

Understanding BMO Insurance Whole Life

Simple. Flexible.
Guaranteed.





As a member of BMO Financial Group, BMO Insurance is founded on a legacy that extends back to 1817. This proven history of financial strength lets us stand behind our insurance products by offering flexible coverage options, comprehensive benefits, and competitive prices.

BMO Insurance Whole Life was developed to answer a need in Canada for permanent whole life insurance with a simple, predictable formula to automatically add paid-up insurance (or paid-up additions) to each policy. This, in turn, increases the death benefit and cash value.

Unlike traditional participating whole life plans that pay dividends, BMO Insurance offers non-participating plans with an annual Performance Bonus. Each policy anniversary, we calculate a Performance Bonus that's equal to the Performance Bonus Rate (that we declare annually) multiplied by the Guaranteed Cash Value that's stated in the policy and the Additional Payment Option, if any.

The Performance Bonus Rate is based on the investment returns of the underlying assets and is guaranteed, unaffected by factors like mortality, lapses, or expense experience. That's because these factors are guaranteed in the pricing of the product when it's issued.

Each policyholder participates equally in the gains – there are no cohorts where one gets more of the asset share than the other, as can happen with traditional participating policies.

Solid guarantees designed to provide more predictable outcomes

What's guaranteed?	BMO Insurance Whole Life	Traditional "par" policies
Investment returns	X (payable as performance bonus)	X (payable as dividends)
Mortality experience	✓	X
Lapse experience	✓	X
Company expenses	✓	X

The investments supporting BMO Insurance Whole Life policies form part of the company's general assets and include two main components: **enhanced equity exposure** and **fixed income exposure**.

The **enhanced equity exposure** returns combine call options with returns that are linked to the performance of low volatility indices. We purchase long-term call options which provide greater equity market exposure at a lower cost (compared to shorter-term options). By selecting these longer period options, we seek to optimize returns and balance risk alongside the cost of these options.

Our enhanced equity approach

**LONG-TERM CALL OPTIONS + LOW VOLATILITY INDICES
+ DIVERSIFICATION (CANADIAN AND US MARKETS)**

Also, by using call options, we offer downside protection when markets are weak. We believe this approach is better than investing into actual assets since it limits potential losses to the option cost itself.

The complementary component of our investment strategy is to tie the options to low volatility indices. These low volatility indices measure the performance of a basket of the least volatile stocks that make up the given indices.

Individual stocks are weighted relative to the inverse of their corresponding volatility, with the least volatile stocks receiving the highest weights. They are usually re-balanced every calendar quarter, allowing them to respond more quickly to changing market conditions.

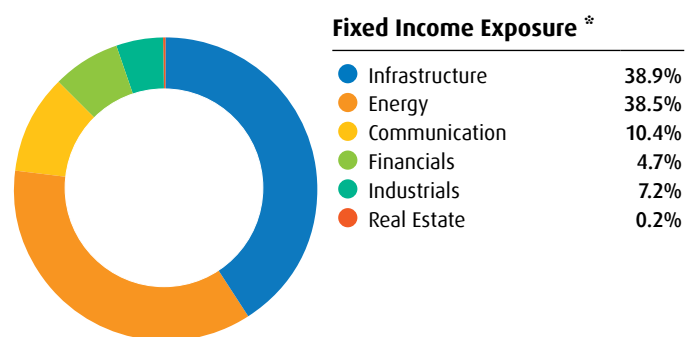
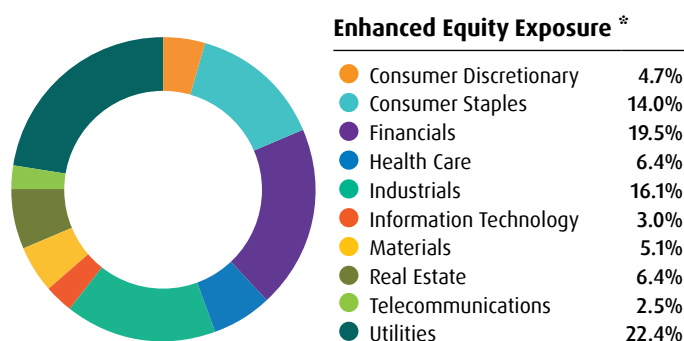
For diversification, the asset exposure on BMO Insurance Whole Life policies currently covers both the Canadian and US markets with returns indexed to the Low Volatility TSX (TXLV) and S&P 500(SPLVI) market indexes.

Historically, these low volatility indices have typically outperformed their underlying broad market benchmarks on both an absolute and a risk-adjusted basis.¹ This has resulted in higher returns with less volatility than their parent benchmarks.²

The **fixed income** assets are part of our general account. We use a buy and hold strategy, so market value fluctuations are not reflected in credited returns.

