

Nonqualified deferred compensation

Offer solutions to help protect plan participants.

Corporate-owned life insurance underwriting guide

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Give employers an underwriting advantage.

When your clients choose to finance their nonqualified deferred compensation plan with corporate-owned life insurance (COLI), they have a choice in how the life insurance coverage is underwritten—Guaranteed Issue/Simplified Issue (GI/SI) or full underwriting, including Principal Accelerated UnderwritingSM and Business Solutions Enhanced Underwriting.

Each organization's needs are different. The good news—regardless of which way your client wants to go—you have the support of an underwriting team with vast experience and expertise in the employer market. Here are some considerations to help your client make the right choice for their organization.

- **How much information do participants want to provide?**

Traditional full underwriting entails a full health assessment. Accelerated Underwriting requires less information for each individual, and GI/SI requires even less.

- **Is time an issue?**

You can expect about 30-60 days to gather and review information for full underwriting, and a much shorter timeframe for the Accelerated Underwriting, Business Solutions Enhanced Underwriting, or GI/SI process.

- **How many eligible participants are there?**

Full underwriting generally works best when there are a smaller number of eligible participants. If you have a bigger group, GI/SI may work better. Accelerated Underwriting can work well in either situation.

- **Is cost a driver?**

Because we know less about an individual's health when underwritten under GI/SI, cost-of-insurance rates tend to be a little higher, on average, than policies selected from favorable full underwriting.

- **How easy is it to add future participants?**

Full underwriting, Accelerated Underwriting, and Business Solutions Enhanced Underwriting require complete information on a new executive. With GI/SI, the new person will be issued under the existing program.



Program eligibility

- An employer/employee relationship must exist.
- Participants must be:
 - › Executive, owner, non-clerical, white collar, or management positions.
Earning at least \$100,000 annually.
 - › Actively employed on a full time basis (at least 30 hours per week).
- Issue ages: 20-70
- Weighted average issue age should be 55 or less.
- Participants added to the plan at a later date are enrolled using the same guidelines.

How to get your GI/SI case started

(Approval and written offer are required before applications can be submitted.)

1 | Assemble a census of eligible participants, including:

- › Date of birth
- › Job title
- › Work status
- › Salary + bonus
- › 1035 Exchange amounts (if applicable)

2 | Provide deferral amounts.

- › How much will be set aside for the benefit of eligible employees?
- › Determine the expected participant deferrals, plus any balance carried over from an existing plan.

3 | Share additional information.

- › Provide any other plan design requirements.
- › Let us know of any client expectations that might impact life insurance needs.

4 | Send it to us.

- › Send all of the information above to NQCOLIsupport@exchange.principal.com.
- › John Krom: 800-654-4278, x67317
- › Cody Schiffer: 800-654-4278, x55802

GI/SI program guidelines

- Pre-approval from the home office is required.
- Census of the group is required.
- Known uninsurable or highly substandard risk should be identified.
- Standard is the best risk class available.
- Face amount will be determined by formula, set amount for job position, or percentage of ownership.
- Maximum face amount is \$6 million, and no individual may have greater than five times the average face amount of the group.
- Total line with all carriers, issued on a GI or SI basis, cannot exceed three times our multiples.

Guaranteed Issue

Applicants will be asked about:

- Whether they're actively working full-time.
- Absenteeism in the last 90 days.
- Tobacco usage.

Required participation rate:

- 10-19 lives—85%
- 20+ lives—75%

Participants	Employer/employee-owned
10-19	\$60,000 x no. of lives
20-49	\$75,000 x no. of lives
50+	\$100,000 x no. of lives

Simplified Issue—Standard to Decline up to Table 3

Simplified application with MIB, Rx check, MVR, and APS for cause

Participants	Employer/employee-owned: 75% participation	Employer/employee-owned: 75% participation
5+	\$100,000 x no. of lives	\$100,000 x no. of lives

Aggregate financing may be an option.

Financing arrangements can be split up, so certain executives within the plan could be financed differently than others. That's called aggregate financing.

