



Disability Buy-Out insurance

# How Disability Buy-Out insurance works

## Benefits overview

You have worked hard to build and run your business. Let Principal® help make sure your stake in the business is protected with Disability Buy-Out insurance. If you become too sick or hurt to work, this coverage helps:

- › Provide the funding for a key employee to purchase your business under a buy-sell agreement.
- › Lessen the stress of determining how to financially complete the transfer of the business.
- › Maximize financial return and minimize the tax liability.

Your Principal Disability Buy-Out insurance policy guarantees the cost cannot change until age 65 or 67, unless additional coverage is requested. Check your policy for other specifics.

## Easier exit planning

Ask about our complimentary services:<sup>1</sup>

- **Buy-sell agreement reviews**
- **Informal business valuations**

These complimentary services provide:

- Key information on the value of your business you may want to protect.
- Trusted feedback on your buy-sell agreement.
- Other information to help facilitate—or challenge—the sale of your business if and when the time comes.

## How your policy pays

Disability Buy-Out insurance provides benefits—as monthly payments, a lump sum, or as a combination—if you become totally disabled.

**What does it mean to be totally disabled?** It means the insured is unable to perform the substantial and material duties of his/her occupation and is no longer working in any other occupation for the company.

**How much can be covered?** In general, Principal takes into account the value of the business, other business financials and other disability coverage in force to determine a maximum benefit amount.

**How are benefits paid?** They're paid at the later of when the buy-out expense is incurred or at the end of the policy's elimination period. Benefits continue throughout the policy's benefit period or until the maximum benefit stated in the policy is paid.

## What's included in your policy

The following features are available on your Principal Disability Buy-Out insurance policy:

- **Benefit Update Valuation rider.<sup>2</sup>** Every three years, the maximum amount of coverage can be increased (based on eligibility)—without proving good health. Advanced options may also be available.
- **Legal/Accounting fee.** Up to \$3,000 for related legal and accounting expenses can be covered when the buy-sell agreement is exercised due to a disability. This benefit is paid in addition to all other benefits.
- **Exchange Privilege.** This policy can be exchanged for a Principal individual Disability Income insurance policy. It's a great benefit if the insured leaves the business and needs personal income protection.
- **Transfer Privilege.** If the insured ends employment at the company and becomes an owner in another company, this policy can be transferred without evidence of good health.
- **Waiver of Premium Benefit.** Principal suspends the cost for this policy when disability payments are being paid. We'll refund any payments made after a total disability began.
- **Full Benefit Continuation.<sup>2</sup>** For an additional cost, this feature allows full benefits to be received until the coverage ends.
- **Death benefit.** This is paid if the insured dies while receiving monthly benefits.
- **Guaranteed coverage and cost.** Principal can't change your policy due to changes in health. Coverage can be canceled by Principal:
  - › If the policy has not been paid for.
  - › If a written request to cancel the policy is received.
  - › After the buy-sell agreement terminates or is executed.
  - › If the insured employee is no longer employed with the company for any reason other than total disability.
  - › At the insured's age 65 or 67 policy anniversary.

<sup>1</sup> This information is educational only and provided with the understanding that Principal is not rendering legal, accounting, investment, or tax advice. Consult with appropriate counsel, financial professionals, and other advisors on all matters pertaining to legal, investment, tax, investment, or accounting obligations and requirements.

<sup>2</sup> Additional guidelines apply.

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All features, provisions and riders may not be available in all states, with all occupation classes and in conjunction with each other. They may also be subject to state variations and require an additional premium. Please read your policy carefully for exact definitions in your state. Disability insurance has limitations and exclusions. For cost and coverage details, contact your Principal representative.

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Disability Buy-Out insurance—California

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- **Legal fee.** Up to \$3,000 for related legal and accounting expenses can be covered when the buy-sell agreement is exercised due to a disability. This benefit is paid in addition to all other benefits.
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