Investments are in corporate/investment grade bonds (AAA to BBB) with credited returns based on bond coupons (portfolio yield) which generally increase with interest rates.

The BMO Long Term Corporate Bond ETF Yield to Maturity (YTM) provides you with a benchmark for estimating returns.



*As of December 31, 2024

Historical returns

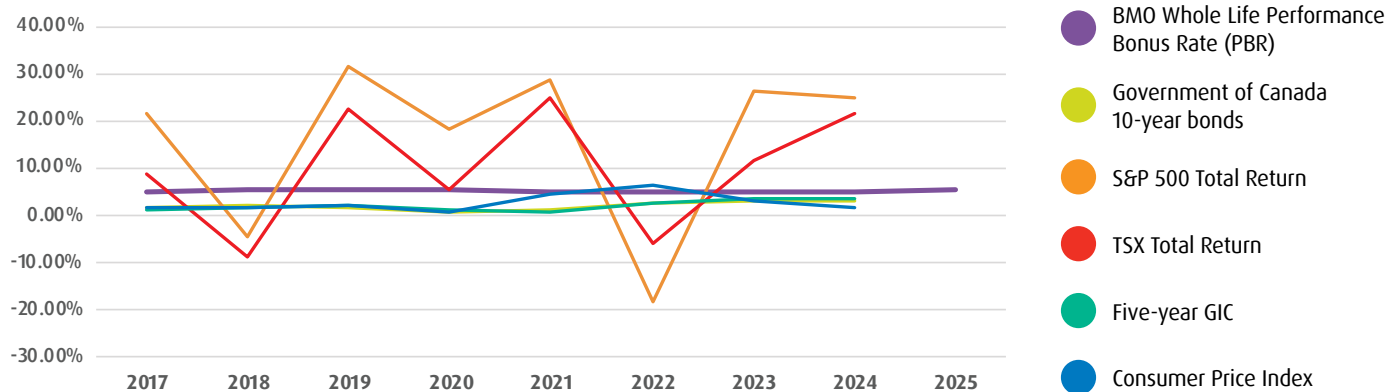
This table and chart illustrate historical stability of the BMO Insurance Whole Life Performance Bonus Rate (PBR) compared to several key financial indicators, including Government of Canada (GOC) 10-year bond yields, the S&P 500 and S&P/TSX Composite total returns, five-year guaranteed investment certificate (GIC) returns, and the Consumer Price Index (CPI).

Performance data is provided for illustrative purposes only. It represents past performance, which is not predictive of future performance.

Stability

While equity markets like the S&P 500 and S&P/TSX Composite have shown higher volatility with sharp fluctuations over time, the PBR has remained consistent and stable during times of economic uncertainty demonstrating its resilience.

Year	BMO Whole Life Performance Bonus Rate (PBR)	Government of Canada 10-year bonds	S&P 500 total return	TSX total return	Five-year GIC	Consumer Price Index
2017	5.50%	1.78%	21.83%	9.10%	1.38%	1.87%
2018	5.75%	2.29%	-4.38%	-8.89%	1.67%	1.99%
2019	5.75%	1.59%	31.49%	22.88%	2.08%	2.25%
2020	5.75%	0.77%	18.40%	5.60%	1.29%	0.73%
2021	5.50%	1.36%	28.71%	25.09%	0.98%	4.80%
2022	5.50%	2.77%	-18.11%	-5.84%	2.79%	6.32%
2023	5.50%	3.35%	26.29%	11.75%	3.77%	3.40%
2024	5.50%	3.34%	25.02%	21.65%	3.70%	1.83%
2025	5.75%					
Average	5.61%	2.16%	16.15%	10.17%	2.21%	2.90%
Standard deviation	0.13%	0.94%	17.76%	12.87%	1.09%	1.84%



Sources:

[Government of Canada 10-year bonds](#), June 6, 2025, Bank of Canada.

[S&P 500](#)

[S&P/TSX Composite Index total return](#).

Five-year guaranteed investment certificate (GIC) returns are based on nominal yields to maturity. Source: Financial market statistics, Bank of Canada. Table: 10-10-0145-01.

Consumer Price Index information is taken from [Statistics Canada](#), January 1914-May 2025.

How we determine the 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 more stable, long-term returns.

The Performance Bonus Rate is guaranteed to never be negative.

Given fixed income is held to maturity, the PBR is calculated based on the yield-to-maturity, which allows you to capture the rising interest rates, without the shocks of mark-to-market of the daily values of our fixed income portfolio.

The non-fixed income, such as from equities, is based on call options which gives us principal protection. The gains are captured, and principle increases by those gains. This insulates our investment strategy in downward markets.

