

Individual Disability Insurance –
Solutions for Personal Needs

Marketing Guide



Introduction

“The beauty of having income replacement coverage is that the money kept flowing into my account. It was available to cover all the normal expenses my family incurs, plus some of the added health care expenses.”

– BRUCE, DISABILITY INSURANCE CLAIMANT

These words sum up the essence of disability insurance — it provides peace of mind when it’s needed most. As a financial professional, you play an important role in helping your clients understand all the risks to their financial security and getting them the protection they need. After all, even the most solid financial strategy can crumble if the unexpected happens and proper protection is not in place.

USING THIS GUIDE

This guide is an introduction to the disability solutions Principal Life Insurance Company offers to help protect personal needs. It will help you learn more about the value of these solutions and how to approach your clients about protecting their personal income and ability to save for retirement. As you proceed through this guide, think of qualified prospects and how you might approach these individuals. There’s space on the last page to keep track of their names and contact information.

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Top Reasons to Sell Disability Insurance

Consider these key reasons why you should sell Individual Disability Insurance (IDI) solutions:

- 1 IDI is a great door opener:**
 - Relatively few have it, but it's much needed protection.
 - Not many have been approached about it.
 - Since almost all individuals depend on their incomes, they can easily see the direct benefit of the insurance.
- 2** If your clients become disabled, Individual Disability Income (DI) insurance provides monthly **benefits to help pay for daily living expenses, including premiums on other insurance and investments they have with you.**
- 3** IDI can help **diversify your portfolio offering and provide attractive compensation**, including generous first-year commissions, strong renewal compensation and opportunities to earn bonuses.
- 4** **Offering disability insurance to clients is part of your due diligence.** Suppose you help a client with other financial needs, but not income protection. What do you say to the client and his or her family if that person becomes too sick or hurt to work and is no longer receiving a paycheck? You don't want to be in a position where you have to admit there was a gap in the financial strategy you developed together.
- 5** **Disability solutions are available for clients in sought-after markets**, such as business owners and higher-income earning individuals.

FACT

Producers who take a comprehensive approach with clients — *including offering individual disability insurance* — **earn 43% more** than producers who do not.

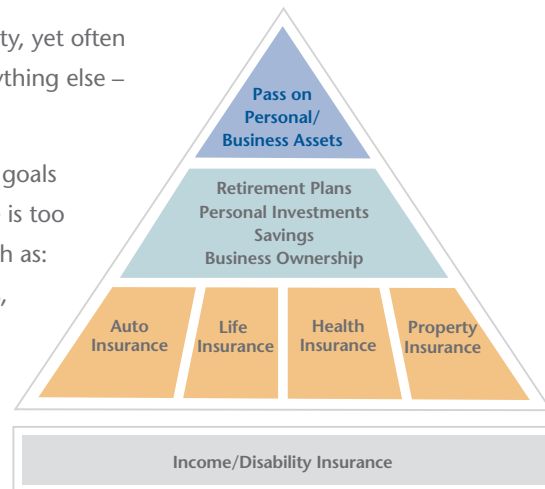
— 2013 Principal Life Insurance Company retail sales data.

The Need for Income Protection

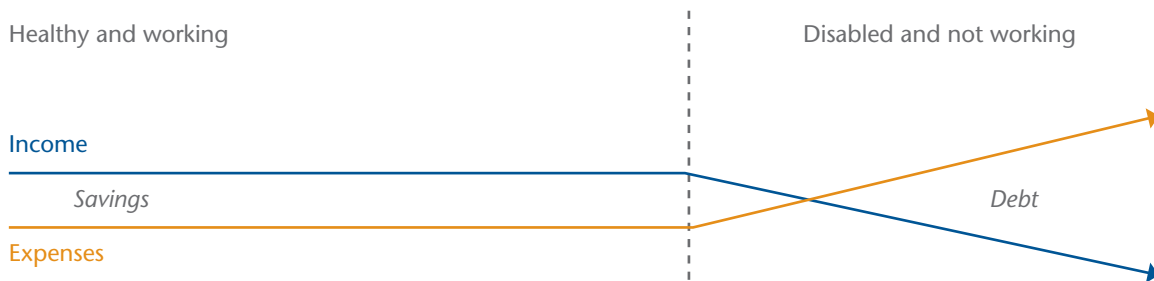
There are many components to financial security, but an individual's ability to work and earn an income is what makes everything else possible.

People usually insure their homes, cars and personal property, yet often don't think of insuring the one thing that provides for everything else – their income.

If income is disrupted by even a short-term illness or injury, goals and retirement dreams can be jeopardized. When someone is too sick or hurt to work, everyday living expenses continue, such as: food, clothing, transportation, housing, insurance premiums, and funding for retirement or college education. Plus, there may be additional disability-related expenses for medical treatment, special equipment or assistance.



When disability strikes, expenses increase



FACT

68% of Americans would have difficulty making ends meet if their paychecks were delayed for a week.

– American Payroll Association, "Getting Paid in America" Survey, 2012.

