



Proposal

Business and key person protection

Protect your business from the loss of top talent

Presented to

Sample Business

Presented by

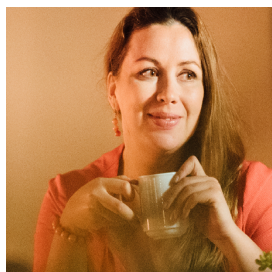
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You can be better prepared for the unexpected



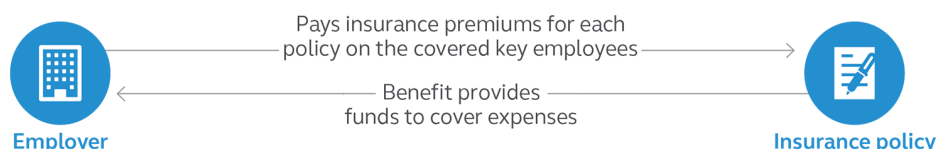
Oftentimes, the most valuable assets of any business are the key people who contribute most to its success.

As an owner your contributions are difficult to measure, and may be more robust than you might think. It's likely that finding a replacement, if something happens to you, would create a financial challenge that could put the business at risk.

One way to address this risk is Key Person Replacement disability insurance. It's designed to provide the funds necessary to help the business recover financially if you or your top talent is too sick or hurt to work, and can be a critical component to your business protection strategy. It can also provide liquidity for business succession funding or pay for key employee benefit programs.

How it works

Your business is the owner and beneficiary of Key Person Replacement disability insurance. If the unexpected does happen, the business receives funds, generally income tax-free¹, to help overcome the financial challenge of the loss.



Determine the right amount of coverage

Each business is different, so it's important to carefully assess your situation and different protection options. To help you get started:

- 1 | **Review** the customized scenarios on the next pages to see how much coverage may be appropriate for your situation.
- 2 | **Learn** about how much the coverage for each scenario costs.
- 3 | **Assess** the advantages and considerations of this coverage.

¹ Based on current federal income tax laws, if insurance premiums are paid with after-tax dollars, then benefits are received income tax-free.

Valued Owner

Estimated Key Person Replacement needs

	Coverage level		
	Base-level	Moderate-level	High-level
Key characteristics			
Total compensation	\$500,000	\$500,000	\$500,000
Occupation class	5A	5A	5A
Base protection			
Elimination period	180 days	180 days	180 days
Lump sum benefit	\$300,000	\$400,000	\$500,000
Additional information			
Waiver of premium	Included	Included	Included
Length of coverage	To age 65	To age 65	To age 65

This business protection proposal is intended to provide a range of coverage for your consideration based on several factors. The policy owner and financial professional understand that amounts applied for are subject to underwriting approval.

Key Person Replacement coverage type

The base, moderate and high levels shown provide proposed coverage based on a level of benefit available to a high-income earner. \$500,000 is the maximum benefit that is available.

Key person replacement insurance



By putting a protection strategy in place now — while everyone is healthy and working — you can minimize a stressful situation. Key Person Replacement disability insurance provides funds to your business if a key person becomes totally disabled. The remaining owner(s) can use the benefits as they wish — to cover recruitment costs, pay for temporary staffing, replace revenue or to address other business needs. Benefits cannot be assigned.

Outlined below are the projected premium amounts for the three coverage scenarios shown on the previous page.

Key person disability insurance coverage for:

Valued Owner, Age 45², Female, Occupation class 5A, Non-Tobacco

	Elimination period	Benefit type	Annual premium
A: Base-level	180 days	\$300,000 Lump sum	\$3,120
B: Moderate-level	180 days	\$400,000 Lump sum	\$4,160
C: High-level	180 days	\$500,000 Lump sum	\$5,200

Rates provided are an estimate and are not guaranteed; state variations and restrictions may apply that are not represented here.

Employee income protection — To help recruit and retain your key employees, consider offering individual Disability Income (DI) insurance from Principal. It provides monthly benefits to replace a portion of their income if they become too sick or hurt to work.

² Principal product quotations utilize an insured's age nearest birthday.

Properly funding your business protection plan

Advantages

Immediate funds - Insurance benefits can be used to replace lost revenue and cover expenses to recruit, hire, and train a replacement.

Cost efficiency - Policies can provide attractive benefit amounts relative to premiums paid.

Convenient options to complete the application - You may be able to complete your application either online or by telephone interview to get your key person protection put in place quickly and efficiently.

Considerations

What's right for you - There are several insurance funding and design options. Carefully decide what's best for your unique situation.

Disability Income insurance potential - The business policies do not limit personal income protection available from Principal to you or your key employees.

Disability Buy-Out – Funds the purchase of a totally disabled owner's interest in the business under a buy-sell agreement. This coverage complements Key Person Replacement insurance and helps the remaining owner(s) or key employee(s) continue to run the business.

Next steps

- 1 | Identify people who are key to your business.
- 2 | Determine the amount of coverage you need for each of them.
- 3 | Discuss your plans with each key person.
- 4 | Request official illustrations, apply for coverage, and begin underwriting.
- 5 | Once approved, begin the on-boarding process and set-up administration services.

NOTES

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins or other markings on the paper.



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