More predictable — especially during uncertain times

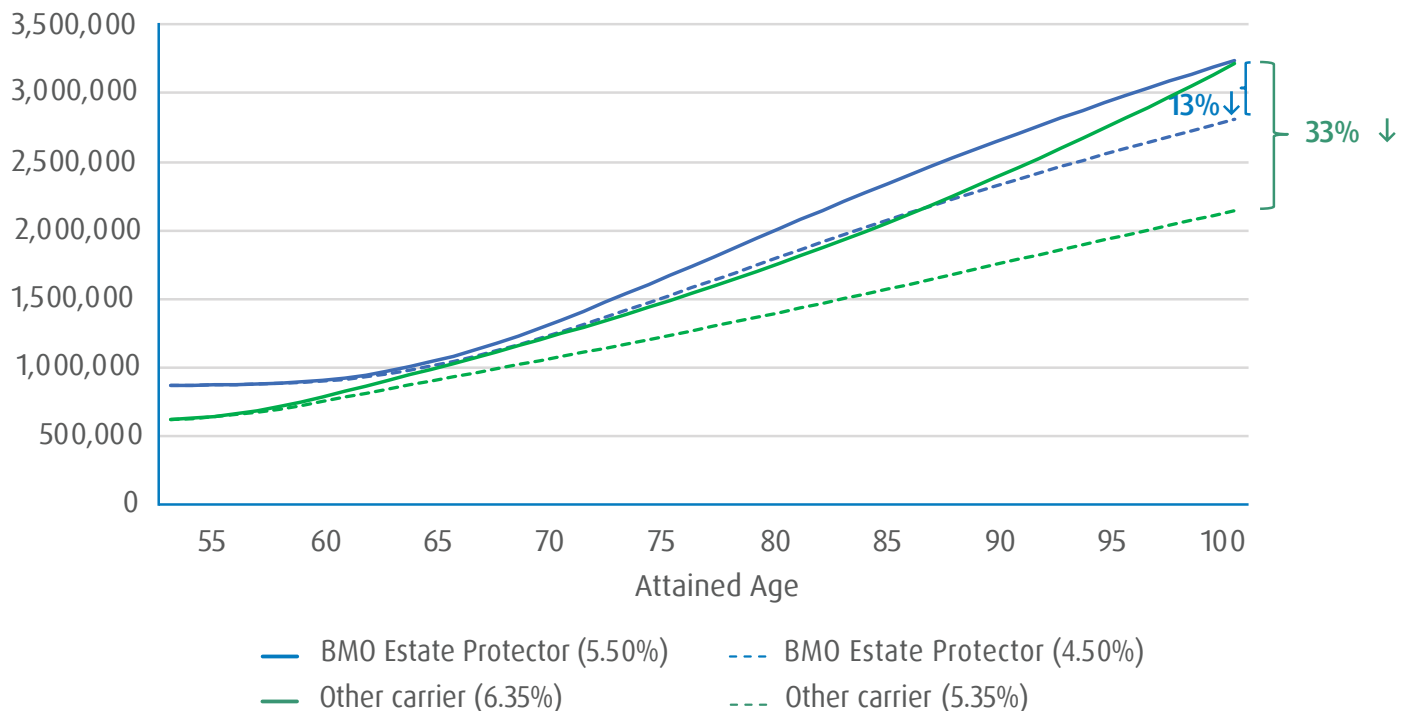
The underlying assets backing the plan use a combination of fixed income and enhanced equity investments. The fixed income component provides more predictable returns while the enhanced equity component provides downside protection when markets are weak.

These equity returns are indexed to the S&P/TSX Composite Low Volatility Index (TXLV) and S&P500 Low Volatility Index (SP5LVI). Coupled with a smoothing formula, this overall strategy provides more stable returns and allows us to guarantee that the Performance Bonus will never be negative.

Less sensitive in declining markets

BMO Insurance Whole Life policy values are less sensitive in declining markets. In other words, if returns ended up being lower than you expected, the impact on your policy would be much smaller than what you might experience with a traditional participating policy because we have locked in all the other variables that are not guaranteed in par (mortality, lapse, expense, tax, etc).