Income Protection Solutions for Individuals

SOLUTIONS	KEY TERMS AND ITEMS TO NOTE
<p>Individual Disability Income (DI) insurance helps individuals protect their ability to work and earn an income.</p> <p>In the event of a qualifying disability, this policy provides monthly benefits to help pay for daily living expenses, which may include increased medical expenses.</p> <p>Coverage typically costs just 1-3% of an individual's income.</p> <p>Any benefits received are income tax-free when premiums are paid with after-tax dollars.</p>	<p>A basic policy covers a Total Disability; riders can be added to the policy to customize a solution for your client.</p> <p>Elimination Period is the length of time before benefits are available after incurring a disability.</p> <ul style="list-style-type: none"> • <i>Elimination period options:</i> 30,¹ 60, 90, 180, or 365 days • <i>Common selections:</i> 90-day or 180-day elimination period <p>Benefit Period is the length of time benefits are paid (after the elimination period is satisfied).</p> <ul style="list-style-type: none"> • <i>Benefit period options:</i> two years¹, five years, to age 65, to age 67, and to age 70 • <i>Common selections:</i> To age 65 or to age 67 <p>Your Occupation Period is the length of time the insured is protected in his or her specific occupation and is not required to work in another occupation.</p> <ul style="list-style-type: none"> • <i>Your Occupation period options:</i> two years, five years, to age 65, to age 67, and to age 70 • <i>Common selections:</i> Matching the Your Occupation period to the Benefit Period <p>Monthly Benefit Amount depends on a variety of factors, including income, occupation and existing coverage.</p>
<p>Core Value Income ProtectionSM provides four packaged benefit designs, making it easier to offer income protection.</p> <p>It is available to individuals in most 2A and 3A occupation classes² earning less than \$100,000 annually.</p> <p>Just like Individual DI insurance, Core Value Income Protection provides monthly benefits to help cover daily living expenses.</p>	<p>Elimination Period: 60 or 90 days</p> <p>Benefit Period: 5 years or to age 65</p> <p>Your Occupation Period: 5 years</p> <p>Monthly Benefit Amount: Up to 50% income replacement</p> <p>Built-in Riders: 12-month Short-Term Residual Disability rider³, Future Benefit Increase³ and Mental/Nervous and Substance Abuse rider (required)⁴</p>

¹ Not available in California.

² Not available for registered nurses (RNs), court reporters, dental assistants, dental hygienists and dental lab technicians.

³ May be removed or modified by an underwriting action.

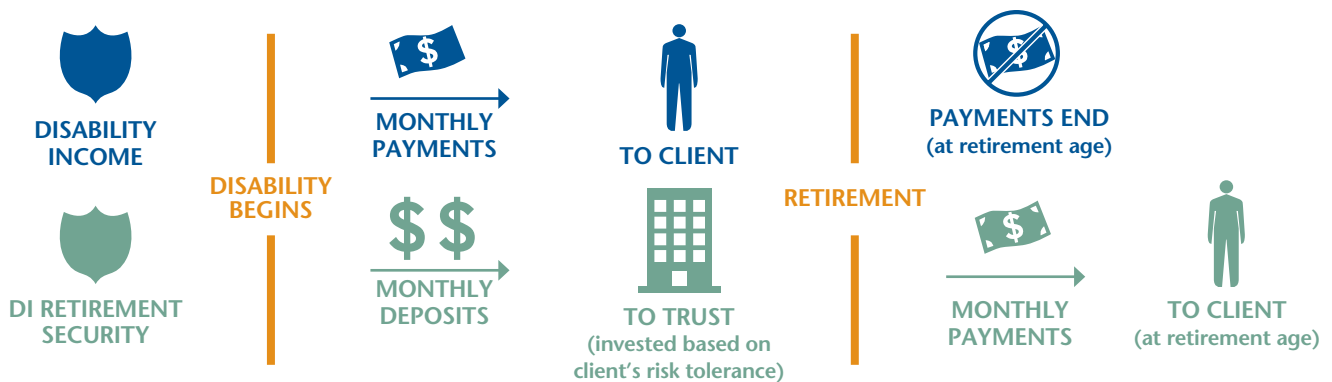
⁴ The MNSA rider is required for all Core Value Income Protection single-life and multi-life policies. Provides a premium discount of 10% for a To Age 65 benefit period and 5% discount for a 5-year benefit period. In TX, the discount is 5% and 3% respectively. The rider is not available in VT.

Retirement Savings Protection

SOLUTIONS	KEY TERMS AND ITEMS TO NOTE
<p>DI Retirement Security helps individuals continue saving for retirement. In the event of a disability, benefits are paid to an irrevocable trust to be accessed as retirement income.</p> <p>When a disability occurs, most can no longer save for retirement (due to loss of income), contribute to 401(k) plans and receive their employer's match (if available) or contribute to Social Security.</p>	<p>Minimum annual income to qualify is \$76,000.</p> <p>Maximum monthly benefit amounts⁵</p> <ul style="list-style-type: none"> • The lesser of \$4,385/month or 15% of annual earned income if paid by an individual • The lesser of \$5,640/month or 19% of annual earned income if paid by an employer <p>Elimination periods: 180 or 365 days</p> <p>Benefit periods: To age 65 or to age 67</p> <p>Several investment options are available, including trust options,⁶ an annuity and mutual funds, upon a qualifying disability.</p> <p>Early withdrawals are possible for certain hardships.</p>

Individual DI insurance and DI Retirement Security together

Pair DI Retirement Security with Individual DI insurance to offer clients ongoing protection.



DI Retirement Security automatic offer

Principal Life underwriters automatically review Individual DI insurance applications to determine if clients can also qualify for DI Retirement Security. If your client qualifies, you have the opportunity to make an additional sale by extending a DI Retirement Security offer.

FACT

One in four of today's 20-year-olds will become disabled before retiring.

– Social Security Administration, Fact Sheet, Feb. 2013.

⁵ Includes a \$50 monthly trust administration fee. Maximum amount adjusts with IRS contribution guidelines.

⁶ To learn more about the trust, visit principal.com/bankerstrust.

RESOURCE

DI and DI Retirement Security flyer (JJ1210). Find it at www.principal.com/virtualsupply.

