Principal®

Individual disability insurance — Series 700

Product description and underwriting guide

Individual disability insurance (IDI)

Quoting and sharing customer proposals is easy with the IDI illustration system from Principal®.

Key features of our system (for new business cases) include:

- Pre-filled applications and forms.
- The ability to have multiple cases open at once.
- The ability to transfer client information to our eApp system.
- Enhanced reports and marketing materials.
- Easier access to underwriting incentives, such as the Business Owner Allowance.

A few things to keep in mind:

- The new business and existing policy illustration systems provide premium quotes based on the information entered and programmed into the system.
- If the state of residence is different from the state the application is written, both need to be indicated in the illustration system.
  - **State of residence** determines premium rates and underwriting guidelines.
  - **State written** determines the application, policy form and available riders.
- The illustration system will display all mode payments available to the client.
- Illustrations do not necessarily reflect all underwriting guidelines, and it should not be considered an expert underwriting system.

Digital capabilities

- eApp — Complete and submit new business and Benefit Update applications electronically.
- ePolicy — Receive clients' policies electronically, so you can save time and print it locally.[1]

Plus, there are several online reports at advisors.principal.com to help you easily manage your IDI business.

[1] Applies to individual Disability Income (HH750). Delivery requirements are emailed directly to the field office contact.

The product descriptions in this underwriting guide highlight some of the provisions and optional riders of individual disability insurance policies and programs from Principal®. Policy provisions may vary in certain respects from the descriptions herein because of state laws and regulations. Please make sure that you are familiar with the policy provisions as they apply in your state since all rights and obligations will be governed by the actual policy language.

State-specific sample policies are available.

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Principal offers a variety of discounts on its Series 700 individual disability insurance solutions:

- Up to 10% Mental/Nervous & Substance Abuse—1-15
- 20% multi-life (employer and resident options)—8-4
- 10% Affiliation—10-2
- 5% Preferred Business Owner—6-9
- 10% Association—11-2
- 10% Select Occupation—12-5

Disability Income

(HH750)

Disability Income (HH750)

This section provides detailed information on the features, riders and underwriting guidelines for the individual Disability Income (DI) insurance policy. Our illustration system calculates premium rates for your clients.

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Disability Income (HH750)

The objective of individual Disability Income (DI) insurance is to replace a portion of earned income lost due to a disability. Our policy provides monthly benefits to help pay for personal living expenses incurred during disability, such as mortgage or rent payments, car payments, utilities and food. Not all benefits, features and riders are available in all states or to all occupation classes.

Target market

While everyone in the working population needs income protection, the following types of individuals are **ideal** for a policy from Principal:

- Ages 30 to 55.
- Occupations with little to no manual duties.
- Earn at least $40,000/year.
- Meet our underwriting guidelines for health, occupation and finances.

Occupation classes

- Occupation classes: 6A[1], 5A, 5A-M, 4A, 4A-M, 3A, 3A-M, 2A and A.
- Premiums, benefits, policy forms and the availability of riders vary by occupation class. The premium class may be standard or an extra percentage of standard.
- The "M" subcategory (5A-M, 4A-M, 3A-M) is being used to cap the maximum issue and participation limit and may have additional requirements for optional riders.

[1] The 6A occupation class is for Individual Disability Income insurance, including DI Retirement Security, in approved states; not available in California. For a complete list of states approvals visit principal.com/distateapprovals.

Premium rates

- Premiums are dependent on many factors: age, gender, occupation class, state of residence, tobacco status, benefit period, elimination period, optional riders, etc.
- Premiums are calculated using the illustration system.
- Minimum annual premium is $200 (pre-discounted) and must earn at least $15,000 annually.
- Both sex-distinct[2] and unisex rates available.

Single-life	Sex distinct Charge males and females different rates
Multi-life	Unisex, gender neutral; blended rates[3]

[2] Written state of Montana requires unisex rates.

[3] For dental and medical residents/fellows/interns/students from the same institution, use the multi-life Resident discount. See page 8-4 for details.

Eligible discounts

Discounts are not available in all states, are not all stackable with each other and in some cases may require pre-approval. Certain guidelines and restrictions may apply.[4]

- 10% Select Occupation.
- 10% Association.
- 10% Affiliation.[5]
- 20% multi-life (employer).
- Up to 10% Mental/Nervous & Substance Abuse (MNSA).

[4] See page 1-15 (MNSA), page 8-4 (Multi-life), page 10-2 (Affiliation), page 11-2 (Association), page 12-5 (Select Occupation).

[5] Not approved in all states; not available in California. Visit principal.com/distateapprovals for details.

Issue ages

- Available issues ages:
  - 18-60 for Single-Life cases.
  - 18-50 for Simplified DI cases.
  - 18-64 for multi-life cases (including Simplified).
  - 65-70 for multi-life cases (certain guidelines apply).
- Issue age has a direct impact on the premium paid for coverage. The older the client, the higher the premium.
- Use age as of last birthday when quoting.
- Backdating to save age is allowed for a maximum of 30 days prior to the application date.

Proposed insured over age 60 (multi-life)

We will consider Disability Income insurance coverage for a proposed insured over age 60 subject to advance approval and assuming the Conditionally Renewable Policy rider is approved.

Some of the criteria that will be used to determine eligibility for coverage includes:

- Applying for individual DI only.
- Being part of a multi-life case (minimum of three insurable employees with a common employer).
- Being substantially standard medically (standard premium to low rating, one or less medical exclusion riders).

Note: Consult with your DI underwriter prior to running an illustration or submitting an application on a person over age 60.

Benefit periods

The benefit period (BP) is the length of time the insured will receive benefits after satisfying the elimination period.

Issue age:	Benefit period(s):
18-64	2 years[1], 5 years, to age 65, to age 67 and to age 70
65-70	2 years

[1] Not available in California.

Note: For policies issued between ages 65-70, the maximum benefit period available is 2 years.

Tip: The longer the benefit period, the higher the premium.

Benefit period charts

- A 2-year benefit period pays for 24 months regardless of the client's age at disability.
- If you select a benefit period of 5 years, to age 65, to age 67 or to age 70, the length of time the maximum monthly benefit amount will be paid could be different based on the client's **age at the time of disability**.

The following charts show how long the benefit will be paid.

5-year benefit period (issued from ages 18-60)

Disability begins:	Maximum benefit period is:
Prior to age 61 policy anniversary	5 years
On or after age 61 policy anniversary, but prior to age 62 policy anniversary	48 months
On or after age 62 policy anniversary, but prior to age 63 policy anniversary	42 months
On or after age 63 policy anniversary, but prior to age 64 policy anniversary	36 months
On or after age 64 policy anniversary, but prior to age 65 policy anniversary	30 months
On or after age 65 policy anniversary	No benefits are payable unless renewed[2]

[2] If this policy is renewed as described in the Conditionally Renewable Policy rider, the maximum benefit period and your occupation period are two years.

To age 65 benefit period (issued from ages 18-60)

Disability begins:	Maximum benefit period is:
Prior to age 61 policy anniversary	To age 65 Policy Anniversary
On or after age 61 policy anniversary, but prior to age 62 policy anniversary	48 months
On or after age 62 policy anniversary, but prior to age 63 policy anniversary	42 months
On or after age 63 policy anniversary, but prior to age 64 policy anniversary	36 months
On or after age 64 policy anniversary, but prior to age 65 policy anniversary	30 months
On or after age 65 policy anniversary	No benefits are payable unless renewed[1]

To age 67 benefit period (issued from ages 18-60)

Disability begins:	Maximum benefit period is:
Prior to age 64 policy anniversary	To age 67 policy anniversary
On or after age 64 policy anniversary and prior to age 65 policy anniversary	36 Months
On or after age 65 policy anniversary	No benefits are payable unless renewed[1]

To age 70 benefit period (issued from ages 18-60)

Disability begins:	Maximum benefit period is:
Prior to age 65 policy anniversary	To age 70 policy anniversary
On or after age 65 policy anniversary	No benefits are payable unless renewed[1]

[1] If this policy is renewed as described in the Conditionally Renewable Policy rider, the maximum benefit period and your occupation Period are two years.

5-year benefit period (issued at age 61)

Disability begins:	Maximum benefit period is:
Prior to age 62 policy anniversary	5 years
On or after age 62 policy anniversary, but prior to age 63 policy anniversary	48 months
On or after age 63 policy anniversary, but prior to age 64 policy anniversary	42 months
On or after age 64 policy anniversary, but prior to age 65 policy anniversary	36 months
On or after age 65 policy anniversary, but prior to age 66 policy anniversary	30 months
On or after age 66 policy anniversary	No benefits are payable unless policy is conditionally renewed[1]

5-year benefit period (issued at age 62)

Disability begins:	Maximum benefit period is:
Prior to age 63 policy anniversary	5 years
On or after age 63 policy anniversary, but prior to age 64 policy anniversary	48 months
On or after age 64 policy anniversary, but prior to age 65 policy anniversary	42 months
On or after age 65 policy anniversary, but prior to age 66 policy anniversary	36 months
On or after age 66 policy anniversary, but prior to age 67 policy anniversary	30 months
On or after age 67 policy anniversary	No benefits are payable unless policy is conditionally renewed[1]

Continued on the next page.

5-year benefit period (issued at age 63)

Disability begins:	Maximum benefit period is:
Prior to age 64 policy anniversary	5 years
On or after age 64 policy anniversary, but prior to age 65 policy anniversary	48 months
On or after age 65 policy anniversary, but prior to age 66 policy anniversary	42 months
On or after age 66 policy anniversary, but prior to age 67 policy anniversary	36 months
On or after age 67 policy anniversary, but prior to age 68 policy anniversary	30 months
On or after age 68 policy anniversary	No benefits are payable unless policy is conditionally renewed[1]

5-year benefit period (issued at age 64)

Disability begins:	Maximum benefit period is:
Prior to age 65 policy anniversary	5 years
On or after age 65 policy anniversary, but prior to age 66 policy anniversary	48 months
On or after age 66 policy anniversary, but prior to age 67 policy anniversary	42 months
On or after age 67 policy anniversary, but prior to age 68 policy anniversary	36 months
On or after age 68 policy anniversary, but prior to age 69 policy anniversary	30 months
On or after age 69 policy anniversary	No benefits are payable unless policy is conditionally renewed[1]

Note: Availability of options for elimination periods, benefit periods and Your Occupation periods varies by sales program, such as DI Retirement Security and Core Value Income Protection.

[1] If this policy is renewed as described in the Conditionally Renewable Policy rider, the maximum benefit period and your occupation Period are two years.

Elimination periods

- The elimination period (commonly referred to as a "waiting period") is the number of days the insured must wait before benefits begin to accrue.
- Benefits are paid one month after satisfying a policy's elimination period.
- The following elimination periods are available: 30, 60, 90, 180 and 365 days (365 is not available with 2-year benefit period).

Note: 30-day elimination period is not available for California residents or on any policy written in California.

Tip: The shorter the elimination period, the higher the premium.

Your Occupation periods

- Your occupation Period is the period of time insureds are protected in their "Your Occupation" (the profession(s) or occupation(s) insureds were actively working in at the start of their disability).
- Your occupation Periods are available for the following:

All occupation classes	• 2 year (built into base policy) • 5 year
3A/3A-M and above	• To age 65 • To age 67 • To age 70

Your occupation Period availability is as follows:

If base BP is:	Then available your occupation benefit periods are:
2 year	2 year
5 year	2 year or 5 year
To age 65	2 Year, 5 year or to age 65
To age 67	2 Year, 5 year or to age 67
To age 70	2 Year, 5 year or to age 70

Tip: The longer the your occupation Period, the higher the premium. When possible match the your occupation Period with the benefit period.

Policy description

This policy description is a general summary. All features, provisions and riders may not be available in all states and may be subject to state variations. **Refer to your state policy and rider forms for the full definition of all policy provisions, benefits, limitations and exclusions.**

Renewability

- **Before age 65** — The policy is non-cancelable and guaranteed renewable to age 65[1]. This means we can't change or cancel the policy (except for nonpayment of premiums) or increase the premiums before age 65, regardless of changes in the insured's income, occupation or health.
- **After age 65** — The policy is conditionally renewable annually for life if the insured is working full- or part-time (subject to rates then in effect based on the insured's attained age).

[1] On a policy with a to age 67 or to age 70 maximum benefit period, the policy will terminate on the age 65 policy anniversary, unless the insured is disabled under the terms of the policy.

Definition of total disability

Solely due to injury or sickness:

- **During your occupation Period —** You are unable to perform the substantial and material duties of Your Occupation; **and** you are not working.
- **After your occupation Period —** You are unable to work in any occupation you are reasonably suited to by your education, training and experience.
- **Both during and after your occupation Period —** You must satisfy the requirements of the claim information section of the policy.
- **If you are Retired —** You are unable to perform any of the normal activities of a retired person in good health and of like age and you satisfy the requirements of the claim information section of the policy.
- **If you are unemployed —** You are prevented from obtaining a job that you are reasonably suited to by your education, training and experience and you satisfy the requirements of the claim information section of the policy.

