your policy and its values.

## How it Works

Term Life insurance provides coverage up to a certain age and then terminates. The amount of coverage will remain constant as long as the insured does not choose to decrease the coverage. Premiums are level for a certain length of time as set in the contract, usually 10 or 20 years. After each period, the premiums will increase to a new amount and will remain level until the next renewal date.

In cases where there are two lives covered under a Joint First-to-Die basis, the sum insured will be paid after the first death of one of the lives insured.

## Coverage

Your coverage takes effect when your application has been approved by BMO Insurance; the first premium is paid in full; and there has been no change to the information on the application when the policy is delivered to you. Coverage will terminate on the Expiry Date indicated on the Policy Information Page of the policy contract.



Term life insurance offers a guaranteed level coverage with specific periodic increases in premium over a specified period of time.

## Features and Benefits

BMO Insurance Term Life policies are easy and affordable plans to meet your insurance needs. You can increase your insurance coverage or add other types of coverage as required (subject to availability and proof of insurability). You can also decrease your coverage, subject to plan minimums.

Term Life policies include a right to convert to any eligible permanent plan, allowing coverage to continue for life and allowing the insured to lock-in their premium to a fixed amount. Conversion can be made up to the anniversary closest to a certain age indicated in the policy contract.

Term Life policies can also be issued on a Joint First-to-Die basis. Joint policies include two additional benefits, the first being a continuation option and the second a double benefit option. The continuation option allows the survivor after the death of the other to continue coverage without evidence of insurability. The double benefit will pay double the sum insured if both individuals die within a set period of time. Both benefits are time sensitive as outlined in the policy contract.

## Guarantees

All BMO Insurance Term Life plans have the following guarantees:

**Costs of Insurance** – The cost of insurance rates stated in the policy are guaranteed not to change.

**Conversions** – Guaranteed right to convert to any eligible permanent plan. A list of eligible plans will be available upon request at time of conversion.

## Premiums

Your premiums are calculated according to your age, sex and smoking status as well as an assessment of your health and lifestyle. After your policy has been in force at least two years, you may ask to have your risk classification reviewed, subject to satisfactory evidence of insurability.

Subject to minimum requirements, you may decide on the amount and frequency of premium payments based on your financial objective.

# Consumer Rights and Obligations

**Change in information prior to policy delivery** – A life insurance policy is issued after careful assessment of the information given on your application and the results of any medical tests and reports. When the policy is delivered, if there has been any change in your health or information since the application was completed, you must return the policy to the company for further assessment.

**Ten Day Right to Examine Policy** – You have the right to return the policy to us within 10 days of its receipt, along with a written request for cancellation, for a refund of the premiums paid.

## Restrictions on Benefits Received

**Non-Disclosure** – It is your responsibility to fully disclose every fact that is material to the contract. This would include any information you give in the application, medical examination, written statement, application for reinstatement or in any proof of claim. Failure to fully disclose all information may result in the coverage being voided by the company.

**Incontestability** – Any statements you make in the application or application for change or reinstatement will be considered incontestable after the coverage has been in force for two years, unless those statements are made fraudulently. If the life insured dies within two years of the effective date of the coverage or a reinstatement of coverage, the statements made may be contested.

**Suicide** – In the case of suicide within two years of the issue date or reinstatement date of the coverage, payment will be restricted to a refund of premiums paid for the insurance coverage less any amounts owed to the company.

For more information about BMO Insurance or our products, please consult with your insurance advisor or contact us at 1-877-742-5244.

### **BMO Life Assurance Company**

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