Marketing Income Protection

Marketing income protection can be done in three simple steps:

STEP 1: Identifying the target market **STEP 2:** Approaching clients **STEP 3:** Handling objections

STEP 1: Identifying the target market

Almost everyone in the working population is a good candidate for Individual DI insurance. Middle-income earners rely on their paychecks to cover daily living expenses. Higher-income earners need solutions to help protect the lifestyles they've worked so hard to achieve. Ideal candidates include those who:

- Are age 30 to 55
- Earn a minimum annual income of \$40,000
- Have other insurance or investments with you
- Are interested in protecting their income or ability to save for retirement
- Meet the company's underwriting guidelines for occupation, income and medical history

OCCUPATIONS THAT TEND TO PURCHASE INDIVIDUAL DI INSURANCE

- | | | |
|---------------------|--------------------------------|-------------------------|
| • Accountants/CPAs* | • Employees of large companies | • Medical professionals |
| • Actuaries* | • Engineers* | • Optometrists* |
| • Architects* | • Executives* | • Pharmacists* |
| • Attorneys* | • IT professionals | • Physical therapists |
| • Business owners | • Judges* | • Sales professionals |
| • Dentists | • Management professionals | • Veterinarians |

* These are great occupations to approach because they qualify for preferred pricing.

Getting started

Approach your existing clients about the importance of income protection. Now is the time to help them protect their dreams and achieve even greater financial security. Start by identifying clients who have:

- Experienced a life change, such as getting married, having a baby, purchasing a home, etc.
- Recently received a promotion or an increase in income
- Disability benefits through their employer, but may need additional protection
- Bought other investments or insurance products with you

SALES TIP

Sell to clients and their colleagues.

With Principal Life, you can offer a **20 percent Multi-Life Discount** when three or more employees with a common employer purchase individual disability insurance. (See page 13 for more details.)

Get active in the community. Introduce yourself and what you do. Participate in neighborhood organizations, association meetings, chamber of commerce events and city-sponsored events, such as art and music festivals, farmers' markets, etc.

Identify traditional markets, such as accountants, attorneys, business owners, dentists and physicians and develop a list of offices in your community to approach.

Consider forgotten markets. Often producers look at particular businesses and decide not to call on them because some employees may be uninsurable, such as a trucking firm. (Truck drivers typically aren't insurable under Principal Life's guidelines.) But virtually all of these businesses have middle managers, office staff and owners who are insurable yet often overlooked.

Work with small- to medium-size businesses. Offering an attractive benefits package is important. Principal Life offers a 20 percent Multi-Life Discount that allows employers to enhance their benefits with competitively priced Individual DI insurance. It's a great supplement to group long-term disability insurance. Plus, employers can choose how the premiums are paid – by the employer, employees or a combination of both. (See page 13 for more information on this discount.)

SALES TIP
If your clients need life insurance, this is a great indicator they may also need disability insurance.

STEP 2: Approaching clients

Most clients won't ask for income protection; you need to bring it up. **Don't leave a sale on the table because a client didn't ask about disability insurance.**

When talking with a client about Individual DI insurance, start by doing a needs analysis followed by addressing specific areas of concern with sales concepts.

Needs analysis

Ask questions that help you gather enough facts and feelings from your clients to understand their needs and create a strategy.

Planning needs

- "What plans have you made to replace your income if you became too sick or hurt to work?"
- "What plans do you have to save for retirement? What would happen to those plans if you became too sick or hurt to work?"
- "Do you think insurance to protect your income would help you feel more financially secure?"

Personal aspects

- "Do you know anyone who has been unable to work due to an illness, such as cancer, a heart condition or stroke?"
- "Do you rely on your income today to pay daily living expenses? What would happen if that income stopped?"
- "Is saving for retirement important to you?"

Hypothetical scenarios

- “If you became disabled and didn’t have any coverage, what would happen? Where would you have to cut back? What bills would you not be able to pay?”
- “Imagine being able to still bring home about 70 percent of your income if you were disabled. What sort of peace of mind would that give you?”
- “If you purchased coverage, how would it help you continue the lifestyle you’ve grown used to?”

Sales concepts

Once you understand your clients’ needs, motivate them to take action by using sales ideas that show why income protection is so important. Here are seven sales concepts to help you get started:

1 Earnings exposure

What would your clients do if they were too sick or hurt to work? If it’s hard to live within their income when they’re healthy, how would they live without it when disabled? This chart shows “earnings exposure”

– the amount of potential earnings at stake if income is halted by a disability.

POTENTIAL EARNINGS TO AGE 65 (assuming 5% annual salary increases)						
Age	Annual Income					
	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000	\$200,000
25	\$3,019,994	\$6,039,989	\$9,059,983	\$12,079,977	\$18,119,966	\$24,159,955
30	\$2,258,000	\$4,516,000	\$6,774,000	\$7,076,000	\$13,548,000	\$18,064,000
35	\$1,661,000	\$3,322,000	\$4,983,000	\$6,644,000	\$9,966,000	\$13,288,000
40	\$1,193,000	\$2,386,000	\$3,380,000	\$4,773,000	\$7,159,000	\$9,545,000
45	\$827,000	\$1,653,000	\$2,480,000	\$3,307,000	\$4,596,000	\$6,613,000
50	\$539,000	\$1,079,000	\$1,618,000	\$2,158,000	\$3,237,000	\$4,316,000
55	\$314,000	\$629,000	\$943,000	\$1,258,000	\$1,887,000	\$2,516,000
60	\$138,000	\$276,000	\$414,000	\$553,000	\$829,000	\$1,105,000

2 Three most important assets

List these three assets and ask your client to rank them in order of importance:

- ___ Your house
- ___ Your car
- ___ Your ability to work and earn a living

In most cases, your client will respond: “#1, my ability to earn a living; #2, my house and #3, my car.” Ask your client, “Of those assets, which are fully insured?” His or her response is sure to be, “My house and car.” Your client has just identified a gap in his or her financial strategy.