State variation—CA, FL, LA, NJ, NY, SC, TN, UT, VA, VT.

Definition of Your Occupation

The profession(s) or occupation(s), not a specific job(s) or a job with a certain employer(s), you were actively working in (and not Retired or Unemployed from) at the start of your disability.

State variation—CA, MD, NJ.

Part-time workers

Coverage available to individuals working at least 20 hours a week.

Working part-time allows these individuals to keep their education and experience current in their professions, while providing the flexibility to take care of personal needs.

Guidelines

- Working 20-29 hours/week.
- 3A and above occupation classes.
- Up to $5,000/month (issue and participation).
- Earn at least $40,000/year.
- Most riders available.[2]
- Available in all states.
- Available with DI Retirement Security, Core Value Income Protection, Simplified DI and Association cases.

[2] Except the Residual Disability and Recovery Benefit rider, Residual Disability rider, Recovery Benefit rider and the Short-Term Residual Disability Benefit rider.

Note: Not available on Guaranteed Standard Issue (GSI) case

Common industries/occupations

Management/ professionals	Healthcare
Legal counsel	Education
Technology-related	Engineering

Continued on the next page.

Common reasons for part-time arrangements

- Raising families.
- Winding down after a long career or seeking career changes.
- Acquiring additional education.
- Helping with eldercare or balancing the healthcare needs of children or loved ones.

✔ **Tip:** Extending coverage to part-time employees opens up new markets, letting you offer protection to a wider group of clients.

Earnings

If the insured is a(n):

- **Employee** with no ownership interest in a business entity, earnings include the amounts as reported for federal income tax purposes of:
  - Salary, wages, fees, draw, commissions, bonuses; **plus**
  - Any other income or compensation earned; **plus**
  - Amounts you earned which would have resulted in current taxable employee compensation but instead were contributed by you to a benefit plan (e.g., Flexible Spending Accounts, etc.), or qualified tax-deferred retirement plan (e.g., 401(k), 403(b), 457, etc.); **less**
  - Unreimbursed employee business expenses.
- **Business owner** of a:
  - Sole proprietorship.
  - Partnership.
  - Corporation or subchapter S corporation (shareholder).
  - Limited liability company or limited liability partnership.

And performs the duties or activities of your occupation or another occupation within the scope of a legal business entity, earnings include the amounts as reported for federal income tax purposes of:

- Your share (based on ownership or contractual agreement) of the gross revenue or income earned by all such business entities, including:
  - Income earned by you.
  - Income earned by others under your supervision or direction; **less**
- Your share (based on ownership or contractual agreement) of the usual and customary unreimbursed business expenses of those entities which are:
  - Incurred on a regular basis.
  - Essential to the established business operation of the entity.
  - Deductible for federal income tax purposes.
  - Less than or equal to expenses before disability began.
- Such expenses do not include:
  - Salaries, benefits and other forms of compensation which are payable to you.
  - Benefits and other forms of compensation which are payable to any person related by blood or marriage to you unless such person was a full- or part-time employee of such business working for at least 60 days prior to the start of your period of disability; **plus**
- Any contributions to a pension or profit sharing plan made on your behalf by all such business entities and not waived by contract during disability.

Earnings do not include any form of unearned income such as dividends, rents, interest, capital gains, income received from any form of deferred compensation, retirement, pension plan, income from royalties or disability benefits.

Disability benefit

We will pay benefits for your continuous disability that begins on or after the policy date and while the policy is in-force. Benefits start to accrue at the end of the elimination period. Benefits will continue during your continuous disability, but not beyond the maximum benefit period.

Social insurance substitute (SIS) benefit

- Must be contributing to social security in order to eligible for this rider.
- To receive benefits, must meet all the requirements of this section and of the additional proof of loss for social insurance substitute benefit section, and benefits must be payable under the disability benefit section.
- This section's maximum monthly benefit is:
  - As shown on the data page when no social security, workers compensation or railroad retirement benefits are paid.
  - One-third of this section's maximum monthly benefit if the only social insurance paid for your disability is any one of the primary insurance amount under social security, workers' compensation or railroad retirement.
  - No benefits are paid for any period:
    - › During which two or more of the social insurances are paid.
    - › After your age 65 policy anniversary, unless your maximum benefit period is longer and you are receiving benefits under the disability benefit section.
    - › After you are eligible to receive full retirement benefits from social security or railroad retirement.
    - › For which you receive retirement benefits from social security or railroad retirement.
    - › Benefits start to accrue at the later of this section's elimination period, or when the social insurance paid for your disability reduces to only one of either the primary insurance amount from social security, workers compensation, or railroad retirement.

State variation—CA, ID, NJ, NY, VA.

Adjustment options

- Provides flexibility to a policy owner to update a policy. Some adjustments require evidence of insurability.
- Changes may be made to the:
  - Elimination period, benefit amount, Your Occupation period, benefit period, occupation class and riders based on our then current underwriting guidelines.
  - Policy and rider availability are also considered based on our then current underwriting guidelines applied to the underwriting of adjustments.
  - Based on current underwriting guidelines, some adjustments may result in a second policy.

Exclusions and limitations

- The policy does not pay benefits for injury or sickness which in whole or in part is caused by, contributed by, or which results from:
  - Intentional, self-inflicted injury; **or**
  - Your commission of or your attempt to commit a criminal act, or your involvement in an illegal occupation or activity; **or**
  - The suspension, revocation or surrender of your professional or occupational license or certification; **or**
  - Active military service during a military action or conflict; **or**
  - Loss we have excluded by name or specific description in any attached rider or endorsement.
- No benefits are payable for any period of your continuous disability in which you are incarcerated in a penal or correctional institution for a period of 30 consecutive days or longer.
- A sickness resulting from pregnancy will be covered if the elimination period is equal to or greater than 90 days.
- Benefits will be limited to 12 months during your continuous disability unless you reside in the United States or Canada for at least six consecutive months in each calendar year.

There may be other exclusions or limitations in the policy in addition to those stated in this guide. Any additional exclusions or limitations (if any) will be described in riders or endorsements attached to the policy. Examples include, but are not limited to Modified Coverage rider, Additional Exception riders, etc.

State variation—CA, CT, DC, GA, IA, ID, IL, KS, LA, MA, MD, MN, MO, MT, NE, NJ, OK, PA, SC, TX, UT, VA, VT, WA, WI.

Built-in policy features

Death Benefit

- Pays a lump-sum benefit of three times the Disability Benefit and SIS Benefit if the insured dies after satisfying the elimination period while benefits are being paid.
- Payable in addition to any other policy benefit; may be restricted in some states.

State variation—CA, FL, GA, KS, LA, MD, MN, NY, SC.

Not available—IL, NJ.

Continued on the next page.

Interrupted elimination period

- Allows the combination of separate periods of disability to satisfy the elimination period.
- These periods of disability must occur within a period of time that is up to twice as long as the elimination period but less than one year.
- The disabilities can be from the same or different causes.

Military suspension

- Suspends the policy if the insured enters the military service on a full-time basis.
- No premium is due during the service and no policy benefits are provided during that time.
- The policy may be restored if active duty ends within five years of the suspension; policy restored is the same as before the suspension.
- The owner must request this within 180 days of the end of service.
- Only a disability from a sickness which first manifests itself or an injury which occurs after the policy is restored is covered.

State variation—MD, MT, NJ, NY, PA, TN, UT, VA.

Pre-existing condition limitation

- We will not pay any claim for a disability or loss which:
  - Begins within two years after the effective date of coverage(s); **and**
  - Results from a pre-existing condition which was not disclosed or was misrepresented in the policy's application.
- Pre-existing condition means a condition:
  - For which medical treatment, testing or medication was recommended by a doctor or received from a doctor within the two year period prior to the effective date of coverage(s); **or**
  - Which has caused symptoms within the two year period prior to the effective date of coverage(s) which would cause an ordinarily prudent person to seek diagnosis, care or treatment.

State variation—CA, DC, ID, IL, MT, NJ, NM, NY, NC, ND, PA, SC, SD, VA.

Recurring disability benefit

Means a continuation of a prior disability when:

- The disability results from the same or a related cause as a prior period of disability for which we paid benefits or provided the waiver of premium benefit; **unless**
- After the prior disability ends you return to work at least 40 hours per week in any occupation for at least six consecutive months.

A recurring disability is a continuation of the prior disability. No new elimination period is required. Benefits will be payable for the remainder of the maximum benefit period, if any.

State variation—UT, VA.

Rehabilitation benefit

- Provides additional benefits if the insured takes part in a rehabilitation program which is mutually agreed upon in writing while disabled.
- There is no specific dollar limit on the benefits which may be paid.

State variation—CA, CT, MD.

Reinstatement

- Allows the policy to be reinstated any time within one year after termination, subject to our then current underwriting guidelines. A formal reinstatement application may be required.
- A reinstated policy is subject to any provisions or changes attached to the reinstated policy.
- A reinstated policy covers:
  - Disabilities from a sickness that first manifests itself more than 10 days after reinstatement date.
  - An injury occurring after the reinstatement date.

State variation—CA, LA, MD, MN, MT, NJ, NM, NY, PA, SC, TN, UT, VA, WI.

Transplant surgery benefit

Pays benefits under the disability benefit section and the social insurance substitute benefit section of the policy (subject to those sections' terms and conditions) if a disability results from surgery involving a transplant of a part of the insured's body to another person.

Waiver of premium benefit

- Waives premiums during a disability, when the insured is disabled, after the lesser of 90 days or the elimination period, we will:
  - Refund the monthly pro-rata portion of any premium paid for coverage after the date a continuous disability began; **and**
  - Waive the payment of premiums which come due during the continuous disability.
- Premium payments will begin on the next premium due date after the insured is no longer receiving benefits under this policy or the disability ends.

State variation—CA.

Benefit riders

Note: Not all riders are available in all states and may be subject to state variations.

Benefit Update (BU) rider

- No cost rider.
- Allows insured to purchase increased policy benefits every three years without evidence of medical insurability.
- Available for standard premium policies if at least 75 percent of eligible coverage is purchased at issue.
- Occupation classes: All.
- Issue ages: 18-55.
- If issued after age 52, only one increase may be offered. BU will be removed if insured is not eligible for increase.
- Client maintains one policy and all definitions, provisions, current rates (at the attained age) and discounts of the original policy apply.
- Advance option is also available, once every three years, in the event the insured (not available on or after age 52):
  - Loses group long-term disability insurance because of a change in employment, or the insured's employer discontinues or reduces group long-term disability insurance and does not plan to offer such insurance in the next 36 months.
  - Has at least a 50 percent increase in earnings (20 percent in approved states[1]) since their last adjustment. The increase in income must be permanent and sustainable. A sudden, unsustainable increase in income that is the result of a one-time bonus, commission or extraordinary financial event will not be considered as the basis to exercise an advance option.
  - The application is to be provided to Principal home office no longer than 90 days after any of the advance option qualifiers happen.
- At three year intervals beginning with the policy date, Principal sends the policy owner correspondence regarding the opportunity for a BU review.[2]
- Financial documentation is only required if the insured's income has increased more than 10 percent or other in-force disability coverage has changed since the last BU review.
- There is no cap or age restriction for benefit increases up to maximum issue and participation limits.
- At each BU option, the client must accept a minimum of 50% of the additional DI benefit offered or the rider will be removed from the policy.
- The Benefit Update rider is available in conjunction with the Future Benefit Increase rider.

Note: Any increase completed under this rider is an adjustment to the policy. Premiums will be affected. See page 14-2 for details.

State variation—CA, CO, FL, ID, MA, NY, OH, RI, VA.

Producers are kept up-to-date with client correspondence through the IDI Benefit Update Activity Report available on our advisor website.

A weekly e-mail notification is sent (prompting login) when there is any BU activity on your in-force book of business.

Capital Sum Benefit rider

- Not a cost rider.
- Provides a one-time, lump-sum benefit if an injury or sickness results in a total loss of use for any and every purpose or activity without any possibility of recovery of:
  - The use of a hand or foot; **or**
  - The sight of an eye.
- This benefit is equal to 12 times the ultimate Maximum Monthly Disability Benefit and the social insurance substitute benefit.
- There is a limit of one Capital Sum Benefit payment in your lifetime. It is paid in addition to any other benefits payable under the policy.
- In order for this benefit to be paid, you must survive the loss for 30 days and the policy must be in force.
- If the policy is not in force, the loss must occur within 90 days after the injury or sickness which caused it, and the injury or sickness must occur while the policy is in force.

