



Proposal

Business and key person protection

Protect your business from the loss of top talent

Presented to

Test Business

Presented by

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You can be better prepared for the unexpected



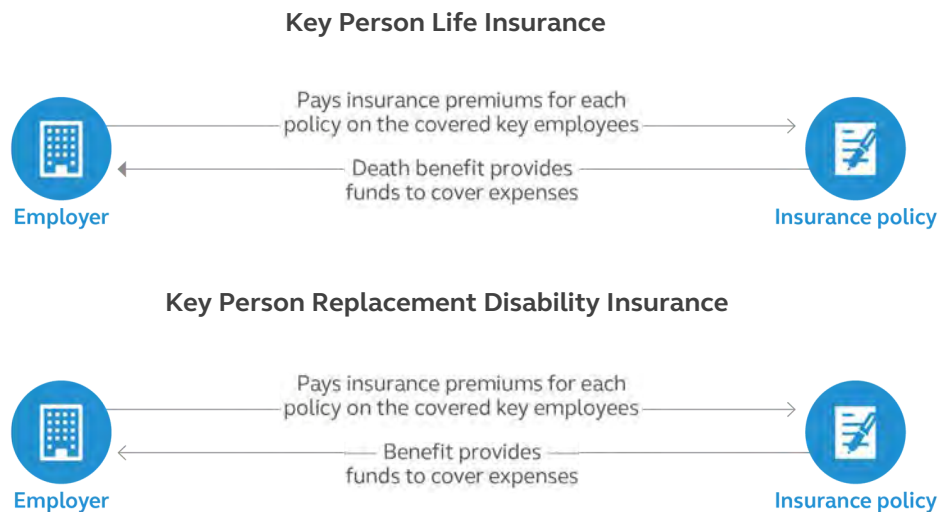
Oftentimes, the most valuable assets of any business are the key people who contribute most to its success.

Key employee contributions can be difficult to measure, and may be more robust than you might think. It's likely that the time it takes to find a replacement, if something happens to them, would create a financial challenge that could put the business at risk.

One way to address this risk is Key Person life and Key Person Replacement disability insurance. They're designed to provide the funds necessary to help the business recover financially if you or your top talent dies or becomes too sick or hurt to work, and can be a critical component to your business protection strategy. They 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 both a Key Person Life insurance policy and a Key Person Replacement disability insurance policy. 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 If the requirements of the Internal Revenue Code Section 101(j) are not met, death proceeds from employer-owned life insurance contracts may be taxable as ordinary income in excess of cost basis. Based on current income tax laws, if Key Person Replacement disability insurance premiums are paid with after-tax dollars, then benefits are received income tax-free.

Valued Key Employee, CFO

Estimated Key Person Life insurance needs

	Coverage type		
	Base-level (Scenario A)	Moderate-level (Scenario B)	High-level (Scenario C)
Key characteristics			
Number of total employees	11-50 Employees	11-50 Employees	11-50 Employees
Number of key employees	1-5 Key employees	1-5 Key employees	1-5 Key employees
Difficulty to replace	Very difficult	Very difficult	Very difficult
Base protection			
Total compensation	\$225,000	\$225,000	\$225,000
Multiply by factor ²	x 3.0	x 4.5	x 7.0
Base protection needs	\$675,000	\$1,012,500	\$1,575,000
Additional coverage			
Key employee benefits	\$0	\$0	\$0
Total other needs	\$0	\$0	\$0
Range of coverage	\$675,000	\$1,012,500	\$1,575,000

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 Life insurance coverage type

Base-level (1 - 5 times salary) provides proposed coverage based on a projected base-level multiple of salary.

Moderate-level (2 - 7.5 times salary) provides proposed coverage based on a projected moderate-level multiple of salary.

High-level (3 - 10 times salary) provides proposed coverage based on a projected high-level multiple of salary.

² This factor is determined by the size of the organization, number of key employees, and level of difficulty to replace.

Key person term life insurance coverage



The affordable, limited duration of term insurance may be a great fit to protect your business. And Principal® offers multiple coverage durations to meet your specific needs.

Outlined below are the projected premium amounts for the three coverage scenarios shown on the previous page, using our 10-, 15-, 20- and 30-year term products.

Key person term insurance coverage for:

Valued Key Employee, Age 43³, Male, Preferred, Non-Tobacco

Scenario	Death benefit	Annual premium			
		10-year	15-year	20-year	30-year
A: Base-level	\$675,000	\$450	\$554	\$727	\$1,229
B: Moderate-level	\$1,012,500	\$598	\$773	\$1,018	\$1,776
C: High-level	\$1,575,000	\$888	\$1,161	\$1,542	\$2,721

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

Our base conversion feature is included with the Term product options displayed in the above table. The Conversion Extension Rider has not been included. If a longer conversion period is desired, Term products can be quoted to include the Conversion Extension Rider.

Employee retention strategy — If keeping your key employees is a concern, consider a retention bonus plan that allows you flexibility as well as funding to protect your most valued employees under multiple scenarios.

³ Principal product quotations utilize an insured's age nearest birthday.

Valued KeyEmployee

Estimated Key Person Replacement needs

	Coverage level		
	Base-level	Moderate-level	High-level
Key characteristics			
Total compensation	\$175,000	\$175,000	\$175,000
Occupation class	5A	5A	5A
Base protection			
Elimination period	180 days	180 days	180 days
Lump sum benefit	\$170,000	\$340,000	\$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

Base-level (1 times salary up to \$300,000) provides proposed coverage based on a projected base-level multiple of salary.

Moderate-level (2 times salary up to \$400,000) provides proposed coverage based on a projected moderate-level multiple of salary.

High-level (3 times salary up to \$500,000) provides proposed coverage based on a projected high-level multiple of salary.

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 business 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 KeyEmployee, Age 43⁴, Male, Occupation class 5A, Non-Tobacco

	Elimination period	Benefit type	Annual premium
A: Base-level	180 days	\$170,000 Lump sum	\$1,020
B: Moderate-level	180 days	\$340,000 Lump sum	\$2,040
C: High-level	180 days	\$500,000 Lump sum	\$3,000

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.

⁴ Principal product quotations utilize an insured's age nearest birthday.



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