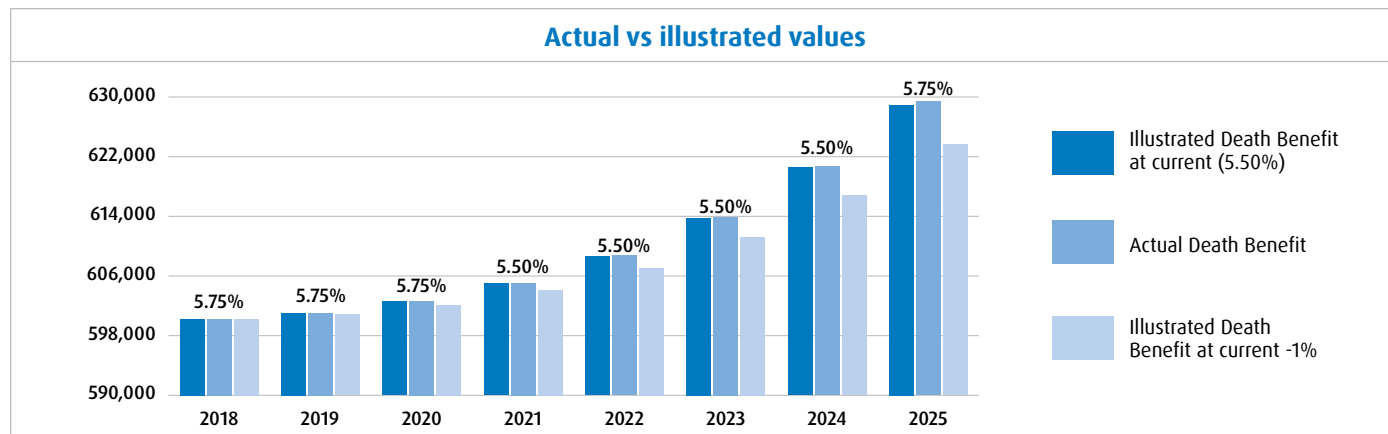
Total Death Benefit (10-Pay)



Assumptions: Example based on a Male 50 non-smoker, premiums of \$50,000 for 10 years. Source: Company illustration software as of October 15, 2024. When illustrating a "current" and a "minus 1% scenario, BMO Insurance Whole Life values typically show less of a decrease when compared to other whole life plans.

What you see is what you get

As you can see, performance has been stable since the product was launched. It's predictable, and at or even slightly above the set bonus rate.



Assumptions: BMO Insurance Whole Life Estate Protector. Male 40, \$600,000 face value, guaranteed 10-pay, \$26,000 base premiums, no additional payment option. Source: The Wave 34.

Backed by expertise

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 Inc.³ and BMO Capital Markets.

BMO Asset Management Inc., BMO Capital Markets and BMO Insurance are members of BMO Financial Group, one of the largest diversified financial services providers in North America with \$1.468 trillion in total assets as at January 31, 2025.⁴

BMO Asset Management Inc.

BMO Asset Management Inc. is part of BMO Global Asset Management, a global investment manager with offices in three locations, delivering service excellence to clients across Canada. BMO Asset Management Inc. is one of Canada's leading issuers of ETFs with over \$135.4 billion in ETF managed assets as of April 30, 2025.⁵

BMO Capital Markets

BMO Capital Markets is a leading, full-service financial services provider. They offer corporate and investment banking, treasury management, as well as research and advisory services to clients around the world. BMO Capital Markets Global employs approximately 2,700 professionals in 30+ locations around the world, including 20 offices in North America.⁶ Their top-ranked equity, economic and corporate debt research is widely recognized for its high quality and independence.

Insurer financial strength ratings

'A' excellent ⁷	AM Best Company
'A' stable ⁸	S&P Global Ratings

For more information about BMO Insurance or our products, please consult with your insurance advisor or contact us at:



1-877-742-5244



bmoinsurance.com



¹ Smita Chirputkar, Tianyin Cheng, Izzy Wang, Hamish Preston, Phillip Brzenk, S&P 500® [Low Volatility Index: Five Decades of History](#) (January 2020)

² Past performance is not an indication of future performance.

³ BMO Global Asset Management is the brand name for various affiliated entities of BMO Financial Group that provide investment management, retirement, and trust and custody services. BMO Global Asset Management comprises BMO Asset Management Inc., BMO Investments Inc., BMO Asset Management Corp., BMO Asset Management Limited and BMO's specialized investment management firms.

⁴ Source: [bmo.com at-a-glance](#)

⁵ Source: [BMO ETF Flows](#)

⁶ Source: [Capital Markets](#)

⁷ Rating as of [January 9, 2025](#). Subject to change.

⁸ Rating as of [June 4, 2025](#). Subject to change.

The information in this publication is intended as a summary of our products and/or services and may include projected values based on a set of assumptions. Actual results may not be guaranteed and may vary. Please consult the appropriate policy contract for details on the terms, conditions, benefits, guarantees, exclusions and limitations. The actual policy issued governs. Each policyholder's financial circumstances are unique and they must obtain and rely upon independent tax, accounting, legal and other advice concerning the structure of their insurance, as they deem appropriate for their particular circumstances. BMO Life Assurance Company does not provide any such advice to the policyholder or to the insurance advisor.

Insurer: BMO Life Assurance Company