This approach typically works better with fully underwritten cases because the higher face amount limits available allow for fewer policies, and you're able to select those individuals with the best underwriting ratings. It may also work with GI cases where a smaller group of individuals is selected based on salary range or level with the company.

Why it may make sense for an organization

- Easier plan recordkeeping because fewer policies are issued.
- Easier to re-balance assets to liabilities with fewer policies involved.
- Easier to manage premium payments since payments are applied as needed to each policy, not based on individual participant deferrals.

Additional details

- Face amounts can be the same on each executive or formula-driven.
- Those in the select group should be selected based on salary range, tobacco status, and job title.
- Age should be considered, so that the weighted average of the select group is age 55 or younger.
- Proposed aggregate financing arrangements will go through underwriting review for approval.

Who's a good candidate for full underwriting?

What are the guidelines for selecting an ideal candidate to underwrite? Here are a few tips to help your clients make good selections. **Note:** These are general guidelines. Even if the below guidelines are met, all cases are subject to underwriting approval.

- Key executives who are corporate-officer level or above, e.g., CEO, CFO, and VP, with annual compensation of at least \$100,000 (salary + bonus)
- Ages 30-55 preferable
- Healthy, non-tobacco users
- Cardiovascular risk factors, such as cholesterol, blood pressure, pulse readings, and height/weight in the ideal range
- Healthy lifestyles, such as those who have preventative health maintenance exams and routine exercise programs
- No personal history of cancer, heart disease, diabetes, alcohol, or drug abuse
- No foreign travel to high-risk areas
- Favorable driving record
- Favorable family history with no early disease or death of family members due to cardiovascular disease or colon, prostate, breast, or ovarian cancer



TIP: Underwriting one or more additional employees than you believe may be necessary is a good idea. This will help account for unforeseen underwriting issues or more deferrals than initially anticipated.

Full underwriting routine requirements

AMOUNT	AGE 20-30	AGE 31-35	AGE 36-40	AGE 41-49	AGE 50-54	AGE 55-60	AGE 61-69	AGE 70-75
\$10,000 - 49,999	Non-medical	Non-medical	Non-medical	Non-medical	Px Measure. Urine	Px Measure. Urine	Blood Px Measure. Urine	Blood Px Measure. Urine
\$50,000 - 500,000	Blood* MVR Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine
\$500,001 - 1,000,000	Blood* MVR Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood* Px Measure.* Urine*	Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine
\$1,000,001 - 2,500,000	Blood* MVR Px Measure.* Urine*	Blood* MVR Px Measure.* Urine*	Blood* MVR Px Measure.* Urine*	Blood* MVR Px Measure.* Urine*	Blood* MVR Px Measure.* Urine*	APS* Blood* MVR Px Measure.* Urine*	APS Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine
\$2,500,001 - 5,000,000	APS* Blood* MVR Px Measure.* Urine*	APS* Blood* MVR Px Measure.* Urine*	APS* Blood* MVR Px Measure.* Urine*	APS Blood MVR Px Measure. Urine	APS Blood MVR Px Measure. Urine	APS Blood MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine
\$5,000,001 - 10,000,000	APS Blood MVR Px Measure. Urine	APS Blood MVR Px Measure. Urine	APS Blood MVR Px Measure. Urine	APS Blood MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine
\$10,000,000+	APS Blood MVR Px Measure. Urine	APS Blood MVR Px Measure. Urine	APS Blood MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine	APS Blood ECG MVR Px Measure. Urine

* These studies are not required for applicants requesting Accelerated Underwriting. They may be requested for cause should Underwriting determine the applicant ineligible.

LEGEND

APS = attending physician's statement

Blood = blood draw

ECG = electrocardiogram

MVR = motor vehicle report

Non-medical = no routine requirements needed

Px Measure = physical requirements (height, weight, blood pressure, and pulse)

Urine = urine specimen

Length of studies

- Physical measurements, blood profiles, and urine specimen are valid for 12 months from completion for proposed insured's ages 20-69, and for six months for ages 70 and above.
- Electrocardiograms and motor vehicle reports are valid for 12 months.
- Applications and TeleApps are valid for 90 days, subject to underwriting review.
- Underwriting may request updated requirements for cause.