State variation—NJ, TN, VA.

Not available in CT.

[1] For a list of state approvals, visit principal.com/distateapprovals.

[2] Regularly scheduled BU is not available if the advanced option is taken within twelve months prior to the regular option.

Catastrophic Disability Benefit (CDB)[1] rider

- Cost rider.
- Occupation classes: All.
- Provides benefits if the insured is catastrophically disabled.
- Definition: Insured cannot perform two or more activities of daily living (ADL) listed below; **or** is Cognitively Impaired; **or** is Presumptively Disabled.
  - **Bathing** — the ability to wash in the tub, shower or by sponge bath, with or without adaptive devices.
  - **Continence** — the ability to voluntarily control bowel and bladder function, or in the event of incontinence, the ability to maintain a reasonable level of personal hygiene (including caring for catheter or colostomy bag).
  - **Dressing** — the ability to put on and take off clothing and any medically necessary braces or artificial limbs.
  - **Eating/feeding** — the ability to feed oneself by mouth, feeding tube or intravenously.
  - **Toileting**—the ability to get to and from and on and off the toilet and to maintain a reasonable level of personal hygiene.
  - **Transferring** — the ability to move in and out of a chair, bed or wheelchair with or without assistive devices such as canes, walkers, crutches, grab bars or mechanical or motorized devices.

The benefit period for the CDB rider must be equal to or less than the base benefit period.

If base BP is:	Then available CDB benefit periods are:
2 year	2 year
5 year	2 year or 5 year
To age 65	2 year, 5 year or to age 65
To age 67	2 Year, 5 year or to age 67
To age 70	2 Year, 5 year or to age 70

The elimination period for the CDB rider must be equal to or greater than the Base elimination period. The available elimination periods are 90 days, 180 days or 365 days.

[1] Catastrophic Impairment Benefit (CIB) rider is issued in the written state of New Hampshire.

The CDB monthly amount:

- Has a maximum issue and participation limit of $8,000/month and a minimum issue limit of $500/month.
- Cannot exceed five times (5x) the sum of the base benefit amount plus social insurance substitute (SIS) of all Principal coverage.
- Added to the base benefit amount plus SIS plus other coverage in-force, cannot exceed 100 percent of earned income.
- When working with taxable benefits, divide the earned Income by 0.75 to account for taxation except if the existing coverage includes taxable group LTD.
- In-force policies containing the CDB rider require a minimum increase to the CDB monthly benefit amount of $1,000 on adjustments.

Note: CDB on California and New Jersey policies cannot exceed the sum of the base benefit amount **plus** SIS.

CDB and Benefit Update (BU):

- If the policy contains the CDB rider and the insured is eligible for at least a $1,000/month CDB increase, we will offer the CDB increase as part of the BU option (up to a maximum of $2,000/month CDB increase on any one BU option exercise).
- The insured is not obligated to accept a minimum of 50 percent of the additional CDB benefit to maintain the BU rider on the policy.

State variation—CA, IA, MA, MD, NJ, NH, NY, TX, VT.

Not available—CT.

Conditionally Renewable Policy rider

- Issue ages: 65-70.
- Changes the policy from Non-Cancelable and Guaranteed Renewable to Conditionally Renewable.
- During the conditionally renewable period, Principal cannot change or cancel the insured's policy except for nonpayment of premiums. The insured may conditionally renew the policy annually for the rest of their life, as long as they are working full-time and meet the requirements.
- Issued with a 2 year Benefit and your occupation Periods.
- Elimination periods: 30,[1] 60, 90 or 180 day.
- Limits riders and features available, with the exception of the limitations of benefits for Mental/ Nervous & Substance Abuse rider.
- All standard underwriting guidelines apply.

To renew the policy for one year, all of the following conditions must be satisfied:

- The insured is not receiving a benefit under this policy or any attached rider, **and**
- The insured must be actively working at least 30 hours each week for the 12 consecutive months preceding the renewal, **and**
- The insured is working at least 30 hours each week at the time of renewal, **and**
- The policy is in force with no premium in default, **and**
- We receive the owner's renewal request in writing by the policy anniversary for any one-year renewal, **and**
- The renewal policy premium is paid. The renewal policy premium will be based on those rates in effect for the insured's age at the time of renew.

State variation—ME, MD, MN, NJ, NY, TX, VA.

Not available—MA, NH.

[1] 30 day EP not available in CA.

Cost of Living Adjustment (COLA) rider

- Cost rider.
- Occupation classes: 2A and above.
- Provides a Cost of Living Adjustment to the monthly benefit (plus the Catastrophic Disability Benefit, if attached to the policy) during a disability.
  - Each year following the start of a disability, an adjustment will be made to the monthly benefit (plus the Catastrophic Disability Benefit, if attached to the policy).
  - The benefit is increased on a compound basis based on the change in the Consumer Price Index for all Urban Consumers (CPI-U) over the past year of disability.
  - A 3 or 6 percent COLA maximum may be selected.
- Not available with a 2 year benefit period.
- The insured may, upon returning to work full- or part-time, keep any increased disability benefit without evidence of good health by paying the required increased premium.

State variation—GA, IA, MA, MD, NJ, NY.

Extended total disability Benefit (ETDB) rider

- Cost rider.
- Issue ages: 18-50.
- Occupation classes: 2A and above.
- Allows the base monthly benefit to continue to be paid beyond the maximum benefit period, subject to policy provisions.
- Benefit periods: to age 65, to age 67 and to age 70.
- Does not provide benefits if the insured is retired or unemployed at the start of their continuous disability or if they are receiving benefits under the terms of the Presumptive Disability Benefit Rider.
- The insured chooses a Benefit Factor to achieve one of three different levels of coverage (i.e. maximum aggregate benefit).
- The maximum aggregate benefit amount is determined by multiplying the maximum monthly benefit (base + SIS) times a Benefit Factor (Benefit Factor choices = 50, 75 or 100).
- The Benefit Factor is selected at issue, but can be changed by an underwritten adjustment subject to our underwriting guidelines. FBI, BU and underwritten adjustments resulting in a change in the maximum monthly benefit will effectively change the maximum aggregate benefit.

Example: $4,000 base + $1,000 SIS = $5,000 maximum monthly benefit.

- $5,000 times 50 (Benefit Factor) = $250,000 (maximum aggregate benefit).
- $5,000 times 75 (Benefit Factor) = $375,000 (maximum aggregate benefit).
- $5,000 times 100 (Benefit Factor) = $500,000 (maximum aggregate benefit).

When the insured becomes disabled between the ages of 18 and 55, and remains Continuously totally disabled through the end of the maximum benefit period, this rider pays the base benefit (no SIS benefit) at the same level being paid at the end of the maximum benefit period (including COLA increases, if any) until the maximum aggregate benefit amount has been exhausted. Monthly benefits continue to be paid beyond the maximum benefit period as long as the insured is unable to work in any occupation he/she is reasonably suited by his/her education, training and experience.

State variation—FL, IA, LA, MA, MD, NC, NJ, NY, SC, VA.

Not available—CA.

Future Benefit Increase (FBI) rider

- No cost rider.
- Issue ages: 18-55.
- Provides an automatic increase in Disability Benefit amount without evidence of insurability, on the six FBI Option Anniversaries following the option date, providing the insured is not disabled.
- Increase based on the change in the Consumer Price Index for All Urban Consumers (CPI-U); 4% minimum guaranteed increase, 10% maximum (compounded).
- Premiums for increases are based on the insured's attained age and the rates in effect at the time of the increase.
- Renewable every six years with evidence of financial insurability; it is terminated after two increase offers are declined within a renewal period.
- Available in conjunction with the Benefit Update (BU) rider on the same policy.

In addition to the automatic increase, the insured may be eligible for an additional maximum benefit increase, up to $500 total, when combined with the CPI-U increase, subject to our current underwriting guidelines.

Prior to the insured's Option Anniversary, Principal will provide the insured with an application that must be completed and returned within 30 days of Our request to be considered for the additional increase.

Option anniversary

- For multi-life cases, an employer now has the opportunity to elect a date for future benefit increases (BU and FBI) that is different than the original policy effective date.
- Policy increases will coincide with potential salary increases.

See the FBI Maximum issue and participation Limits Table on page 1-25. The FBI rider is not available on policies exceeding the benefit amounts indicated in the table.

State variation—CA, CT, FL, MD, MA, NH, NC, NY, VA.

Limitation of benefits for Mental/Nervous & Substance Abuse Disorders rider (MNSA)

- No cost rider—provides up to 10% MNSA Discount.
- Limits the benefit period for Mental/Nervous & Substance Abuse claims to a 24-month lifetime benefit (including the Catastrophic Disability Benefit rider).
- Benefits could be extended beyond the 24 months up to the maximum benefit period if the insured is continuously hospitalized as an inpatient.
- Not available, unless required based on product design or state.
- **Mandatory** for residents of, or applications written in:

Single-life		Multi-life
California Florida	Louisiana Nevada	California

- The MNSA rider and discount are optional at the individual level, except for cases in CA, guaranteed standard issue cases, single-life cases in FL, LA, NV, **and** the following occupations: emergency-room physicians, anesthesiologists, pain-management physicians, nurse anesthetists and any resident who has declared one of these as a specialty.
- The MNSA rider and discount are optional at the multi-life level, except applications written in or residence of CA, **and** guaranteed standard issue cases, **and** the following occupations: emergency-room physicians, anesthesiologists, pain-management physicians, nurse anesthetists, and any resident who has declared one of these as a specialty.

The existence of this rider on a policy will reduce premiums based on the benefit period, the following discounts are applied:

Single-Life	Benefit period	
	To age 65 or greater	5- and 2-years
All Other States[1]	10%	5%
Written state of TX[2]	5%	3%
Written state of VT	Not Available	

State variation—CA, IL, MO, NY, OK, TX, UT.

Not available—VT.

[1] Excluding TX and VT.

[2] In Texas this rider limits the benefit period for Mental/Nervous and Substance Abuse claims to 24 months during each continuous disability. The Texas MNSA rider is not available with a 2 year benefit period.

Presumptive Disability Benefit rider

- No cost rider.
- An injury or sickness resulting in total loss of use without any possibility of recovery of:
  - Power of speech; **or**
  - Hearing in both ears; **or**
  - Sight of both eyes; **or**
  - The use of both hands, both feet, or one hand and one foot.
- Insured is considered disabled and Principal pays benefits for total disability under the disability benefit section and social insurance substitute benefit section (subject to those sections' terms and conditions), regardless of your ability to work or earn an income if you incur a Presumptive Disability. You will be considered disabled as long as your Presumptive Disability continues.
- Insured is not required to be under the regular care of a doctor.
- No new elimination period is required and the benefit will start to accrue on the date of loss.
- Monthly benefits are paid as long as the loss continues, but no longer than the maximum benefit period.
- "Lifetime" benefit payable when the maximum benefit period is to age 65, to age 67 or to age 70 and the loss occurs prior to that.

State variation for HH755—IA, NJ, NY.

State variation for HH770—IA, MD, NJ, NY, VA.

Recovery Benefit rider

- Only available in written state of California.
- Cost rider.
- Recovery benefit period options:
  - **1-year benefit period**—2A and above occupations; not available when the Short-Term Residual Disability Benefit rider is selected.
  - **3-year benefit period—**3A/3A-M and above occupations; not available when the Short-Term Residual Disability Benefit rider or a 2-year benefit period is selected.
- Requires the Residual Disability Benefit rider to also be on the policy.
- Provides a benefit, if the insured is:
  - No longer disabled; **and**
  - Not receiving benefits under the disability benefit section; **and**
  - Has a Loss of earnings equal to or greater than 20 percent of your prior earnings; **and**
  - Has returned to full-time work immediately after a continuous disability for which benefits were payable under the disability benefit section; **and**
  - The loss of earnings is solely due to the prior injury or sickness that caused disability; **and** the amount of benefit payable will be based on the Insured's loss of earnings divided by prior earnings. Benefits are payable for a period not to exceed the recovery benefit period, but not beyond the policy's maximum benefit period.

Note: The insured is no longer eligible for Recovery Benefits if they are able to earn more than 80 percent of prior earnings.

- If the Cost of Living Adjustment rider is a part of the policy, the proportionate benefit is calculated on the benefit amount being paid when the insured recovered from the disability. There are no additional COLA increases under this rider.
- Premiums will continue to be waived under the waiver of premium benefit while benefits are paid under this rider.

State variation—CA.

Regular Occupation rider

- Cost rider.
- Designed for those professionals and select executives who wish to insure their ability to work in their highly specialized Regular Occupations.
- Available for 6A[1], 5A/5A-M, 4A/4A-M and 3A-M occupation classes.
- Your Occupation/benefit periods: to age 65, to age 67 or to age 70.
- Not available:
  - In VT for 5A-M, 4A-M, and 3A-M occupation classes.
  - In CA for 4A, 4A-M, and 3A-M occupation classes.
  - If the Transitional Occupation rider is on the policy.

