Summary of Policies

Participating Account Management Policy

BMO Life Assurance Company ("BMOLA" or "Company") is governed by the Insurance Companies Act of Canada. Our Participating Account Management Policy describes the Participating Accounts, and how they are managed with respect to the allocation of investment income, expenses and taxes, and distribution of surplus.

BMOLA maintains two separate Participating Accounts, both of which were obtained through acquisitions. In 1999, the Company acquired Hartford Life Insurance Company of Canada ("HLIC") and in 2002, the Company acquired Norwich Union Life Insurance Company (Canada) ("NULIC"). BMOLA does not accept new business in the Participating Accounts and does not write new participating policies.

The HLIC participating policies receive dividends in the form of cash dividends. The NULIC participating policies receive dividends predominantly in the form of reversionary and temporary bonus.

Funds in the Participating Accounts are invested in accordance with and are governed by the Company's Investment Policy (the "Investment Policy"). The Investment Policy describes the acceptable investment classes, investment limits, reporting and review processes, liquidity limits, exceptions, and other investment processes. The Participating Accounts investments generally comprise cash, policy loans, government bonds, corporate bonds, and equities. There are specific targets for the corporate bonds based on rating. The minimum rating for a bond that can be purchased is BBB. Both funds are closed block and there is only minimal reinvestment of cash flows. There are no derivatives supporting the participating accounts. There has been a reduction in the equity holdings which has a target of 15% of the market value of the portfolio. Investment Management is governed by several measures, including duration targets. There is no Investment Income Allocation methodology as each of the Par funds has its own separately managed portfolio.

The surplus of each of the two Participating Accounts is managed in the same manner, through its Investment Policy, as are the other assets within each of the two Participating Accounts.

BMOLA carries out an expense analysis each year to determine the appropriate allocation of expenses to the various functions of the Company. This analysis results in an allocation of expenses for the maintenance, acquisition, claim and policy termination functions of the Company. Policyholder benefits and commissions are allocated based on the policies to which they relate, and premium taxes are allocated based on the taxable premiums received within the Participating Account. Other general operating expenses (not directly linked to a policy) are allocated based on an activity/volume-based allocation matrix which splits the expenses related to each Participating Account.

Premium taxes are allocated to the Participating Accounts in proportion to the premium income less dividends and net reinsurance premiums paid on behalf of participating policies. The income taxes are calculated based on the taxable income from the Participating Accounts.

Within six months after the end of each financial year, BMOLA transfers to its shareholders the maximum allowable amount from each participating account. The amounts to be transferred will be no greater than those amounts prescribed by legal and regulatory requirements. Over the past several years the transfer percentage has ranged from 8.8% to 9.6%.

Participating Policy Dividends Policy

The Dividend Policy applies to participating policies of the Company. Specific policyholder behaviour is not reflected in the policyholder dividends.

The dividend allocation process followed by BMOLA in respect of participating policyholders recognizes the contributions made by the policies to the two participating accounts where they belong. This process seeks to achieve reasonable equity between classes of policies and between generations of policies. To determine the contribution of policies, policies are grouped into classes with common characteristics.

Dividend scales will normally be declared annually, although BMOLA reserves the right to determine such scales more frequently. Dividends will be distributed annually. As actual levels of experience are unknown the future dividends are not guaranteed. No terminal dividends are paid for these policies.

The Company has not established an internal document to govern the practices of smoothing for dividend determination. For the dividend scale for Hartford Life Policies, there is no smoothing of dividends. The dividend for each policyholder is determined based on the individual characteristics of that policyholder. The dividends are paid in cash. For the dividend scale for Norwich Union Policies, the dividends are calculated on a grouped basis. The grouping is based on the issue year of the policy and the characteristics of the product. The dividends are in the form of additional insurance, so the monetary value of the dividend is a function of the individual characteristics of that policyholder.