Accelerated Underwriting offers a fast and easy option.

Accelerated Underwriting is an expedited process that has no exam requirements or lab testing for qualified applicants. A simple online application or phone interview takes care of the requirements on your end—and you get an underwriting decision in as little as 24 hours.¹

Eligibility requirements

- Ages: 20 -60
- Preferred and Standard risk, classes
- Face amount:, \$50,000 - \$5 million
- See additional requirements in table below.

Applicant age	Maximum face amount
20-60	\$5 million

Additional requirements

- For issue ages 20-40 and face amounts greater than \$3 million; issue ages 41-50 and face amounts greater than \$2 million; and issue ages 51-60 and face amounts greater than \$1 million, digital health data (DHD) records will need to include results from an exam/lab within the prior 12 months.
- All individuals, including those with a qualifying Accelerated Underwriting model score, will need to have exam results including labs within the prior 12 months.
- DHD records will need to include results from an exam/lab within the prior 12 months.

Program process

- Underwriting evaluates the Part B, MVR, prescription history, and MIB, LLC report.
- If the application is approved for Accelerated Underwriting, it proceeds to issue.
- If it isn't approved through Accelerated Underwriting, the application will go through the traditional underwriting process.
- A paramed appointment will be scheduled, plus any additional requirements.

¹ Applicants may qualify based on age, product, face amount, and personal history.

Additional Accelerated Underwriting eligibility requirements

- Build must be within the recommended weight limits. See chart on the following page.
- No major medical condition(s) from the list on the next page.
- If previously underwritten by Principal®, coverage was approved at Standard or better.²
- Applicant must reside in the U.S. and be a U.S. citizen or permanent resident with no travel to hazardous locations.
- Stated blood pressure cannot exceed 150/91 for ages 20-44 and 155/90 for ages 45-60.
- Total cholesterol is 280 or less and total cholesterol/HDL is 6.5 or less.
- For Non-Tobacco Preferred/Standard, no tobacco use within the past 12-24 months.
- No history of bankruptcy in the past five years.
- No more than one DUI or reckless driving within the past 10 years.
- No felony conviction in the last 10 years.
- No life, health, or disability insurance has been rated, ridered, or declined.
- No prior, informal request to Principal within the last 24 months.
- If exam requirements or labs have been completed in the prior 12 months for life or DI coverage, we can use those results in lieu of Digital Health Data (DHD). See the Q&A for additional details.
- Part B has been completed by client either online or by phone.

² May not use any special underwriting program or insurance to qualify for underwriting classification.

Underwriting build chart

Ages 20-44				Ages 45-60			
Height	Weight	Height	Weight	Height	Weight	Height	Weight
4'8	75-157	5'9	113-238	4'8	75-163	5'9	113-248
4'9	78-163	5'10	116-245	4'9	78-169	5'10	116-256
4'10	80-168	5'11	120-252	4'10	80-175	5'11	120-263
4'11	83-174	6'0	123-260	4'11	83-181	6'0	123-270
5'0	86-180	6'1	127-267	5'0	86-188	6'1	127-278
5'1	89-186	6'2	130-274	5'1	89-194	6'2	130-286
5'2	92-192	6'3	134-282	5'2	92-200	6'3	134-294
5'3	95-199	6'4	137-289	5'3	95-207	6'4	137-301
5'4	98-205	6'5	141-297	5'4	98-214	6'5	141-309
5'5	101-212	6'6	144-305	5'5	101-220	6'6	144-318
5'6	104-218	6'7	148-312	5'6	104-227	6'7	148-326
5'7	107-225	6'8	152-320	5'7	107-234	6'8	152-334
5'8	110-232	6'9	155-328	5'8	110-241	6'9	155-342

Note: Traditional underwriting is required for builds that are off the chart.