SALES TIP

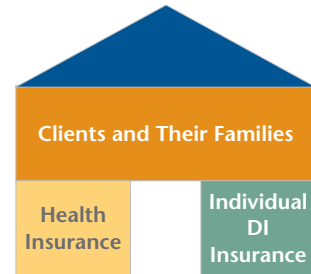
Use this approach checklist:

- Ask questions to uncover the client’s feelings about the need for income during a disability.
- Discover any biases and previous experiences that may present roadblocks.
- Educate the client on the importance of income protection; cite real-life examples to help illustrate this point.
- Determine if there are issues such as health conditions or lack of discretionary income.
- Position yourself as a resource for a variety of financial needs.
- Use phrases like “paycheck protection” and “income protection.” These statements may resonate better with clients than “disability insurance.”

3 **Health insurance is just half of the story**

Individual DI insurance is an important part of a balanced health insurance plan. Your clients probably have health insurance to help pay for hospital bills, doctors' bills, medications and treatments. But that barely covers half of their overall expenses.

To create a stronger health plan, they also need Individual DI insurance. Upon a qualifying disability, it pays clients benefits to help cover daily living expenses, like groceries, transportation, mortgage/rent and insurance premiums, as well as increased medical expenses that health insurance may not cover.



4 **What is your "Plan B"?**

Talk to your clients about what they would do if tomorrow they could no longer work and earn an income? Do they have a "Plan B" that provides for themselves and their families? Show them two options – Plan A and Plan B – and ask which they would rather have.

PLAN A	PLAN B
Annual salary \$100,000 if working (before taxes)	Annual salary \$98,600 if working (before taxes)
\$0 Income while too sick or hurt to work	\$60,000 Income from your DI insurance policy (after taxes) while too sick or hurt to work

Note: Calculations assume \$100,000 less \$1,400 in hypothetical annual disability income insurance premiums. Premiums and \$5,000 monthly benefit amount depend on various factors. Your local representative can illustrate the exact amount you're eligible for based on current underwriting guidelines. This is a hypothetical example only.

5 **Whom do you know?**

Ask your clients to write down the names of three people they know who would be willing to help them for three months, six months, a year or longer with tasks like:

- Mowing the lawn
- Taking their children to school
- Buying groceries
- Paying bills
- Running errands
- Doing household chores

If your client becomes too sick or hurt to work, everyday activities may need to be done by someone else. Would your client have the resources to make ends meet?

6 Early retirement

Could your clients afford to retire today? If the answer is “no,” they need to have plans to protect their ability to work and earn an income. While many people plan for their retirement years and may even dream of retiring early, they probably are not prepared for an *unexpected early retirement* – a long-term disability. Much like retirees who rely on their savings to cover their living expenses, if your clients became too sick or hurt to work, they would likely need to draw on their savings because their income would stop.

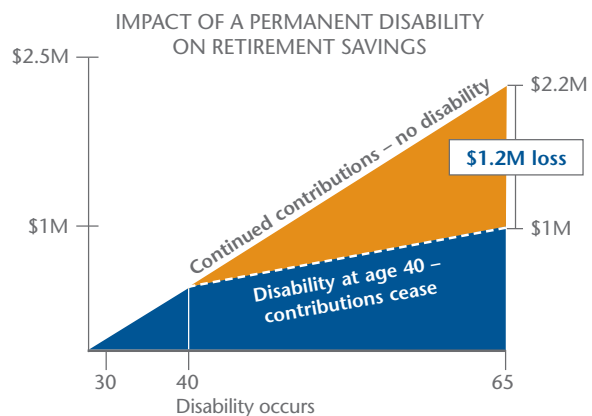
Ask your clients, “Could you afford to retire today? How would your day-to-day life be affected and how long would your savings last if you took an unexpected early retirement?” With Individual DI insurance, they won’t have to worry.

7 Losing retirement dreams

It’s difficult enough saving for retirement when everything’s going fine. But, what if your clients became disabled? What would happen to their retirement dreams if they could no longer contribute to:

- Their employer-sponsored 401(k) plan and receive their employer’s matching contributions?
- Social Security?
- Other retirement savings vehicles?

This graph shows the amount of retirement savings that could be lost due to a permanent disability at the age of 40. DI Retirement Security helps close that gap by providing your clients with a way to continue saving for retirement if they become too sick or hurt to work.



Assumptions: \$2,000/month contributions beginning at age 30, 5% rate of return and age 65 retirement. Consequences of disability at age 40, without DI Retirement Security.

SALES TIP



To hear how three top sales professionals position the need for income protection with clients, scan the code at left or go to www.principal.com/ArtofSellingDI.

RESOURCE

Get more simple sales concepts with the *Consumer flipchart* (JJ1151). Find it at www.principal.com/virtualsupply or get an animated version at www.principal.com/diflipchart.

STEP 3: Responding to objections

Being able to respond quickly to common objections helps you stay on track for a sale.