When attached to the policy, total disability means during the your occupation Period, solely due to injury or sickness:

- You are unable to perform the substantial and material duties of your occupation and are not working in Your Occupation; **and**
- You are working in another occupation; **and**
- You satisfy the requirement of the claim information section of the policy.

Benefits payable for total disability is the maximum monthly benefit from the disability benefit section and the social insurance substitute benefit section, if included, to the end of the maximum benefit period. However, no social insurance substitute benefit will be payable for any period you are eligible to receive full retirement benefits from social security or railroad retirement.

[1] The 6A occupation class is for individual Disability Income insurance, including DI Retirement Security, in approved states; not available in California. For a complete list of state approvals visit principal.com/distateapprovals.

State variation—CA, IA, LA, MA, MD, NJ, NY, OR, SC, VA.

Residual Disability and Recovery Benefit rider

- Cost rider.
- Occupation classes: 2A and above.

Residual Disability means:

- You are not totally disabled; **and**
- Solely due to injury or sickness you have a loss of Earnings equal to or greater than 20% of your prior earnings **and**:
  - You are able to perform some, but not all, of the substantial and material duties of your occupation or you are unable to work full-time in Your Occupation; **or**
  - You are working in another occupation; **and**
- You satisfy the requirements of the claim information section of the policy.

For Residual Disability, we will pay a percentage of the maximum monthly benefit under the disability benefit section and social insurance substitute benefit section (subject to those sections' terms and conditions). The amount we will pay is equal to the loss of earnings divided by the prior earnings.

- Income earned can be determined by either the cash or accrual accounting method.
- The same method must be used throughout the disability.
- 100 percent of the maximum monthly benefit is paid if the percentage of earnings lost exceeds 75 percent.
- A minimum of 50 percent of the maximum monthly benefit will be paid for the first six months of a Residual Disability.
- If the insured is retired or unemployed, 50 percent of the maximum monthly benefit will be paid for a residual disability.

We will provide a Recovery Benefit if:

- You are no longer disabled; **and**
- You are not receiving benefits under the disability benefit section of the policy; **and**
- You return to full-time work immediately after a continuous disability for which benefits were payable under the disability benefit section; **and**
- You have a Recovery loss of earnings equal to or greater than 20% of Your Recovery prior earnings; **and**
- It can be validated that your recovery loss of earnings is directly and solely due to the prior injury or sickness that caused disability; **and**
- You satisfy the requirements of the claim information section of the policy. If the insured were retired or unemployed prior to disability, no Recovery Benefits will be payable.

If Residual Disability Benefits were payable just prior to eligibility to the Recovery Benefit, then the same accounting method used to calculate the Residual Disability Benefit will be used to calculate the Recovery Benefit.

If the Cost of Living Adjustment rider is part of the policy, then the Recovery Benefit will be calculated based on the Adjusted maximum monthly benefit being paid when the insured recovered from disability.

- There will be no additional increases under the Cost of Living Adjustment Rider while Recovery Benefits are payable under this rider.
- There will be no indexing of recovery prior earnings while Recovery Benefits are payable under this rider.
- The Waiver of Premium benefit in the policy will be provided while Recovery Benefits are payable under this rider.
- Recovery Benefits end when the insured no longer has a recovery loss of earnings greater than 20 percent for any two consecutive months.
- Recovery Benefits may not be paid beyond the policy maximum benefit period.
- The Residual Disability and Recovery Benefit rider is not available when the Short-Term Residual Disability Benefit rider is selected.

State variation—FL, IA, LA, MD, MA, NJ, NY, NC, SC , VT, VA.

Not available—CA.

Residual Disability Benefit rider

- Only available in written state of California.
- Cost rider.
- Occupation classes: 2A and above.

Residual Disability means:

- You are not totally disabled; **and**
- Solely due to injury or sickness you have loss of earnings equal to or greater than 20% of your prior earnings **and:**
  - You are able to perform some, but not all, of the substantial and material duties of your occupation or you are unable to work full time in Your Occupation; **or**
  - You are working in another occupation; **and**
- You satisfy the requirements of the claim information section of the policy.

For Residual Disability, we will pay a percentage of the maximum monthly benefit under the disability benefit section and social insurance substitute benefit section (subject to those sections' terms and conditions). The amount we will pay is equal to the loss of earnings divided by the prior earnings.

- Income earned can be determined by either the cash or accrual accounting method.
- The same method must be used throughout the disability.
- 100 percent of the maximum monthly benefit is paid if the percentage of earnings lost exceeds 75 percent.
- A minimum of 50 percent of the maximum monthly benefit will be paid for the first six months of a Residual Disability.
- If the insured is retired or unemployed, 50 percent of the maximum monthly benefit will be paid for Residual Disability.
- The Residual Disability Benefit rider is not available when the Short-Term Residual Disability Benefit rider is selected.

Note: Not available once the Residual Disability and Recovery Benefit rider is approved in your state.

State variation—CA.

Short-Term Residual Disability Benefit (STRDB) rider

- Cost rider.
- Occupation classes: All.
- Short-Term Residual Disability benefit period options: 6-months or 12-months.

Residual Disability means:

- You are not totally disabled; **and**
- Solely due to injury or sickness you have a loss of earnings equal to or greater than 20% of your prior earnings **and:**
  - You are able to perform some, but not all, of the substantial and material duties of your occupation or you are unable to work full-time in Your Occupation; **or**
  - You are working in another occupation; **and**
- You satisfy the requirements of the claim information section of the policy.

For Residual Disability, we will pay a percentage of the maximum monthly benefit under the disability benefit section and social Insurance substitute benefit section (subject to those sections' terms and conditions). The amount we will pay is equal to the loss of earnings divided by the prior earnings.

- Income earned can be determined by either the cash or accrual accounting method.
- The same method must be used throughout the disability.
- 100 percent of the maximum monthly benefit is paid if the percentage of earnings lost exceeds 75 percent.
- If the insured is retired or unemployed, 50 percent of the maximum monthly benefit will be paid for Residual Disability.

The Short-Term Residual Disability Benefit rider is not available when the Residual Disability Benefit rider, the Recovery Benefit rider—1- and 3-year benefit period or the Residual Disability and Recovery Benefit rider is selected.

State variation—CA, FL, IA, LA, MA, MD, NJ, NY, SC, VA.

Supplemental Health Benefit (SHB) rider

- No cost rider.
- Issue ages: 18-55 (single-life) and 18-64 (multi-life).
- Provides a one-time, lump-sum benefit that is equal to six times the ultimate Maximum Monthly Disability Benefit and the SIS Benefit, if disabled under the policy and diagnosed with **coronary artery bypass graft surgery, cancer or stroke**.
- Paid in addition to any other benefit provided by the policy or any other attached riders and is payable one time in the insured's lifetime.
- Rider terminates on age 65 policy anniversary.
- Not renewable after age 65 or end of 5-year coverage period if issued between ages 61-64.
- Eligible benefit amount adjusts with policy benefit amount changes.
- Not available on policies with a 2-year benefit period.
- Conditions are defined as:
  - **Coronary artery bypass graft surgery**—the operative procedure for the correction of two or more blocked arteries of the heart. This does not include angioplasty and/or any other intra-arterial procedures.
  - **Cancer**—the presence of a malignant tumor characterized by the uncontrolled growth and metastasis of malignant cells, and the invasion of tissue. Includes: leukemia and malignant disease of the lymphatic system, such as Hodgkin's lymphoma stage III and IV and invasive malignant melanoma. The following diagnoses are not covered: any non-invasive cancer in-situ, Hodgkin's disease stage I, prostate cancer stage A, papillary cancer of the bladder, all skin cancers except invasive malignant melanoma (starting with Clark Level III).
  - **Stroke**—any cerebrovascular incident producing neurological deficit lasting more than 24 hours and including infarction of brain tissue or hemorrhage into brain tissue. Evidence of neurological deficit for at least 90 days must be produced.

In order for this benefit to be paid the insured must be:

- Diagnosed by a doctor with one or more of conditions as defined in the definitions section of this rider; **and**
- The diagnosis of one or more of the conditions must be after the effective date of this rider; **and**
- Disabled; **and**
- Must be under regular care by a doctor for the condition; **and**
- Survive the loss for 90 days from the date of diagnosis of the condition or from the date of disability, whichever is later.

State variation—FL, IA, MA, NC, NH, VA.

Not available—CA, CT, GA, MD, NJ, NY, PA, TN.

Transitional Occupation rider

- Cost rider.
- Occupation classes: 3A/3A-M and above.
- Allows the insured to continue receiving disability benefits in the event of becoming totally disabled in their Your Occupation, but are working in another occupation.
- Benefits will be based on replacement of up to 100 percent of prior earnings, but will not exceed the maximum monthly benefit plus any social insurance substitute (SIS) benefit. Benefits are payable until the end of the Transitional Occupation Period.
- The monthly benefit will be equal to the lesser of:
  - Prior earnings **minus** current earnings **minus** other disability coverage; **or**
  - The maximum monthly benefit **plus** any social insurance substitute benefit.
  - If the amount in option 1 is equal to or less than zero, no monthly benefit will be paid.
- A minimum of 50 percent of the Maximum Monthly and SIS Benefit will be paid for the first six months of a Transitional Occupation disability. If the elimination period for the SIS benefit is longer than the disability benefit, the SIS benefit will be paid at the 50 percent level until the end of the six-month period for the disability benefit.

Benefit periods

- The Transitional Occupation Period must be equal to or less than the base benefit period and the your occupation benefit period.
- The base benefit period and the your occupation Period must be the same.

Continued on the next page.

Available Transitional Occupation periods:

If base and your occupation BP is:	Transitional occupation periods are:
2 year	2 year
5 year	2 year or 5 year
To age 65	2 year, 5 year or to age 65
To age 67	2 year, 5 year or to age 67
To age 70	2 year, 5 year or to age 70

If a policy has the Residual Disability and Recovery Benefit or Residual Disability Benefit rider and the Transitional Occupation rider, benefits will not be paid out under both riders at the same time. If the insured meets the definitions and terms of both riders, the insured will receive the greater benefit amount available.

If the Transitional Occupation rider is issued on a policy, the Regular Occupation rider is not available.

State variation—CA, CT, IA, MA, MD, NY, VA.

Not available—NJ.

Underwriting guidelines

To be eligible for Disability Income insurance, earned income must be at least $15,000/year as reported on U.S. Federal tax return.

- The amount of benefit issued is most often based on the client's actual annual earned income as reported on the U.S. federal tax return.
- Earned income is dependent upon the client's ability to work and is received for services performed by the client in his or her occupation.
- Earned income is critical in determining the amount of disability benefit the client is eligible for.

Guidelines for determining earned income

Earned income type	Examples/ documentation required
Business Owner Allowance • Available if the client is at least a 20% active working owner. • Allowance can be used to increase earned income by 20%; increasing the DI benefit up to an extra $2,000/month. • Does not apply to key person Replacement, Core Value Income Protection, or DI Retirement Security.	A client earns $120,000/year, which qualifies for $5,980/month of DI. The allowance increases the income to $144,000 and the DI benefit to $6,900/month.
Corporate owner/employee For clients with an ownership interest in a corporation (S- or C corporation) and working as a full- or part-time employee of that corporation, earned income is salary, wages, regular overtime, bonus and commissions (less expenses) and their proportionate share of business earnings.	A 50 percent owner/ employee of XYZ corporation receives a salary of $50,000. The corporation earns $30,000. The client is eligible for Disability Income benefits based on $50,000 salary plus 1⁄2 of $30,000, for a total of $65,000.

Note: An owner/employee of a corporation can also consider as earned income **up to 25% of salary, but not more than $50,000, for contributions made to a pension or profit sharing plan**. However, if the pension and/or profit sharing contribution continues when the owner/employee is disabled, the contribution is not included in earned income. Verification of the contribution is required.

