Business Guaranteed Insurability Option (BGIO) Rider

Target Market

- For clients who own a mature or growing business and who will have a growing insurance need.
- These clients may be sole proprietors, partnerships or corporations.

Benefit

- During the first 10 years of the policy, the client can purchase Additional Insurance without medical evidence on annual option dates.
- The amount of Additional Insurance is relative to the increase in the Fair Market Value (FMV) of the business. Financial justification is required.

Availability

The BGIO Rider can be added to all term plans as well as any permanent life plans (BMO Insurance Whole Life Estate Protector and Wealth Accelerator, Wealth Dimensions and Term 100).

- Issue ages: 18 to 65 (age nearest)
- Available on all base plan insureds
- Available only at time of issue
- Not available on rated coverages

Issue Requirements

Medical Underwriting is based on the total of the base plan plus the maximum option amount of this rider.

Financial Requirements:

- Last 3 years Audited Financials
- Articles of Incorporation
- Business GIO Worksheet (form 416)

BGIO Amount

The insured's share of the FMV of the business determined at the time of issue.

Minimum – $100,000; **Maximum** – $2,500,000.

Maximum Option Amount

The owner can exercise the option to increase the insurance coverage.

- Up to 4 times the BGIO Amount, to a maximum of $10,000,000.
- Financial justification is required.

Determination of FMV of Business

Fair Market Value = Weighted average business net earnings after tax for the last three fiscal years (adjusted for nonrecurring items and management bonuses) × 10.

Use the Business GIO Worksheet (form 416) to help calculate the FMV amount.

Subject to Underwriting Department approval, an alternate formula suggested by the business' accountant or business owner may be used to determine the company's Fair Market Value for the term of the Rider.

Option Dates

- Each of the first 10 policy anniversaries of the policy.
- After 10 years, the rider expires and no new additional insurance can be issued.

Rider Premiums

- Payable for 10 years or until expiry date, if earlier.
- Level guaranteed rate/thousand on the BGIO Amount.

Administration Fee

None.

Rider Expiry

A BGIO rider will expire at the earliest of the following:

- The 10th policy anniversary following the initial BGIO coverage date;
- The date on which the Maximum Option Amount has been exercised; or
- The date on which the term base plan is converted, if applicable.

Election of Additional Insurance

At any option date, the policy owner can elect additional insurance as a new term policy, or a term rider if the original policy is a permanent life plan.

The new policy/rider is issued at attained age rates and underwriting class at the time of election. The issue date is the option date.

An option may only be exercised if the FMV of the business has increased. The BGIO rider does not have to be exercised if eligible as detailed above. Unused amounts are carried forward, although when/if BGIO is exercised at a future Option Date, proof of FMV must be provided at that time.

Continued

Additional Insurance Amount

Is based on the increase of the FMV of the business (times the insured person's share at time of issue) on the Additional Insurance coverage date.

Minimum: $100,000

Maximum: The lesser of:

- The Maximum Option Amount; or
- The growth in the FMV of the business (as above) since the BGIO coverage date, less any additional amounts previously purchased.

The new coverage will remain at the same preferred/standard category as the one determined at the initial purchase of the rider.

Additional Insurance Requirements

- Financial information needed – last 3 years of audited financials (if not already on file).
- No further medical underwriting is required.
- Election Form for Business Guaranteed Insurability Option (BGIO) (form 429E).
- BGIO Worksheet (416) can also be used to assist in calculating the new FMV.

Increase to Ownership Share

Permanent plans. If the percentage of ownership changes and the policy owner wishes to reflect the new ownership share, they may apply for a new BGIO Rider.

- Subject to full medical and financial underwriting for the increased amount only. (i.e. application and medical underwriting; last 3 years of audited financials, Articles of Incorporation).

Term plans. If the percentage of ownership changes and the policy owner wishes to reflect the new ownership share, they may apply for a new Term Plan with a BGIO Rider reflecting the increased ownership share.

- Subject to full medical and financial underwriting (i.e. application and medical underwriting; last 3 years of audited financials, Articles of Incorporation).

Waiver of Premium

When the monthly required premium is being waived on the original policy, Waiver of Premium is not available on the Additional insurance coverage.

Provided the original base policy had Waiver of Premium (WP), the policy owner may choose to add a disability waiver rider to the new insurance subject to satisfactory evidence of insurability.

Requirements to elect WP on the new insurance:

- Change Form and Long Form Health Certificate are required;
- Any or all of the WP insureds can be insured by the disability waiver rider on the new policy at the policy owner's request provided they meet our issue limits; and
- We must receive evidence satisfactory to us that none of the people insured by the current Total Disability Waiver Rider are totally disabled on the effective date of the new insurance.

If the Additional Insurance is a term rider added to an existing permanent life policy that has a disability waiver rider, and any of the lives insured under the disability waiver are disabled, the new insurance cannot be added to that existing policy, rather a separate term policy will be issued.

If the original base policy does not have a disability waiver rider the policy owner may add a disability waiver rider to the new insurance, subject to full underwriting.

Requirements to add the disability waiver rider to the new insurance – application and full underwriting are required.

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