Alternate income sources

- **“I can use my savings to replace lost income.”**
 - Remind them of the amount of savings they have available.
 - *Ask:* Would this amount be sufficient to meet your needs? What about the plans you had for that money?
 - *Explain:* Chances are you’re not saving for a disability – you’re saving for a new home, retirement, your children’s college education, travel, etc. Even if you save 10 percent of your salary, a one-year disability could eliminate many years of savings.
- **“I have enough disability coverage through my employer.”**
 - *Ask:* Could you survive a 50 percent pay cut (after taxes) if you became disabled? And what would happen if you lost your group disability benefits?
 - *Explain:* Group long-term disability insurance is a great start. It typically covers 60 percent of your gross income and the benefits are usually taxable. After taxes, you’re left with approximately half of your gross income.
- **“I could borrow money from family or friends.”**
 - *Ask:* Would you want to put that burden on your family? How long could they support you?
 - *Explain:* The amount of money needed may be quite substantial and required for a long time.
- **“I could borrow money from a bank.”**
 - *Ask:* With no income and no certainty the loan could be repaid, which banks would loan the money? Could someone who is unable to work afford the loan repayments?
- **“I could liquidate investments.”**
 - *Ask:* If you liquidated your investments, would you receive the full value, especially if you’re invested in stocks and mutual funds? What if you were forced to sell at a loss?
 - *Explain:* If the stock market was down or the real estate market depressed when this money is needed, you may not have enough to cover your living expenses.
- **“Social Security or Workers’ Compensation will take care of me.”**
 - *Explain:* The Social Security Administration initially denies about 65 percent of all claims⁷ and pays benefits for total and permanent disabilities only. Workers’ Compensation benefits are limited to only occupational diseases or injuries arising out of or in the course of employment. And the benefit amount from either of these sources may not be enough to maintain your lifestyle.

Too expensive

- **“I’m paying too much for insurance already.”**
 - *Ask:* What do you pay to insure other assets like your home or cars? What are these assets worth? What are your potential earnings worth?

⁷ Social Security Administration, Office of Disability and Income Security Programs, 2013.

– *Explain:* Let me give you a scenario. We have someone who is 35 years old and earning \$50,000 a year. For simplicity, we'll assume he or she won't receive a raise for the next 30 years. At an annual income of \$50,000, over the next three decades, \$1.5 million dollars will flow through his or her hands (\$50,000 a year times 30 years). The ability to earn an income is a vital asset to protect.

• **"It costs too much."**

– *Explain:* The average annual cost of Individual DI insurance is 1 to 3 percent of what you earn. For less than what most people spend on incidental "necessities" a month (like coffee, smartphones and internet service), you could own a policy that protects your paycheck. Buying while you are younger also works to your advantage since people usually don't get healthier as they grow older, and coverage will cost more.

SALES TIP

Use discounts

Principal Life offers premium discounts to make coverage even more affordable. Many of the discounts can be used together, which provides additional savings.

(See page 13 for more details.)

Lacking urgency

• **"I'd like to check with other companies."**

– *Ask:* I appreciate the fact that you'd like to check with other carriers, but do you agree you have a need for additional protection?

– *Explain:* We could get the paperwork completed now. While you're checking with other companies, we can have underwriting determine the level of coverage you qualify for.

• **"I don't think I need income protection."**

– *Ask:* What would your life be like without your income? Are you prepared to risk your standard of living, credit rating, home, retirement savings/other assets and peace of mind if you became too sick or hurt to work?

– *Explain:* There are many components to financial security, but your income makes everything else possible.

• **"I can buy disability insurance later."**

– *Ask:* How long could you survive without your income if you became disabled next week?

– *Explain:* We can't predict when the unexpected may happen. Coverage costs more the longer you wait. Plus, you may not be as healthy in a few years.

• **"Would I even have a disability that would be covered?"**

– *Explain:* You'd be surprised at the many different types of illnesses and injuries that leave people disabled and unable to work. Most often, we think disabilities are caused by accidents, but in reality more than 90 percent are caused by illnesses, like back problems, joint and muscle pain, cancer, heart conditions and mental and nervous disorders.⁵

– *Ask:* Do you know of anyone who has had one of these types of illnesses or diseases?

RESOURCE

Know the Facts brochure (JJ1260). Find it at www.principal.com/virtualsupply.

⁵ Council for Disability Awareness, 2013 Long-Term Disability Claims Review.

Structuring Coverage for Different Needs and Budgets

Principal Life’s Individual DI insurance policy features an unbundled policy design, offering you the opportunity to create an income protection solution to help meet clients’ unique needs and budgets.

Customize policy components

Vary the length of time or the amount of benefits provided to achieve the right balance of coverage and premium costs for your clients. This chart shows modifications you can make to policy components to either lower premiums or provide richer benefits.

SALES TIP

Present clients with three different solutions that vary in price. Giving them options can increase the likelihood of closing the sale.

	LOWER PREMIUM	RICHER BENEFITS
Elimination Period	Increase the length of the Elimination Period	Decrease the length of the Elimination Period
Benefit Period	Decrease the length of the Benefit Period	Increase the length of the Benefit Period
Your Occupation Period	Decrease the length of the Your Occupation period	Increase the length of the Your Occupation period
Monthly Benefit Amount	Lower the monthly benefit	Increase the monthly benefit

Evaluate which riders are needed

Principal Life’s basic policy protects the insured in the event of a total disability. Riders that provide protection in the event of a residual disability or expand the protection offered by the standard definition of total disability are common additions to policies (e.g., Transitional Occupation, Regular Occupation, Residual Disability and Recovery Benefit). These riders require additional premium, so be sure to determine your clients’ needs and scope for additional protection. Other riders are available to further customize the policy, including cost of living adjustments and protection in the event of a catastrophic disability.

RESOURCE

Designing Your Policy brochure (JJ1508). Find it at www.principal.com/virtualsupply.

Take advantage of discount opportunities

In some cases, you can provide up to 30 percent in premium discounts by offering discounts together.

20% Multi-Life Discount (based on unisex rates)	Available when three or more employees with a common employer purchase coverage; can be used with MNSA and Select Occupation discounts.
10% Select Occupation Discount	Available for several occupations, including accountants/CPAs, actuaries, architects, attorneys, engineers, executives (earning over \$60,000), judges, pharmacists and more; can be used with Association, Multi-Life and MNSA discounts.
10% Association Discount⁹	Available for members of approved associations; can be used with MNSA and Select Occupation discounts.
10% Affiliation Discount¹⁰	Available when three or more 1099 contractors from the same business entity/firm purchase coverage or three or more franchisees (or key employee) under the same franchisor purchase coverage. The discount is not available to medical professionals; can be used with MNSA and Select Occupation discounts.
Up to 10% Mental/Nervous Substance Abuse (MNSA) Disorders Limitation Discount	Available through a rider that provides mental/nervous and substance abuse benefits for a maximum of 24 months; ¹¹ can be used with Association, Affiliation, Multi-Life and Selection Occupation discounts.