No major medical conditions, such as:

Alcohol abuse and/or treatment	Drug abuse and/or treatment	Multiple Sclerosis (MS)
Atrial Fibrillation	Epilepsy/Seizure	Parkinson's Disease
Barrett's Esophagus	Gastric Bypass/Lap Band	Peripheral Artery Disease (PAD/ Peripheral Vascular Disease (PVD)
Bipolar Disorder	Heart Disease/Surgery – all forms	Rheumatoid Arthritis (RA)
Cancer (exceptions: Basal Cell and Squamous Cell Carcinomas)	Hepatitis	Sleep Apnea
Chronic Obstructive Pulmonary Disease (COPD/Emphysema)	Hypertension (diagnosed within six months)	SLE/Lupus
Crohn's Disease	Kidney Disease	Stroke/Transient Ischemic Attack (TIA)
Diabetes/Gestational Diabetes	Melanoma	Ulcerative Colitis (UC)

Note: Advanced diagnostic testing, biopsies, cardiac testing, and other medical history may require an APS. When an APS is ordered, we require traditional underwriting.

Questions and answers

Q | What types of data are used?

A | We use MIB, LLC, MVRs, prescription records, information collected from the Part B, and DHD. We do not use information from companies collecting data for marketing purposes.

Q | What happens if clients are not approved for Accelerated Underwriting?

A | They simply revert back to the traditional underwriting process and requirements. To ensure no delays, we can schedule the paramed appointment for you from ExamOne, Portamedic, or APPS. When scheduling the personal interview, please let us know if you'd like us to order exams and which paramed you prefer.

Q | If Principal orders the labs, how do I follow the status?

A | When the decision is made that we need a paramed appointment, we'll send you a message and then place an order with the paramed firm. Please make sure your client understands that labs may be required. Our case coordinators will manage the status on your behalf and notify you if there are any delays. We provide a detailed update at least once a week.

Q | What if my client has been underwritten elsewhere in the prior 12 months and completed exam requirements, including lab results?

A | If you apply for Accelerated Underwriting and have completed an exam and/or labs within the prior 12 months, we'll request the results and use them in our underwriting.

Q | Is there a chance the traditional requirements might result in a worse underwriting class?

A | In most cases, your client's risk class won't change based on the additional requirements. But if the results are abnormal (e.g., high blood pressure, high cholesterol, liver function tests), the underwriter will re-evaluate the risk class based on the new information.

Q | What kind of factors might result in my client not being approved?

A | Our program is based on a statistical model. We studied applicants who have been approved at Standard or better rates in the past to understand what factors they have in common.

45-55% percent of applicants tend to have a high number of favorable factors, and we're able to approve them quickly without labs and exams. Other clients may have some favorable factors, but not enough to qualify for the streamlined process.

Our process is designed to select the best candidates for Accelerated Underwriting. Sometimes, a client may be in perfect health and will ultimately be issued as Preferred. However, the client may not have had enough positive health factors to qualify for this approval without an exam.

Questions and answers (continued)

Q | What should I tell my client about this process?

A | In discussions with sales representatives, we have found two strategies that work:

1. Under-promise and over-deliver.

Once the client agrees to the purchase, complete the application and explain the next steps for underwriting just as you always have, including that someone will contact them to schedule a paramed appointment.

If the application is approved for Accelerated Underwriting, share the good news. Tell the client, “Underwriting was able to approve you without requiring a paramed appointment.”

If the applicant is not approved for Accelerated Underwriting, they simply complete the traditional underwriting process.

2. Place all the cards on the table.

Once the client agrees to the purchase, complete the application and explain the next steps for underwriting. Explain the underwriting process and discuss the possibility of underwriting without the need for labs. Let the client know that the underwriter will review the application and contact you if any additional information is required.

If the application is approved for Accelerated Underwriting, share the good news. Tell the client, “Underwriting was able to approve you without requiring a paramed appointment.”

If the applicant is not approved, the client simply completes the traditional underwriting process, and the paramed firm contacts the client to schedule the labs.

Q | What would cause my client to not be approved for Accelerated Underwriting?

A | There are four reasons why a client may not be approved for Accelerated Underwriting:

1. The client didn’t meet one of the basic program parameters, such as age, amount, product, etc.

2. The underwriter found additional information on the Part B or other underwriting requirements that requires a paramed exam (e.g., MIB, LLC code, medication on prescription check, etc.).