Earned income type	Examples/ documentation required
Limited Liability Company (LLC) • Are generally not separate tax entities. • However, LLC owners may have limited personal liability. • Earned income is the owner's proportionate share of the net profit/ net loss of the business or profession plus any salary, wages, regular overtime, bonus and commissions (less expenses).	The following federal tax forms need to be submitted: • 1040—pages 1 & 2 schedule E. • W-2 form if spouse is employed outside the home.
Partnership • An association of two or more persons in business for profit as co-owners. • The partnership is not a separate tax entity, and each partner has unlimited personal liability. A partner's proportionate share of the net profit/ net loss of the business or profession is considered earned income. • The guidelines for personal expenses and depreciation apply to the earned income of a partner the same as a sole proprietor.	The following federal tax forms need to be submitted: • 1040—pages 1 & 2 schedule E.
Section 179 Allowance • S-corp owners and partners can qualify for up to $1,000 additional DI coverage by adding back to earned income 20 percent of their section 179 expense deduction from schedule E of their individual tax return. • Two years of tax returns will be required to qualify for this additional benefit. • Does not apply to key person Replacement, Core Value Income Protection or DI Retirement Security.	A client earns $120,000/ year and has $50,000 in section 179 expense. As indicated, the Business Owner's Allowance will be used to increase eligible benefits from $5,980/month of DI to $6,900/month of DI. Then the Section 179 allowance would be used to increase the income from $144,000 to $154,000 and the DI benefit to $7,365.
Sole proprietorship • A business owned by one individual. • The business is not a separate tax entity, and the sole proprietor has unlimited personal liability. • Earned income is the net profit of the business or profession, after expenses, but before taxes. • While it is common for a sole proprietor to include some personal expenses with business expenses on the schedule C, those personal expenses cannot be added back to net income to produce a higher earned income. • Depreciation cannot be added back to net income to produce a higher earned income.	The following federal tax forms need to be submitted: • 1040—pages 1 & 2 schedule C (or f if client is a farmer). • Schedule E if filed with the return.

Summary of income documentation

Income documentation[1,2] is required:

- For any application not using TeleApp.
- If benefit amount applied for is over $6,000/month **or:**
  - If over age 50 for all benefit amounts applied for (Single-Life cases).
  - If over age 64 for all benefit amounts applied for (multi-life cases).
- If benefit amount applied for and other coverage inforce or pending (excluding LTD) exceeds 10,000/month.

Form Descriptions

- Form 1040—individual income tax return.
  - Schedule C—profit or loss from business.
  - Schedule E—supplemental income and loss.
- Form 1120—U.S. corporation income tax return.
- Form 1120S—U.S. income tax return for an S corporation.
- Form W-2—wage and tax statement.

Note for DI Retirement Security (DIRS).

- No financial documentation is needed (except in California).
- Only Part A of the application, DIRS Supplement, and the trust agreement are needed.
- If applying for DI along with DIRS, the amount of DIRS benefit should be added to the DI benefit for a total monthly benefit that is used to determine when financials are required.

[1] Income documentation could include: 1040-pages 1 and 2; W-2 if spouse is employed outside the home; Schedule C (or F if client is a farmer) or Schedule E if filed with the return.

[2] In California, there are no labs required for Simplified Single-Life cases up to $6,000/month, but an APS and financial documentation are required. And for Simplified DI multi-life, when all three applications are not submitted together, we'll require APSs and financials on the first two applications, but not for any additional applications on that case.

Earned income type:	Examples/ documentation required:
C corporation	A separate and distinct legal entity with perpetual existence. It is a separate entity for legal and tax purposes, and shareholders of a corporation have limited liability: • 1040—pages 1 & 2. • W-2 form if spouse is employed outside the home. • Schedule E if filed with the return • 1120—C corporation return, pages 1 & 2 **Notes:** • For corporations showing a net loss, we may reduce earned income by the loss. • C corporation owners with less than 20 percent ownership or applying for $4,000 or less monthly benefit are not required to provide a copy of the 1120 C corporation return.
Non-Owner Employee	Earned income includes salary, wages, regular overtime, bonus and commissions (less expenses). Employer contributions to 401(k) or 403(b) qualified retirement plans can be included as earned income up to the IRS maximum/year. Submit the following Federal Tax forms: • 1040—pages 1 & 2. • W-2 form for income verification (versus full tax return) if the employee's income is less than $250,000/year. • Schedule E if filed with the return.
S corporation	A separate and distinct legal entity with perpetual existence. All profits and losses of the business are divided and distributed to the individual shareholders and are reportable on the shareholders' individual tax returns. • 1040—pages 1 & 2. • W-2 form if spouse is employed outside the home. • Schedule E. • 1120S—S corporation return, page 1, if including contributions to pension or profit sharing plans as earned income. **Note:** For corporations showing a net loss, we may reduce earned income by the loss.

Continued on the next page.

Entity type	Income source	Tax forms
(Non-owner) employee (Employer pay limits allowed if applicable)	Salary/bonus	Form 1040, line 7 (wages) and form W-2
	Pension/ profit sharing	Pre-tax 401(k), 457, 403(b), or similar plans contributions box 13 on W-2
Proprietor (Employer pay limits not available)	Business income	Form 1040, schedule C, line 31 (net profit or Loss)
	Pension/ profit sharing	**Not applicable,** as keogh/ SEP not deducted on Schedule C
Partner in a partnership, member of a Limited Liability Company (LLC) (Employer pay limits not available)	Salary (if wages paid)	Form 1040, line 7 (wages) and form W-2
	Ordinary income (loss) from partnership/ LLC	Form 1040, schedule E, part II non-passive income and loss
	Pension/ profit sharing	**Not applicable**, as retirement contribution not deductible for partner or LLC member on tax return
Owner of an S corporation (Employer pay limits allowed only if 2% or less ownership share)	Salary/bonus (if wages paid)	Form 1040, line 7 (wages) and form W-2
	Ordinary income (loss) from S corporation	Form 1040, schedule E, part II non-passive income and loss
	Pension/ profit sharing	Form 1120S, line 17, (pension, profit sharing) (CAUTION: This reflects contributions for all employees; must determine owner's share). Also, any before-tax 401(k) contribution could be verified on W-2, box 13 ("D").
Owner of a C corporation (Employer pay limits allowed if applicable)	Salary	Form 1040, line 7 (wages) and form W-2
	Bonus	Form 1040, Line 7 (Wages) and form W-2; occasionally on 1040, line 21 miscellaneous income
	Income (loss) from corporation	Form 1120, line 28 (Taxable income before net operating loss deduction) (CAUTION: Must determine owner's share for multiple owner situations.) **Example:** percent ownership multiplied by line 28.
	Pension/ profit sharing	Form 1120, line 24, (pension, profit sharing) (CAUTION: This reflects contributions for all employees; must determine owner's share.) Also, any before-tax 401(k) contribution must be verified on W-2, box 13 ("D"). **Not required for less than 20% ownership or applying for benefits of $4,000 or less**.

Earnings Patterns

It is important to demonstrate the earnings pattern of the proposed insured (e.g., on the application part A).

If the income pattern:

- **Decreases** from one year to the next, base the benefit amount applied for on the lower, more recent income.
- **Increases significantly** from one year to the next, or over a several-year time period, base coverage on an average earned income (not the highest, most recent earned income). An average of three years income should be used to determine the amount of DI benefits.
- **Swings dramatically**, use an average of three years income to determine the DI benefit. In these cases, however, it's very important to understand the reasons behind the income changes. It's a good idea to submit a cover letter explaining the circumstances surrounding unstable income patterns.
- Underwriting reserves the right to go outside these guidelines, if in the underwriter's judgment, there is justification to do so.

Continued on the next page.

Occupation change

Generally, a client's prior job earnings can be used on a current basis if new job earnings cannot yet be documented.

- Actual earnings can be used after new job earnings have been established for two years.
- Projections of earnings in the new job which exceed earnings from the prior job are not considered, unless the underwriter has justification to do so.
- Prior earnings are not used on a current basis if the occupation change was made to one with lower earnings, dissimilar duties, or to a different industry (e.g., changing from an attorney to a real estate agent).

New business/purchase of existing business

The income potential of a new business or an existing business under new management and ownership is difficult to predict. Factors affecting the financial success of the business include:

- Experience and expertise of the owners.
- Compatibility of the owners if there is more than one.
- Ability to manage expenses.
- Financial resources available to support the business if revenues are not adequate to do so.
- General economic conditions.
- Competitiveness of the particular line of business.
- Ability to find qualified employees.

The success rate for start-up small businesses is generally very low. Because it is possible that the new or recently purchased business may have financial difficulties in the early months of operation, coverage within the first year of ownership will be considered on an individual case basis.

After the business has been in operation for a year under the ownership of the client, we will consider coverage based on income verification for the year of operation.

Unearned income

- Unearned income is received from sources not directly related to actively working in an occupation.
- Because it is received even if the client is not able to perform any occupational duties, it is viewed as a form of self-insurance.
- Significant unearned income results in overinsurance and is factored into the overall amount of coverage offered.
- Examples of unearned income are: capital gains, interest, net rentals, pension benefits, passive dividends, income from family trusts, alimony and royalties.
- Unearned income will reduce the benefit amount available to the client only to the extent that it exceeds 20% of earned income.

Fifty percent (50%) of the monthly unearned income in excess of the parameters listed on the previous page will be deducted from the maximum total benefit available to the client.

If unearned income is:

- **Less than 20% of earned income**, do not reduce the benefit amount available to the client.
- **More than 20% of earned income**, calculate the monthly average of the amount over the 20% allowance. Reduce the maximum total benefit available to the client by 50% of this amount.

Net worth

Personal net worth can have an impact on disability insurance eligibility.

	Personal net worth impact on IDI
Up to $10 million	Unrestricted for Disability Income insurance.
Greater than $10 million	Generally not eligible for DI.

Maximum issue and participation limits by occupation class

The maximum monthly benefit amount (Disability Benefit and SIS) issued or participated with other companies (excluding key person Replacement, DI Retirement Security, Disability Buy-Out and Overhead Expense) is:

Occupation class	Ages	Issue limit	Participation with other individual DI	Participation with group LTD
6A[1], 5A, 4A, 3A	18-61+	$20,000	$35,000	$35,000
5A-M, 4A-M[2], 3A-M[2]	18-55	$20,000	$30,000	$35,000
	56-60	$17,000	$17,000	$17,000
	61+	$10,000	$10,000	$10,000
2A	18-61+	$8,000	$10,000	$10,000
A	18-61+	$6,000	$8,000	$8,000

See Section 12 for select professional and government employee limits.

Note: These limits do not include Catastrophic Disability Benefit rider amounts or DI Retirement Security.

Future Benefit Increase (FBI) rider maximum issue and participation limits by occupation class

The FBI rider is available on DI policies according to the following issue and participation limit guidelines:

Occupation class	FBI maximum issue and participation limits
6A[1], 5A, 4A, 3A	$17,000/month
5A-M, 4A-M, 3A-M	$17,000/month[3]
2A	$6,000/month
A	$4,000/month

Not applicable to Core Value Income Protection.

Maximum issue and participation limits are also the basis for renewal of the FBI rider. If in force and applied for coverage with all companies exceeds the FBI maximum issue and participation limit, the FBI rider will not be renewed.

[1] The 6A occupation class is for individual Disability Income insurance, including DI Retirement Security, in approved states; not available in California. For a complete list of state approvals visit principal.com/distateapprovals.

[2] For adjustments on 4A-M and 3A-M policies prior to the 700 policy series, the issue limit remains at $10,000/month and the participation limit with other coverage is $20,000/month.

[3] Ages 18-55 only. Limits are $8,000/month for 4A-M and 3A-M policies written prior to the 700 policy series.

Issue and participation limits table guidelines

- Clients in all occupations may apply for the total benefit amount as all base, or a combination of base and SIS. (SIS cannot exceed the SIS maximum.)
- To be eligible for SIS single-life and multi-life, the client must be contributing to social security.
- Sole proprietors, partners and owner/employees of S corporations or Limited Liability Companies are eligible for individual pay limits only.

For details, refer to the federal income tax guide (Section 15).

When programming around existing coverage, reduce the SIS benefit and then the disability benefit with any remaining amount.

Example:

Income—$3,000/month

Non-integrated coverage in force—$1,000

Maximum monthly benefit—$1,250 base, $900 SIS

Maximum SIS Benefit	$900
Less coverage inforce	-$1,000
Excess	-$1,00
Maximum base benefit	$1,250
Less excess	-100
Eligible base benefit	$1,150

The $1,150 base benefit is in addition to the full SIS benefit available (i.e., $900).