Note: Not all discounts can be used together or may be available based on state approval.

Policy design examples

Below are three policy designs that show how you can structure a Principal Life Individual DI insurance policy.

Policy Features	Comprehensive Coverage		Moderate Coverage		Basic Coverage	
	Male	Female	Male	Female	Male	Female
Monthly benefit	\$2,450 (maximum available)		\$1,850 (approx. 75% of max.)		\$1,500 (approx. 61% of max.)	
Elimination Period	90 days		90 days		180 days	
Benefit Period	To Age 65		To Age 65		5 years	
Your Occupation Period	To Age 65		To Age 65		5 years	
Total Disability covered	Yes		Yes		Yes	
Residual Disability covered	Yes		Yes (12-month duration)		No	
Cost of Living Adjustment rider added (cot rider)	Yes (3%)		No		No	
Total monthly premium	Male	Female	Male	Female	Male	Female
	\$89	\$154	\$57	\$99	\$20	\$35

Assumptions: Michigan resident, HH 750 policy, \$40,000 annual income, 4A occupation class, non-tobacco, age 35.

⁹ Available for Disability Income, Overhead Expense and Disability Buy-Out insurance based on state approval. For more information, visit: principal.com/distateapprovals.

¹⁰ Requires three or more individuals with a common affiliation working with the same producer. The discount is not available to doctors (M.D., D.O.), physician's assistants, psychiatrists, nurses (RN or LPN), nurse practitioners, CRNAs, nurse anesthetists, medical residents/students or other hospital/medical workers. Franchise owners must be actively working in the business; not available to investors, owners or key employees of home-based or route sales franchises.

¹¹ In Texas, not available on 2-year benefit period; 3 percent discount on 5-year benefit period; 5 percent discount for all other benefit periods. Not available in Vermont. In California, Florida, Louisiana and Nevada, the MNSA rider is required for single-life cases; it is not available for single-life cases in any other states except when required for association cases or when certain riders are placed on a policy for select occupations. For multi-life cases, the rider is required in California and optional in all other states.

Underwriting Individual DI Insurance

The three risk factors below are the most important in underwriting disability insurance:

<p>OCCUPATION</p>	<p>Your client’s profession correlates to an occupation class. An occupation class helps determine the proper premium rate, as well as the maximum benefit amount available. Principal Life, like most carriers, offers a range of occupation classes.</p> <p>The occupation classification assigned is based on the client’s job duties, education, environment where duties are performed and earnings.</p> <ul style="list-style-type: none"> • Principal Life’s occupation classes are (highest to lowest): 6A¹², 5A/5A-M, 4A/4A-M, 3A/3A-M, 2A, A. • Higher occupation classes, such as attorneys or executives, typically have little to no manual duties. • Lower occupation classes, such as shipping and receiving clerks or press workers, tend to have more manual duties. <p>Job duties are key in occupation classification. If a client’s profession falls between two classes, make the sale based on the lower occupation class. After review, if you can offer a higher occupation class at a lower premium, you’ll be in a better position to successfully place the policy since you’ll return with an improved offer.</p>
<p>FINANCIAL/ INCOME</p>	<p>Because disability insurance helps replace lost income, reviewing financial documentation is necessary to determine a benefit amount that allows a certain standard of living.</p>
<p>MEDICAL</p>	<p>Medical history is critical and can require comprehensive information gathering.</p> <p>If you have a client with the conditions listed below, we recommend you proceed with underwriting, but with the understanding that the policy could be rated, rideder or declined.</p> <ul style="list-style-type: none"> • Anxiety/stress or other mental/nervous conditions • Back strain/sprain or other back-related conditions • Carpal tunnel syndrome or arthritis • Cancer • Emphysema • Heart attacks • Hepatitis • Kidney disease • Obesity • Pancreatitis • Seizures or strokes <p>Note: As clients age, their health is likely to decline. The younger your client, the more favorable the premium rate. Principal Life issues policies for clients who are ages 18 to 60. Older issue ages may be available for multi-life cases based on underwriting approval.</p>

RESOURCE *Understanding Underwriting flyer (JJ1377). Find it at www.principal.com/virtualsupply.*

¹² The 6A occupation is available for Individual DI insurance, including DI retirement Security, in approved states. It is not available in California. For state approval information, visit principal.com/distateapprovals.

Keep in mind that non-medical factors are also considered because they can elevate a client's risk. Common non-medical factors include tobacco use, driving record, residency status and leisure activities that might be considered hazardous, such as hang gliding, scuba diving or auto racing.

Principal Life's Simplified Sales Program

This streamlined underwriting program makes the application process easier. It features:

- Limited underwriting
 - No routine medical requirements¹³
 - No financial verification for annual incomes less than \$150,000¹⁴
- Benefit amounts up to:
 - \$4,000 for single-life (issue ages 18-50)
 - \$6,000 for multi-life (issue ages 18-64; may vary by occupation class)
- An accelerated underwriting decision once the application and TeleApp (telephone medical interview) are completed and received.

SALES TIP

Use TeleApp to expedite the application process for Simplified or fully underwritten cases.

- 95 percent of Principal Life's individual disability insurance cases use TeleApp.
- A 17-day average underwriting turnaround time makes Principal Life an industry leader.

