



Individual disability insurance

# Help protect your **business** and your **key employees**.



## How can individual disability insurance protect my business?

Individual disability insurance provides financial support—so the business doesn't have to if you're too sick or hurt to work. And offering income protection to key employees can also enhance your benefits package.

Let's look at:

### Need for coverage

What if you or your key employees became disabled? What's at stake?

### Types of insurance

Principal® offers overhead Expense and business loan protection, Disability Buy-Out, Key Person Replacement, individual disability income (DI) insurance, and DI Retirement Security.

### Supplementing group coverage

Adding individual DI with group long-term disability coverage can provide greater income replacement for highly compensated employees who do not enjoy the same level of protection as the majority of employees.



Business owners rank protecting their business as their No. 1 priority, and 52% of those surveyed already have business protection in place. In addition, business owners also ranked income protection as their No. 3 priority, and 43% of those surveyed have income protection in place. Learn more at [principal.com/ownerinsights](https://principal.com/ownerinsights).

Source: 2023 Principal Financial Group Business Owner Insights survey, conducted by Dynata.

# Disability insurance can help you prepare for the unexpected.

Many business owners can't envision themselves having an accident severe enough to make them miss work. But what about a serious illness like a heart attack or stroke?

If you or one of your key employees became too sick or hurt to work, you may find yourself dealing with some unexpected challenges. What would happen to your business? Your plan may be for your business to continue to pay you if you become disabled. But that could last longer than you think.

When an illness or injury prevents you or your key employees from working, the business can be impacted.

Consider the average long-term disability claim lasts nearly **three years**.

Source: Council for Disability Awareness, Disability Statistics; Chance of Becoming Disabled-DisabilityCanHappen.org. Retrieved 10/2022.

**Regular expenses** continue:

- Loan payments
- Rent
- Employee salaries
- Utilities

And there may be **new expenses**:

- Replacement costs
- Temporary staffing

➔ **Individual disability insurance** can provide a financial cushion to help you handle the challenges.

## Consider your options.

Knowing the types of disability insurance available can help you protect what you've worked so hard to build. You have a variety of options depending on your need, including individual disability income insurance that can enhance your benefits package to help attract and retain key employees.

**Overhead Expense.** This type of policy can help pay fixed business expenses during your recovery so you can keep the doors of your business open. This can help pay employee salaries, your rent or mortgage, or other expenses needed to keep the lights on.

**Business Loan Protection.** Staying current on your loan payments helps keep your business running and your employees on the job. If you have a new or existing business loan, you can consider insurance to help cover loan repayment during a disability.

**Key Person Replacement.** If you have several owners or key employees, Key Person Replacement insurance can provide a disability benefit you can use to help offset the loss of a key employee if they become totally disabled. Use the benefits to cover recruitment, pay for temporary staffing, replace revenue, or address other needs.

**Disability Buy-Out.** Do you have a buy-sell agreement to protect you if you become disabled? A Disability Buy-Out policy provides payment for the purchase of a disabled owner's interest under a buy-sell agreement so remaining owners or key employees can continue to run the business.

**Individual Disability Income (DI).** DI insurance provides a benefit to help cover daily financial needs—both existing and new—if you or your employees are too sick or hurt to work.

**DI Retirement Security.** This type of policy can help you and your key employees continue to save for retirement during a disability. It makes deposits into a trust that you access later as retirement income.



## Supplement group coverage with individual DI insurance as a key employee benefit.

You may already offer group long-term disability (LTD) insurance. That's a great start. It offers a foundation of income protection for employees to help them cover expenses like a home mortgage, car payments, student loans, and household expenses.

But it may not be enough for everyone, particularly your key employees that are critical to the success of your business.

Consider the example on the right assuming a typical group LTD plan that pays 60% of income up to \$10,000 per month. For key employees earning \$300,000 in annual income, since their LTD is capped at \$10,000, their group LTD replacement is only 40% of their salary and potentially leaves them unable to meet their financial responsibilities.

In addition, group LTD often does not cover bonus income, creating a barrier for higher-earning employees from getting the income replacement they may need.

<p><b>100%</b> (\$300,000 annual income)</p>	<p><b>Healthy and working</b></p>
<p><b>60%</b> (\$180,000 replaced income)</p>	<p><b>Supplemental individual DI and group LTD insurance can help restore up to 60% of annual income.</b></p>
<p><b>40%</b> (\$120,000 replaced income)</p>	<p><b>Group LTD capped at \$10,000 a month</b></p>

When you offer individual disability income insurance, key employees can restore more lost income (60%) during a disability, and your business gets a more robust employee benefits package that can help you recruit and retain top talent.

*This hypothetical example is for illustrative purposes only.*

# Guaranteed Standard Issue underwriting makes adding coverage easy.

With an employer-paid supplemental disability policy for at least five eligible employees, you may qualify for Guaranteed Standard Issue coverage:

- No medical exams
- Only a few qualifying questions
- Quick and hassle-free experience

 Interested in learning more?

Visit [principal.com/businesses](https://principal.com/businesses) or talk with your Principal® financial professional.



[principal.com](https://principal.com)

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