DI issue and participation limits

Individual pay

Annual earned income	Maximum disability benefit	Maximum SIS	Total benefit
$15,000	$300	$700	$1,000
16,000	325	725	1,050
18,000	400	750	1,150
20,000	500	775	1,275
24,000	625	875	1,500
30,000	1,000	900	1,900
36,000	1,250	900	2,150
40,000	1,500	950	2,450
48,000	1,725	1,075	2,800
50,000	1,825	1,100	2,925
52,000	1,875	1,125	3,000
60,000	2,225	1,175	3,400
70,000	2,550	1,250	3,800
80,000	2,850	1,350	4,200
90,000	3,350	1,400	4,750
100,000	3,800	1,400	5,200
110,000	4,190	1,400	5,590
120,000	4,580	1,400	5,980
130,000	4,945	1,400	6,345
140,000	5,310	1,400	6,710
150,000	5,775	1,400	7,175
160,000	6,245	1,400	7,645
170,000	6,710	1,400	8,110
180,000	7,180	1,400	8,580
190,000	7,650	1,400	9,050
200,000	8,115	1,400	9,515
210,000	8,635	1,400	10,035
220,000	9,105	1,400	10,505
230,000	9,570	1,400	10,970
240,000	10,040	1,400	11,440
250,000	10,510	1,400	11,910
260,000	10,850	1,400	12,250
270,000	11,000	1,400	12,400
280,000	11,150	1,400	12,550
290,000	11,400	1,400	12,800
300,000	11,600	1,400	13,000
310,000	11,860	1,400	13,260
320,000	12,115	1,400	13,515
330,000	12,525	1,400	13,925
340,000	12,880	1,400	14,280
350,000	13,340	1,400	14,740
360,000	13,745	1,400	15,145
370,000	14,155	1,400	15,555
380,000	14,460	1,400	15,860
390,000	14,615	1,400	16,015
400,000	14,765	1,400	16,165
420,000	14,920	1,400	16,320
440,000	15,125	1,400	16,525
460,000	15,275	1,400	16,675
480,000	15,430	1,400	16,830
500,000	15,530	1,400	16,930
520,000	16,195	1,400	17,595
540,000	16,960	1,400	18,360
560,000	17,470	1,400	18,870
580,000	17,800	1,400	19,200
$600,000	$18,200	$1,400	$19,600
620,000	18,600	1,400	20,000
640,000	19,100	1,400	20,500
660,000	19,600	1,400	21,000
680,000	20,100	1,400	21,500
700,000	20,500	1,400	21,900
720,000	20,900	1,400	22,300
740,000	21,300	1,400	22,700
760,000	21,700	1,400	23,100
780,000	22,000	1,400	23,400
800,000	22,300	1,400	23,700
820,000	22,600	1,400	24,000
840,000	22,900	1,400	24,300
860,000	23,200	1,400	24,600
880,000	23,500	1,400	24,900
900,000	23,800	1,400	25,200
920,000	24,100	1,400	25,500
940,000	24,400	1,400	25,800
960,000	24,700	1,400	26,100
980,000	25,000	1,400	26,400
1,000,000	25,300	1,400	26,700
1,020,000	25,600	1,400	27,000
1,040,000	25,900	1,400	27,300
1,060,000	26,200	1,400	27,600
1,080,000	26,500	1,400	27,900
1,100,000	26,800	1,400	28,200
1,120,000	27,100	1,400	28,500
1,140,000	27,400	1,400	28,800
1,160,000	27,700	1,400	29,100
1,180,000	28,000	1,400	29,400
1,200,000	28,300	1,400	29,700
1,220,000	28,600	1,400	30,000
1,240,000	28,900	1,400	30,300
1,260,000	29,200	1,400	30,600
1,280,000	29,500	1,400	30,900
1,300,000	29,800	1,400	31,200
1,320,000	30,100	1,400	31,500
1,340,000	30,400	1,400	31,800
1,360,000	30,700	1,400	32,100
1,380,000	31,000	1,400	32,400
1,400,000	31,300	1,400	32,700
1,420,000	31,600	1,400	33,000
1,440,000	31,900	1,400	33,300
1,460,000	32,200	1,400	33,600
1,480,000	32,500	1,400	33,900
1,500,000	32,800	1,400	34,200
1,520,000	33,100	1,400	34,500
1,540,000	33,400	1,400	34,800
1,560,000	33,600	1,400	35,000

Employer pay

Annual earned income	Maximum disability benefit	Maximum SIS	Total benefit
$15,000	$450	$700	$1,150
16,000	475	725	1,200
18,000	600	750	1,350
20,000	675	800	1,475
24,000	875	875	1,750
30,000	1,150	1,000	2,150
36,000	1,575	1,000	2,575
40,000	1,800	1,050	2,850
48,000	2,325	1,075	3,400
50,000	2,450	1,100	3,550
52,000	2,575	1,125	3,700
60,000	3,000	1,250	4,250
70,000	3,550	1,400	4,950
80,000	4,075	1,575	5,650
90,000	4,350	1,650	6,000
100,000	5,060	1,650	6,710
110,000	5,580	1,650	7,230
120,000	6,150	1,650	7,800
130,000	6,565	1,650	8,215
140,000	7,035	1,650	8,685
150,000	7,450	1,650	9,100
160,000	8,075	1,650	9,725
170,000	8,645	1,650	10,295
180,000	9,270	1,650	10,920
190,000	9,895	1,650	11,545
200,000	10,465	1,650	12,115
210,000	11,090	1,650	12,740
220,000	11,715	1,650	13,365
230,000	12,285	1,650	13,935
240,000	12,910	1,650	14,560
250,000	13,150	1,650	14,800
260,000	13,350	1,650	15,000
270,000	13,600	1,650	15,250
280,000	13,950	1,650	15,600
290,000	14,200	1,650	15,850
300,000	14,350	1,650	16,000
310,000	14,550	1,650	16,200
320,000	14,750	1,650	16,400
330,000	15,180	1,650	16,830
340,000	15,690	1,650	17,340
350,000	16,100	1,650	17,750
360,000	16,555	1,650	18,205
370,000	17,065	1,650	18,715
380,000	17,575	1,650	19,225
390,000	18,085	1,650	19,735
$400,000	$18,595	$1,650	$20,245
420,000	19,105	1,650	20,755
440,000	19,565	1,650	21,215
460,000	19,975	1,650	21,625
480,000	20,380	1,650	22,030
500,000	20,790	1,650	22,440
520,000	21,100	1,650	22,750
540,000	21,350	1,650	23,000
560,000	21,700	1,650	23,350
580,000	22,150	1,650	23,800
600,000	22,550	1,650	24,200
620,000	22,750	1,650	24,400
640,000	23,150	1,650	24,800
660,000	23,550	1,650	25,200
680,000	23,950	1,650	25,600
700,000	24,350	1,650	26,000
720,000	24,750	1,650	26,400
740,000	25,150	1,650	26,800
760,000	25,550	1,650	27,200
780,000	25,950	1,650	27,600
800,000	26,350	1,650	28,000
820,000	26,750	1,650	28,400
840,000	27,150	1,650	28,800
860,000	27,550	1,650	29,200
880,000	27,950	1,650	29,600
900,000	28,350	1,650	30,000
920,000	28,750	1,650	30,400
940,000	29,150	1,650	30,800
960,000	29,550	1,650	31,200
980,000	29,950	1,650	31,600
1,000,000	30,350	1,650	32,000
1,020,000	30,750	1,650	32,400
1,040,000	31,150	1,650	32,800
1,060,000	31,550	1,650	33,200
1,080,000	31,950	1,650	33,600
1,100,000	32,350	1,650	34,000
1,120,000	32,750	1,650	34,400
1,140,000	33,150	1,650	34,800
1,160,000	33,350	1,650	35,000
1,180,000	33,350	1,650	35,000

Group supplement limits table guidelines

- Many employees have group long-term disability (LTD) or salary continuation plans available through their employer.
- If the employee is disabled, these benefits are almost always taxable to the employee and integrated with social insurance programs.
- Group supplement limits allow a higher individual DI policy to be issued as a supplement to the taxable LTD benefit.
- Group supplement limits may only be used when the client has LTD in-force or will be eligible for LTD within three years of the application.

Group supplement limits are available to all occupation classes.

The DI illustration system will automatically calculate the maximum benefit available.

If applying for:	Calculation example • Income—$120,000/year • LTD—$6,000/month	
Individual-Pay DI: • Determine the maximum benefit available based on the client's earned income (use the individual pay-group supplement limits table). • Multiply the LTD benefit by .70 and subtract from the answer above.	Benefit limit (from the table) = $7,070	$7,070—$4,200 LTD Benefit (6,000 x .70 = $4,200) = $2,870 eligible tax-free benefit

The benefit may not be greater than the issue and participation limit listed in the individual pay table.

Employer-pay DI: • Determine the maximum benefit available, based on the client's earned income (use the employer pay- group supplement limits table). • Subtract the entire LTD benefit from the answer above.	Benefit limit (from the table) =$8,685	$8,685—$6,000 = $2,685 eligible tax-free benefit

The benefit may not be greater than the issue and participation limit listed in the employer pay table.

Note: SIS is not available if the LTD benefit is greater than the SIS issue limit. This benefit may not be greater than the issue and participation limit listed in the employer pay table.

Maximum participation limits with group LTD

Occupation class	Age	Participation limit with Group disability[3]
6A[1], 5A, 4A, 3A	18-61+	$35,000
5A-M, 4A-M[2], 3A-M[2]	18-55	$35,000
	56-60	$17,000
	61+	$10,000
2A	18-61+	$10,000
A	18-61+	$8,000

These limits do not include Catastrophic Disability Benefit rider amounts, nor are they applicable for Core Value Income Protection.

[1] The 6A occupation class is for individual Disability Income insurance, including DI Retirement Security, in approved states; not available in California. For a complete list of state approvals visit principal.com/distateapprovals.

[2] For adjustments on 4A-M and 3A-M, participation limit at $20,000/month for policies written prior to the 700 Policy Series.

[3] Participation limits may change when participating with other individual DI.

Participation limits group supplement

Annual earned income	Individual pay Monthly benefit amount	Employer pay Monthly benefit amount
$15,000	$1,000	$1,100
16,000	1,050	1,175
18,000	1,150	1,300
20,000	1,275	1,450
24,000	1,500	1,725
30,000	1,850	2,150
36,000	2,200	2,575
40,000	2,450	2,850
48,000	2,900	3,400
50,000	3,050	3,550
52,000	3,150	3,700
60,000	3,600	4,250
70,000	4,300	4,950
80,000	4,500	5,650
90,000	5,200	6,175
100,000	5,825	7,150
110,000	6,450	7,905
120,000	7,070	8,685
130,000	7,590	9,360
140,000	8,370	10,220
150,000	8,840	11,025
160,000	9,360	11,620
170,000	9,880	12,300
180,000	10,400	12,950
190,000	10,815	13,625
200,000	11,335	14,300
210,000	11,960	15,105
220,000	12,480	15,835
230,000	13,000	16,535
240,000	13,520	17,265
250,000	13,990	18,070
260,000	14,560	18,670
270,000	15,080	19,420
280,000	15,600	20,125

Annual earned income	Individual pay Monthly benefit amount	Employer pay Monthly benefit amount
$290,000	$16,120	$20,850
300,000	16,745	21,215
310,000	16,985	21,600
320,000	17,545	22,285
330,000	18,105	22,720
340,000	18,615	23,410
350,000	19,125	23,715
360,000	19,685	24,480
370,000	20,195	25,145
380,000	20,755	25,500
390,000	21,420	26,010
400,000	22,410	26,520
420,000	23,400	27,440
440,000	24,385	28,050
460,000	25,375	29,000
480,000	26,360	29,875
500,000	27,350	30,475
520,000	28,335	31,075
540,000	29,325	31,675
560,000	30,090	32,275
580,000	30,855	32,875
600,000	31,620	33,475
620,000	32,385	34,075
640,000	33,150	34,675
660,000	33,915	35,000
680,000	34,680	35,000
700,000	35,000	35,000
720,000	35,000	35,000
740,000	35,000	35,000
760,000	35,000	35,000
780,000	35,000	35,000

Adaptable income benefits (AIBs)

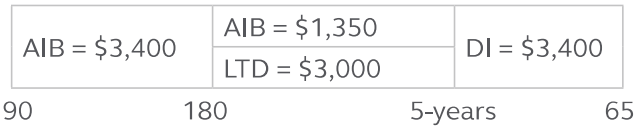
- The primary purpose of an AIB is to program benefits around other in-force coverage.
- Up to two AIBs are available on the disability benefit and one on the SIS benefit.
- The AIB allows the initial disability benefit amount to be higher or lower than the ultimate disability benefit amount. The SIS AIB initial amount must be lower than the ultimate amount.

For all occupation classes:

- The disability benefit AIB may equal the total column of the issue and participation limits table **less** any SIS benefit applied for that covers the same period.
- Neither the SIS AIB nor the ultimate SIS benefit may exceed the maximum SIS listed in the issue and participation limits table.
- The maximum period for an AIB is five years.

Example:

- Income—$5,000/month
- LTD—60 percent with a 180-day elimination period, 5 year benefit period
- Client requests maximum benefit with a 90-day elimination period with benefits to age 65



- Neither the SIS AIB nor the ultimate SIS benefit may exceed the maximum SIS listed in the issue and participation limits table.