Call TeleApp at 888-TeleApp

Simplified DI uses **TeleApp**, a telephone medical interview that is a convenient alternative to the traditional application. A trained Principal Life professional calls clients and asks the confidential medical questions needed to complete part of the application. **It's quicker and easier for both you and your clients.**

Four ways you can help facilitate the underwriting process

- 1 **Understand the difference between life and disability insurance underwriting.** Life underwriting looks at *mortality* to determine risk, while disability underwriting looks at *morbidity* to determine risk. If a client has qualified for standard life insurance, it does not necessarily mean he or she is a standard risk for disability insurance. Explain this underwriting difference to clients so they are aware of it and are prepared for any possible variance in their underwriting rating.
- 2 **Partner with your underwriter** to assure your case gets evaluated fairly, underwritten smoothly and issued quickly. Be sure to provide all the necessary documentation upfront and complete the application thoroughly. This gives the underwriter a better understanding of your client in order to make the most favorable decision.

¹³ No blood, urine, exams, EKGs or APs required, unless a significant medical condition is reported by MIB, significant medical information is obtained from the TeleApp or other available information, or any other disability coverage has been issued or applied for on a non-medical basis. Applications could be rated, rideder or declined based on all underwriting information available; this is not a guaranteed issue program. Urine/HIV test is required in Maine. Subject to Issue & Participation limits and minimum premium requirement. Combined Simplified DI benefits and Simplified Overhead Expense benefits, including any Business Loan Protection rider benefits, cannot exceed \$10,000/month.

¹⁴ Financial documentation is required for the following occupations (regardless of income): real estate agent/broker, mortgage originator/broker, real estate attorney, residential construction contractor and real estate developers.

③ **Maintain clear communications with your clients.** Explain to your clients the important factors in the underwriting decision – occupational duties, financials and medical issues. Help them understand what they can expect from the underwriting process.

④ **Ask pre-screening questions** to uncover information about your clients' financial, occupational and medical background and then document the responses. This information will be helpful when you are ready to design a policy solution and submit the case to underwriting.

- How long could you live off your savings before disability benefits begin?
- If you became disabled today, how much monthly income would you need before taxes?
- Would it be important for your benefits to keep up with inflation?
- Tell me about any current disability insurance you have. Ask for carrier, group/individual coverage, elimination period, benefit period, monthly benefit and annual premium.
- Tell me about your income history, annual income, bonuses and investment income for the past few years.
- Tell me about your occupation:
 - What are your duties at work?
 - Are you self employed? If so, for how long?
 - Do you own a business? How many employees do you have? What is your percentage of ownership of the company?
 - Do you work out of your home?
- Tell me a little bit about your medical history:
 - What is your height and weight?
 - Do you take any medication?
 - Do you have a history of any significant illnesses or medical conditions?

FACT

Approximately 90 percent of disabilities are caused by illnesses rather than accidents.

– Council for Disability Awareness, 2013 Long-Term Disability Claims Review.

RESOURCE

Tips for Better Underwriting (JJ1250). Find it at www.principal.com/virtualsupply.

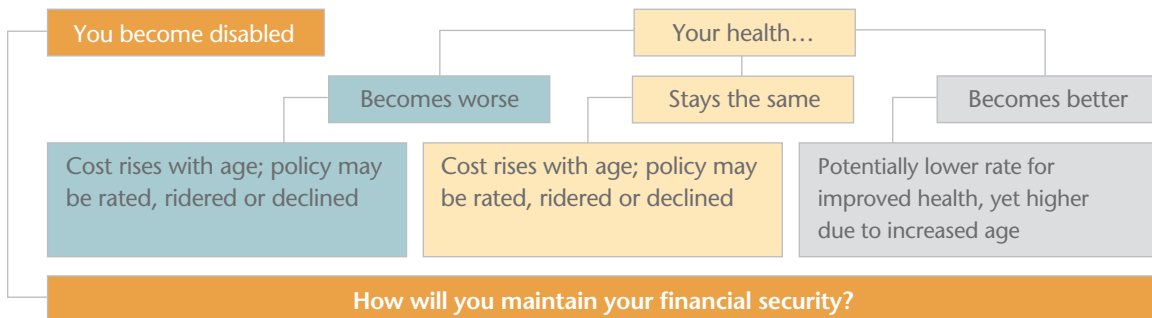
Underwriting decision

Once underwriting has reviewed the application and any underwriting requirements, a policy may be:

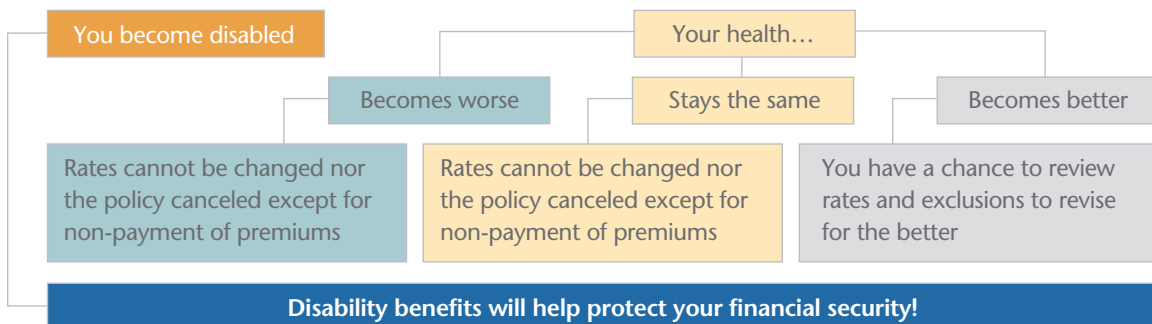
- Issued as applied for
- Issued other than applied for (modified)
 - An exclusion rider may be added
 - The elimination period, benefit period, monthly benefit and/or occupation class may be changed
 - The benefits provided by riders may be adjusted or declined
- Declined

If you need to place a **modified offer**, be sure to reiterate to clients the importance of income protection and that *some* coverage is better than no coverage. Depending on the medical condition, the case could qualify to be re-evaluated at a future date. This graphic shows potential outcomes if a client does or does not accept a modified policy.