3. The Accelerated Underwriting model score was not high enough to qualify for immediate approval. This simply means the client did not have enough positive risk factors to qualify for immediate approval. DHD will be requested on qualifying cases, and they may still be issued at Standard or better rates. In cases where DHD is not available or not sufficient, we’ll need insurance labs to complete the evaluation.

4. The case was chosen as part of our random hold-out group. The underwriter can explain the reasons when they notify you it has not been approved.

Q | Is there anything else I need to know?

A | To monitor quality and ensure solid mortality results, a small, random sample of applicants who qualify for Accelerated Underwriting will go through full, traditional underwriting. We're very pleased to offer this innovative underwriting program that will allow us to streamline the underwriting process for many clients. The random sample is designed to ensure we're able to meet our mortality results and continue to offer this program for many years.

Our maximum issue age is 60, but approval rates tend to be better for younger clients. Older clients often take medications and may be more likely to have health history that will require a paramed exam, lab, or APS. In our early tests, we found that a higher percentage of applicants qualified at ages 20-50 versus 51-60. But, we still expect at least 25% of applicants aged 51-60 to qualify.

Q | Is there a special application for Accelerated Underwriting?

A | No. All applicants who meet the age and face amount requirements will automatically be reviewed for Accelerated Underwriting. If it is determined that traditional underwriting is required, we'll advise of the requirements needed to continue.

Q | Can you tell me about the online Part B or TeleApp process?

A | Our programs are designed, so we can issue in the shortest amount of time—they've been tailored to obtain the best possible data during the completion of the Part B. Completing the interview immediately eliminates delays.

Q | How do I order a personal interview?

A | Schedule online.

- Use the "Request Part B" feature on our website to schedule a Part B online or by phone.
- Indicate how you would like lab ordering handled if the case doesn't qualify for Principal Accelerated Underwriting.
- For an immediate telephone interview option, have the client complete an interview immediately by calling 1-888-835-3277.
- Provide basic information, such as client name, face amount, etc.
- The interviewer will ask if you'd like us to order the exam for you from the preferred paramed company (ExamOne, APPS, Portamedic).
- At this point, we can complete the interview with clients immediately. This is the best way to guarantee fast turnaround. Either have them complete the application online, or hand the phone to them. If they'd prefer to complete the application at a later date, they can request a link for the online application and request the telephone interviewer call them back.

Business Solutions Enhanced Underwriting

This program provides streamlined underwriting for larger face amounts—those that exceed Accelerated Underwriting limits. It allows us to leverage digital health data and other available information to provide coverage for qualifying policies up to \$50 million without insurance exams. It can provide an attractive underwriting option for plan sponsors that want the benefits of full underwriting for executive insureds without the traditional inconvenience.

You can request the program when you submit an application. Or, if the requirements needed to qualify are submitted, we'll let you know it qualifies prior to ordering additional information. An offer will be based on our evaluation of Part B, Motor Vehicle Report, prescription history, MIB, LLC report, financial information, and medical records.

ELIGIBILITY GUIDELINES

- Policy must be either employer-owned/sponsored, or trust-owned.
- Face amounts up to \$50 million.
- Available with Principal Executive Variable Universal Life IIISM.
- Insured eligibility:
 - › Ages 25-70.
 - › Have total compensation of \$150,000 or higher.
 - › U.S. citizen or green card holder—foreign nationals/foreign residents are not eligible.
 - › Professional athletes, entertainers, government officials, and other high-profile applicants are not eligible. Contact your underwriter prior to case submission if you have questions about whether specific occupations qualify.
 - › Standard or better risk class, including cases improved to Standard with Healthy Lifestyle Credits. Cases improved to Standard through the Principal Risk Upgrade Program are not eligible.
- APS must include history for the past five years, including a physical with blood, and physical measurements in the past 12 months.
- Favorable EKG or cardiac testing within the past three years:
 - › Ages 41-49 for face amounts over \$10 million.
 - › Ages 50+ for all face amounts above applicable AU limit.
- Online Part B or TeleApp interview required for application Part B completion.





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