State disability insurance (SDI)

Five states have state Disability Income programs. The following table shows the benefits payable in these states:

State	% of monthly income	Maximum monthly benefit	Benefit period
California	55%	$4,625	12 months
Hawaii	58%	$2,320	6 months
New Jersey	66%	$2,530	6 months
New York	50%	$740	6 months
Rhode Island	60%	$3,190	6 months

Since SDI is not taxable, group supplement limits are not used, unless other coverage is group LTD. Instead, the calculated state disability amount is subtracted from the SIS benefit. Any remaining state disability benefit is then subtracted from the base benefit.

Example for class 2A:

- Income—$5,000/month
- State—CA—55% x $5,000 = $2,750 (max = $4,625)
  Maximum monthly benefit—$2,225 base, $1,175 SIS

SIS amount	$1,175
Less SDI	-2,750
Excess	-1,575
Base amount	$2,225
Less excess	-1,575
Base benefit	650 (from day 90 to 365)

Notes:

- In California, Hawaii, New Jersey, New York and Rhode Island, SDI can be ignored at all income levels for 6A[1], 5A, 5A-M, 4A, 4A-M, 3A and 3A-M occupation classes when a policy is issued with a 90-day or longer elimination period.
- The Catastrophic Disability Benefit (CDB) amount is not impacted by SDI. Select professional limits and Core Value Income Protection are not impacted by SDI.

[1] The 6A occupation class is for individual Disability Income insurance, including DI Retirement Security, in approved states; not available in California. For a complete list of state approvals visit principal.com/distateapprovals.

Core Value Income Protection℠

(HH750)

Core Value Income Protection℠ (HH750)

The Core Value Income Protection℠ sales program is designed to make it easier to offer an affordable individual DI policy to clients working in most 2A and 3A occupations.[1]

This sales program offers four streamlined packaged benefit design options to make offering income protection easier than ever before. To qualify, the policy cannot be adjusted or the benefit design changed.

Program guidelines

Occupation classes: 2A and 3A[1]

Issue ages:

- 18 to 60—Single-Life
- 18 to 64—multi-life

Maximum benefit amount: 50% income replacement up to $4,175/month

Built-in benefit design features

your occupation Period	5 years
Riders	• 12-month Short-Term Residual Disability Benefit[2] • Future Benefit Increase (FBI)[2] • Mental/Nervous & Substance Abuse (MNSA) (required, except in Vermont) **Note:** No other riders available.

Benefit design options

Benefit period	5-year	To age 65
Elimination period	60-day	90-day

Built-in individual DI insurance (HH750) policy benefits, such as the waiver of premium, death benefit, etc. still apply.

Note: Business Owner Allowance is not available.

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

[2] May be removed or modified by an underwriting action.

Premium and benefit amounts

- **Under this sales program, all clients receive 3A occupation class rates.**
- Premiums are dependent on the benefit period and elimination period chosen, as well as a variety of other factors. To help make premiums more affordable, clients can select a longer elimination period or shorter benefit period.
- The maximum benefit amount is based on 50% income replacement not to exceed $4,175/month (applies to both issue and participation limits).
- Cannot be used as a supplement to group disability coverage if that policy already replaces at least 50%.
- Social Insurance Substitute (SIS) is not required.

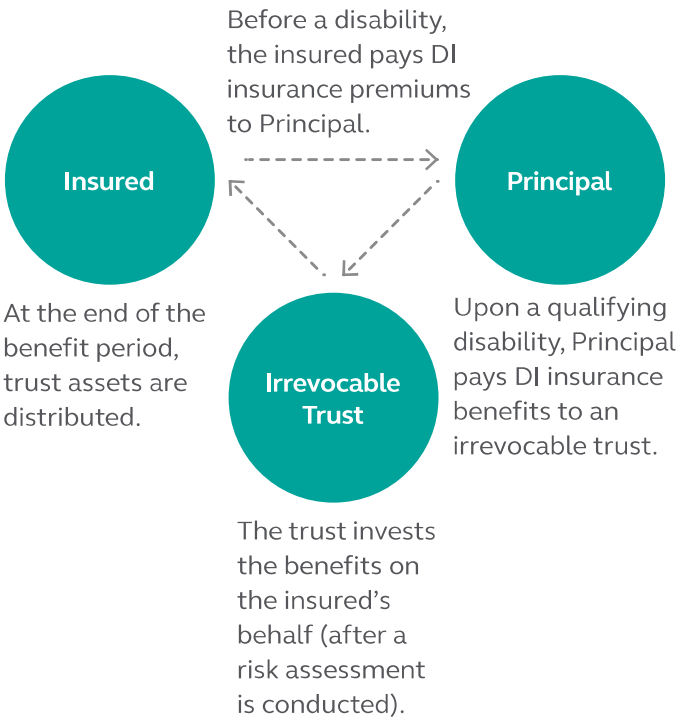
DI Retirement Security (DIRS)

(HH750)

DI Retirement Security (DIRS)

This program is designed for individuals who have maxed out their traditional DI coverage and are committed to saving for retirement.

How DIRS works



For more information on the trust, visit: principal.com/bankerstrust.

Program guidelines

Monthly benefits[1] (with $50 trust administration fee included)	• Minimum: $1,000/month • Maximums: – $1,000: select professionals (Individual-Pay) – $4,550/month individual pay (non-taxable) – $5,850/month employer pay (taxable) These maximum amounts may be adjusted when IRS contribution guidelines are increased.
Occupation classes	All
Issue ages	18-60
Minimal annual income	$76,000
Benefit and Your Occupation periods	• Benefit periods: to age 65 or to age 67 • Your occupation Periods: 2-year, 5-year, to age 65 or to age 67
Elimination periods	180 or 365 days
Available riders	• Future Benefit Increase[2] • Cost of Living Adjustment • Mental/Nervous & Substance Abuse Disorder Limitation (MNSA)[3]
Available discounts (guidelines apply)[3]	• Select occupation—10% • Multi-life (employer and resident options)—20% • Association—10% • Affiliation—10% • MNSA—up to 10%
Medical underwriting	• **If DIRS only**—Underwriting decision will be based on the TeleApp and application. No other medical underwriting requirements will be requested. • **If DI plus DIRS**—Full medical underwriting will apply.
Financial underwriting	• **If DIRS only**—Part A of the application will be the only requirement—no financials required (except in California). • **If DI plus DIRS**, full financial underwriting will apply (including all income documentation). • Complete and submit the DIRS supplemental application and trust agreement.

[1] For 3A-M, 4A-M, 5A-M occupation classes, DIRS benefits plus existing lifetime benefits cannot exceed $25,000/month. This maximum does not apply to other occupation classes.

[2] This rider can be illustrated to the maximum benefit amount available.

[3] See page 1-15 (MNSA), page 8-4 (Multi-life), page 10-2 (Affiliation), page 11-2 (Association) or page 12-5 (Select Occupation) for guidelines.

Taxability

The tax rules for DIRS are the same as for individual DI insurance.

- **Schedule C** business owners would not be able to deduct the premiums as a business expense. Benefits received under the policy would be tax-free.
- Partners or more than two percent shareholders in **S-corps** are required to bonus the premiums to the owners, so their benefits would be tax-free.
- Owners of **C-corps** can do either salary continuation (deduct the premiums without including them in the owner's income, thus taxable benefits at claim time) or executive bonus (include the premiums in their income, thus non-taxable benefits at claim time).

Trust earnings

- Are taxable annually to the client and declared on their tax return each year, unless benefits are invested in a tax-deferred annuity option.
- Once the insured is eligible to receive disability benefits and money has been deposited into the Trust, the Trustee/Trust Administrator will send a 1099 to the grantor for all interest, dividends and capital gain distributions each year.
- Any increase in market value is not taxable until the funds are sold and the grantor "recognizes" the gain.
- The value of the trust will be included in the trust grantor/insured's estate regardless of when the insured dies since the grantor/insured has a "retained interest" in the trust. In some cases, this could create estate tax liability but should not be seen as a negative.
- Since the value of the trust will be included in the estate of the trust grantor/insured, there should be a step-up in basis for the trust property. The only exception that may apply would be investment property that generates untaxed ordinary income. The earnings in a deferred annuity, for example, would be subject to income tax. Also, interest earnings for the year of death would be taxable. Unrealized capital gain, however, would receive a step-up in basis.

Premiums paid by:	Tax considerations:[1]
Employee with after-tax dollars	Benefits received are income tax-free; trust earnings are taxable annually and declared on the insured's tax return unless benefits are invested in a tax-deferred annuity.
Employer	Benefits received are taxable; trust earnings are taxable annually and declared on the insured's tax return unless benefits are invested in a tax-deferred annuity.
Employer, but bonused to employee	Benefits received are income tax-free; trust earnings are taxable annually and declared on the insured's tax return unless benefits are invested in a tax- deferred annuity.

[1] Upon a qualifying disability, benefits are paid to the irrevocable trust.

Exclusions

DI Retirement Security is not available to anyone who is over insured based on the current issue and participation guidelines from Principal. It may not be available or the benefit amount may be reduced for certain occupations if there is existing DI coverage with lifetime benefits. Additional underwriting guidelines may apply.

Calculating the DIRS benefit

Non-Taxable (individual pay)

Client type	Examples
Non-business owner • Earned income plus any employer-qualified retirement contributions (up to $5,000/yr.) times 15 percent. • Not to exceed maximum contributions.	Earned income $230,000 with $1,000 employer contributions for total of $231,000. $231,000 x 15 percent = $34,650 ÷ 12 months = $2,888 + $50/mo. trust fee = $2,938 (round to $2,940). $2,940 < $4,550 (maximum benefit allowed), eligible for **$2,940** a month.
Business owner • Earned income plus any qualified retirement contributions (up to $53,000/yr.) times 15 percent. • Not to exceed maximum contributions.	Earned income $320,000 with $50,000/year qualified retirement contributions for a total of $370,000. $370,000 x 15 percent = $55,500 ÷ 12 months = $4,625 + $50/mo. trust fee = $4,675/month. $4,675 > $4,550 (maximum benefit allowed), eligible for **$4,550** a month.

Taxable (employer pay)

Non-business owner • Earned income plus any employer-qualified retirement contributions (up to $5,000/yr.) times 19 percent. • Not to exceed maximum contributions allowed.	Earned income $230,000 with $1,000/yr. employer contributions for a total of $231,000. $231,000 x 19 percent = $43,890 ÷ 12 months = $3,658 + $50/mo. trust fee = $3,708/mo. (round to $3,710). $3,710 < $5,850 (maximum benefit allowed), eligible for **$3,710** a month.
Business owner (C-corp owner only[1]) • Earned income plus any qualified retirement contributions (up to $53,000/yr.) times 19 percent. • Not to exceed maximum contributions allowed.	Earned income $320,000 with $50,000/yr. qualified retirement contributions for a total of $370,000. $370,000 x 19 percent = $77,300 ÷ 12 months = $5,858 + $50/mo. trust fee = $5,908/mo.(round to $5,910) $5,910 > $5,850 (maximum benefit allowed), eligible for **$5,850** a month.

[1] S corp owners, LLC or Sole Proprietors do not qualify for employer pay limits.

Existing retirement protection coverage

Once you have calculated the benefit available, you will need to subtract any existing retirement protection coverage the client has.

- If the existing retirement protection coverage benefit is non-taxable, use 100 percent of benefit; if taxable, multiply by .70 and subtract from the calculated DIRS benefit.
- If employer paid; subtract the entire existing taxable retirement protection coverage benefit from the calculated DIRS benefit.

✔ **Tip:** Leverage the illustration system to automatically calculate benefits.

Examples

Individual pay non-taxable

Income—$300,000 annual; available non-taxable (individual) pay DIRS benefit of $4,550/month and existing non-taxable retirement coverage of $2,000/month.

Maximum DIRS benefit	$4,550
Less $2,000 retirement Protection	-2,000
Eligible benefit	$2,550

Individual pay Taxable

Income—$300,000 annual; available non-taxable (individual) pay DIRS benefit of $4,470/month and existing taxable retirement coverage of $2,000/month.

Maximum DIRS benefit	$4,550
Less $2,000 retirement Protection x .70	-1,400
Eligible benefit	$3,150

Employer pay

Income—$430,000 annual; available taxable (employer pay) DIRS benefit of $5,850/month and existing taxable retirement coverage of $2,000/month.

Maximum DIRS benefit	$5,850
Less $2,000 retirement Protection	-2,000
Eligible benefit	$3,850

DI Retirement Security is issued as a non-cancelable, guaranteed renewable, individual Disability Income insurance policy. It is not a pension or retirement program or a substitute for such a program. See section 3 for additional exclusions.

Overhead Expense

(HH789 | HH702)

Overhead Expense (HH789 | HH702)

This section provides detailed information on the features, riders and underwriting of the Overhead Expense (OE) insurance policy. Our illustration system calculates rates for you.

To find out which policy is approved in your state, go to principal.com/distateapprovals.