If you DON'T accept the modified policy and...



If you DO accept the modified policy and...



RESOURCE

Accepting a Modified Policy flyer (JJ1258). Find it at www.principal.com/virtualsupply.

Closing the Sale

Preparing for the meeting

- Run several proposals to show different solutions to your client. Make enough copies for everyone to see easily.
- Have the needed forms and validation materials with you. Also have phone numbers for medical examiners or TeleApp (888-TeleApp) on hand so you can easily schedule an exam.

During the meeting

- Ask if there have been any changes since your last meeting. You're looking for new information the client may have remembered or any changes in attitude that may affect the proposals you've prepared.
- Confirm that the client would like to proceed based on the needs you've identified:
 - "When we met last time, you said you wanted to be sure you had money after your sick days and vacation ran out, which is about four months. I've designed the policy with a 90-day elimination period so you'll be eligible to receive your first check in about 120 days. Does that still make sense?"
 - "You were concerned about whether you'd qualify for Social Security disability benefits. I've included the Social Insurance Substitute Benefit to help assure you have the money you need. What this means is if you're disabled and Social Security doesn't pay, your coverage will."
- Show the prospect specific benefits you're discussing in a sample policy or illustration.
- Explain the benefits, not just the specific policy features, to validate the policy you're offering. Show your client how they help meet his or her needs.

Making the sale

- Ask for the sale. These questions can help you move toward closing:
 - "Do you feel this is something you can commit to?"
 - "Do you want to proceed with the application?"
- If your client is hesitant to buy or has objections, address the concerns based on the information you've learned about the client over the course of the selling process. Ask:
 - "If it were free, would you buy it?"
 - "Is the premium jumping off the page at you? Remember, it is only 1 to 3 percent of your annual income."

Close the discussion by asking if your client has any questions regarding the policy or what happens next. Explain that you'll submit the signed application, and the policy will be issued in several business days once the TeleApp is completed for a Simplified DI case or within two weeks for a fully underwritten case.

Key success factors

Communicate in easy-to-understand terms. Too much insurance lingo and technical terms can detract from the conversation. Stick to easy-to-understand terms that resonate with your clients.

Hone your presentation style. Make it conversational and practice to sound natural. Give clients time to respond to your questions, even if it means long pauses. The more you sell, the easier it becomes.

Provide options. When presenting proposals, provide three options with different price points. This tends to be the "magic" number – it doesn't overwhelm, yet it gives clients the power to choose.



Case Success Stories

The following case studies show how producers have found success selling disability insurance.

Ask for the disability insurance sale

The case: The client had already done some initial planning with another financial representative (e.g., investing retirement assets and purchasing life insurance), but no one had ever discussed with him the importance of income protection and the ramifications of not having disability insurance in his portfolio. The client was very interested in protecting his income.

Recommended solution: The producer recommended Principal Life Individual DI insurance. The producer focused on the competitive advantages of the policy, including the definition of disability, the Residual Disability Benefit rider (an optional cost rider), the Catastrophic Disability Benefit rider (an optional cost rider) and the 10 percent discount available for select occupations.

Sell peace of mind

The case: A husband and wife were very concerned about saving for retirement, especially in an uncertain economic environment. The couple expressed interest in starting a Roth IRA and Individual DI insurance.

Recommended solution: The producer discussed the chances of suffering a disability and the effects it could have on their lives, their standard of living and their savings. The couple understood that without an income, their dreams for retirement might not be realistic. Working within a budget, the couple agreed they couldn't afford not to protect their income and purchased Individual DI policies. They decided to hold off on the Roth IRA until they could comfortably afford it.

FACT

In the United States, a disabling injury occurs every second;
a fatal injury occurs every 4 minutes.

– National Safety Council®, *Injury Facts*® 2012 Edition.

RESOURCE

Go to www.principal.com/financialprofessional for more success stories.



For More Information

Individual Disability insurance is a great addition to the financial solutions you currently offer clients. Learning more about Principal Life’s complete IDI offering and how to market it can lead to potentially lucrative sales and a wider client base.

Take advantage of these resources today:

Our Producer Website on *principal.com*¹⁵ is *the* place to find:

- Product and underwriting information
- News on the latest products and services
- Marketing tools and resources

National Sales Desk — Call 800-654-4278, options 2, 2, to speak to experienced consultants who can provide support for your individual disability insurance sales.

Wholesaling Team — Principal Life’s disability wholesaling teams provide regional support and have years of experience and expertise to help you learn about and sell disability insurance. Their primary role is to help you generate sales. They provide training and sales seminars, assist in case design and implementation and do what it takes to help you make the sale. Best of all, you can access this wealth of knowledge without splitting commissions.

Qualified prospects

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¹⁵ Some content requires you to be appointed and licensed with Principal Life. If you don’t remember your username and password, call 800-554-3395 for assistance. The support line is staffed Monday – Thursday, 7 a.m. to 6 p.m. Central Time, and Friday, 7 a.m. to 5 p.m. Central Time.



WE'LL GIVE YOU AN EDGE®

Principal Life Insurance Company, Des Moines, Iowa 50392-0002, www.principal.com

Please remember to abide by the company's policy on disclosure of compensation. You can obtain more information, as well as a sample disclosure form, at principal.com.

For producer information only. Not for use in sales situations.