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Overhead Expense (HH789 | HH702)

The objective of Overhead Expense (OE) insurance is to reimburse a business owner for business expenses incurred during a disability. Our policy is designed for owners of small- and medium-sized businesses, whose personal service is critical to the continued earning of business income.

Unlike Disability Income (DI) policies, OE policies are reimbursement policies which pay an amount of monthly benefit based on actual expenses incurred, less earned income. OE coverage is not a substitute for personal DI coverage.

Principal has two policy forms available for its 700 Portfolio Series:

- **HH789—**standard policy form and is available in the majority of states.
- **HH702**—approved in Ohio and Vermont.

HH702 is no longer available in states where HH789 has been approved. For current approvals, go to: principal.com/distateapprovals.

Note: California business products differ and are not part of the Series 700 portfolio series. Contact your local representative to learn more.

Target market

OE insurance is only available to business owners. On a case by case basis a non-owner who has a legal written document stating responsibility for a percentage of the business expenses may purchase a policy. The percentage of total business expenses covered per owner equals the percentage of the owner's interest in the business.

Not all benefits, features and riders are available in all states or to all occupation classes.

Number of owners

- Fee-for-service businesses: up to 8 owners
- Other businesses: up to 4 owners

Occupation classes

- Occupation classes: 5A, 5A-M, 4A, 4A-M, 3A, 3A-M, 2A and A.
- Premiums, benefits, policy forms and the availability of riders vary by occupation class. The premium class may be standard or an extra percentage of standard.
- The "M" subcategory (5A-M, 4A-M, 3A-M) is being used to cap the maximum issue and participation limit and may have additional requirements for optional riders.

Income-producing, non-owner employees

- OE insurance may not be needed if there are non-owner employees that are able to continue to generate income in the absence of the owner.
- The real test is whether or not the business would incur a significant, and reasonably immediate, loss of income in the event of the disability of the owner.
- **Example:** If the owner of a florist shop became disabled and there were other employees capable of arranging and selling flowers, there would be little loss of income to the business, and little need for OE insurance.

Premium rates

- Premiums are dependent on many factors, like: age, occupation class, tobacco status, benefit factor, elimination period, riders and others.
- Minimum annual premium required: $200 (pre-discounted).
- Minimum earned income: $15,000/year as indicated on federal tax returns. Verification of personal earned income is not required for Overhead Expense unless requested by your DI underwriter.
- Sex distinct rates for single- and multi-life.

Note: Written state of Montana requires unisex rates.

Eligible discounts[1]

Discounts are not available in all states, are not all stackable with each other and may require pre-approval. Certain guidelines and restrictions may apply.

- 10% Select Occupation
- 10% Association
- 20% multi-life

Issue ages

- Issue ages: 18-60.
- Issue age has a direct impact on the premium paid for coverage.
- Older the client, the higher the premium; use age as of last birthday.
- Backdating to save age is allowed for a maximum of 30 days prior to the application date.

Elimination periods

- The elimination period (commonly referred to as a "waiting period") is the number of days the insured must wait before benefits begin to accrue.
- Benefits are paid one month after satisfying a policy's elimination period.
- elimination periods: 30, 60, 90 days; options differ for the Business Loan Protection rider[2].

✔ **Tip:** The shorter the elimination period, the higher the premium.

Benefit factors

- The benefit factor multiplied by the maximum monthly benefit equals the maximum aggregate benefit.
- The maximum aggregate benefit is the maximum amount payable for any one continuous disability.
- Benefit Factors (options differ for the Business Loan Protection rider[2]):
  - HH 789: 12, 15, 18, 24 and 30 times.
  - HH 702: 12, 18 and 24.

[1] See page 8-4 (Multi-life), page 11-2 (Association) or page 12-5 (Select Occupation).

[2] See section 5 for details.

Policy description (HH789)

This policy description is a general summary. All features, provisions and riders may not be available in all states and may be subject to state variations. Refer to your state policy and rider forms for the full definition of all policy provisions, benefits, limitations and exclusions.

Renewability

- Policies are non-cancelable and guaranteed renewable to age 65 policy anniversary or five years from the policy date.
- Principal can't change or cancel the policy (except for nonpayment of premiums) or increase the premiums before the age 65 policy anniversary or five years from the policy date if later, regardless of changes in the insured's expenses, occupation or health.
- The owner may renew the policy each year thereafter for life if:
  - The insured is not receiving a benefit under the policy or any rider at the time of renewal; **and**
  - The insured has been actively working an average of 30 hours a week at the time of renewal and for the year preceding renewal; **and** responsible for business expenses at the time of renewal; **and**
  - The policy is in force with no premium in default; **and**
  - We receive the owner's renewal request in writing by the age 65 policy anniversary or, if applicable by the end of the five years from the policy date, and by each policy anniversary thereafter for any subsequent one-year renewals; **and**
  - You pay the renewal policy premium, which will be based on those rates in effect for your age at the time of renewal.

State variation—GA, TX.

Definition of total disability

Solely due to injury or sickness:

- You are unable to perform the substantial and material duties of Your Occupation; **and**
- You satisfy the requirements of the claim information section of the policy.

State variation—LA, NJ, NY, VA.

Advanced benefit

- First maximum monthly benefit paid when due—without receipt of the required documentation.
- Adjustments are made, once the required documentation is received (as described in the carry forward of benefits provision or the overpayment of benefits provision).
- Will only be paid one time per claim and will reduce the maximum aggregate benefit.

Benefit payable

- Reimbursement for the insured's covered overhead expenses for their continuous disability that begins on or after the policy date and while the policy is in-force and subject to the policy provisions.
- Benefits start to accrue at the end of the elimination period. Benefits will continue during the insured's continuous disability, but not beyond the maximum aggregate benefit.

For total disability, we will pay an amount equal to the covered overhead expenses the insured incurs each month up to the maximum monthly benefit, but not to exceed the maximum aggregate benefit.

Carry forward feature

Any unused benefit is carried forward and applied to the Insured's covered overhead expenses in a later month for the same continuous disability when the Insured's covered overhead expenses exceed the maximum monthly benefit.

Carry forward expenses

The insured's covered overhead expenses in any one month of disability may be greater than the maximum monthly benefit. If so, only excess covered overhead expenses will be carried forward and reimbursed in a later month for the same continuous disability when the Insured's covered overhead expenses are less than the maximum monthly benefit.

Covered overhead expenses

- Insured's share, based on their percentage of ownership or contractual agreement, of the usual and customary monthly business expenses they are responsible for in the operation of the business.
- These expenses must be incurred during your disability.
- Covered overhead expenses must be deductible for federal income tax purposes and each expense cannot exceed what it was in the 12 consecutive months just prior to disability.
- Expenses will be considered when recorded using the client's accounting method (cash versus accrual), and those expenses paid other than monthly are considered on a pro-rata basis as if paid monthly.

Death benefit

- If the insured dies after satisfying the elimination period and while benefits are being paid, we will pay benefits during the three-month period immediately following the insured's death for his or her portion of any covered overhead expenses.
- Benefits will be paid as if the Insured was totally disabled with no monthly gross income, subject to the maximum aggregate benefit.

State variation—GA, KS, MD, MN, SC.

Not available—IL, NJ.

Exchange privilege

- Prior to age 60 policy anniversary, the insured may exchange the policy for an individual Disability Income (DI) policy that we have available based on our then current underwriting guidelines without medical evidence of insurability if:
  - The insured is not disabled; **and**
  - The OE policy is in force; **and**
  - No premiums are in default; **and**
  - The insured (and owner if different) complete an application.
- DI premium is based on our then current rates, the insured's attained age and occupation.
- The new policy:
  - Contains any exclusions, ratings and limitations contained in the current OE policy; **and**
  - Maximum benefit period will not be more than two years and the elimination period will be 90 days or greater; **and**
  - Maximum monthly benefit will be the lesser of $2,500 or the maximum amount we are willing to offer under our current underwriting guidelines.

Not available—NY.

Interrupted elimination period

- Allows the combination of separate periods of disability to satisfy the elimination period.
- These periods of disability must occur within a period of time that is up to twice as long as the elimination period and less than one year.
- The disabilities can be from the same or different causes.

State variation—MA.

Legal/accounting fee benefit

- If legal and accounting fees are incurred in the termination of the business due to disability we will reimburse to the loss payee such fees up to a maximum of $3,000.
- Benefit payable in addition to the maximum monthly benefit and maximum aggregate benefit.

Military suspension

- Suspends the policy if the insured enters the military service on a full-time active-duty basis.
- No premium is due during the service and no policy benefits are provided during that time.
- The policy can be restored (same as before the suspension) if:
  - Active duty ends within five years of the suspension; **and**
  - The owner requests the suspension to end within 180 days of the end of service.

Monthly gross income

- The insured's share based on their percentage of ownership or contractual agreement of the monthly gross receipts and other income generated for the business, including the monthly gross income generated by the insured's replacement, during the insured's disability, less the cost of goods, merchandise, products or services.
- Cash or accrual accounting method can be selected at the time a claim begins.
- Only that portion of monthly gross income generated by the insured, his or her replacement, or income generated by others under the insured's supervision, management, or direction is considered in determining monthly gross income.
- Gross receipts or other income received during disability for work performed prior to the start of disability will not be included as monthly gross income during disability.

Presumptive disability benefit

An injury or sickness resulting in total loss of use for any and every purpose or activity without any possibility of recovery of:

- Power of speech; **or**
- Hearing in both ears; **or**
- Sight of both eyes; **or**
- The use of both hands, both feet, or one hand and one foot.

If you incur a Presumptive Disability:

- We will consider the insured disabled and will reimburse covered Overhead Expense for total disability under the benefit section, regardless of their ability to work or earn an income if they incur a Presumptive Disability.
- Considered disabled as long as your Presumptive Disability continues.
- Not required to be under the regular care of a doctor.
- No new elimination period is required and the benefit will start to accrue on the date of loss. Monthly benefits are paid as long as the loss continues, subject to the policy's maximum aggregate benefit.

State variation—NJ.

Recovery benefit

We will provide a benefit if:

- The insured is no longer disabled; **and**
- The insured is not receiving benefits under the benefit section;
- The insured returns to full-time work in their occupation immediately after a continuous disability for which benefits were payable under the benefit section;
- The insured has a loss of net income;
- The loss of net income is solely due to the prior injury or sickness that caused disability; **and**
- The insured satisfies the requirements of the claim information section of the policy.

The amount of benefit payable will be 50 percent of the maximum monthly benefit for a maximum three-month period, but not to exceed the maximum aggregate benefit or the insured's age 65 policy anniversary or five years from the policy date, if later.

State variation—VA.

Recurring disability benefit

Means a continuation of a prior disability and no new elimination period is required when:

- The disability results from the same or a related cause as a prior period of disability for which we paid benefits or provided the waiver of premium benefit; **unless**
- After the prior disability ends you return to work at least 40 hours per week in any occupation for at least six consecutive months.

Benefits will be paid for the remainder of the maximum aggregate benefit, if any.

Reinstatement

- Policy can be reinstated any time within one year after its termination, subject to our then current underwriting guidelines.
- Formal reinstatement application will also be required.
- A reinstated policy covers disabilities from a sickness that first manifests itself more than 10 days after reinstatement date, or an injury occurring after the reinstatement date.

State variation—IL, IN, LA, MA, MD, MN, NE, NH, NJ, NY, SC, VA, WI.

Transplant surgery benefit

We will pay benefits under the benefit section if your disability results from surgery involving a transplant of a part of your body to another person.

Waiver of premium benefit

If insured is disabled, for the lesser of 90 days or the elimination period, we will:

- Refund the monthly pro-rata portion of any premium paid for coverage after the date a continuous disability began; **and**
- Waive the payment of premiums which come due during the continuous disability.

Premium payments will begin on the next premium due date after the insured is no longer receiving benefits under this policy or the disability ends, whichever is later.

Exclusions and limitations

This policy does not pay benefits for injury or sickness which in whole or in part is caused by, contributed by, or which results from:

- Intentional, self-inflicted injury; **or**
- The insured's commission of or their attempt to commit a criminal act, or their involvement in an illegal occupation or activity; **or**
- The suspension, revocation or surrender of their professional or occupational license or certification; **or**
- Active military service during a military action or conflict, **or**
- Loss we have excluded by name or specific description in any attached rider or endorsement.

No benefits are payable for any period of disability in which you are incarcerated in a penal or correctional institution for a period of 30 consecutive days or longer.

A sickness resulting from normal pregnancy and normal childbirth will be covered if the elimination period is equal to or greater than 90 days; subject to the definition of disability.

There may be other exclusions or limitations in the policy in addition to those stated above. Any additional exclusions or limitations (if any) will be described in riders or endorsements attached to the policy. Examples include, but are not limited to Modified Coverage rider, Additional Exception riders, etc.

Limitation when outside the United States or Canada

Benefits will be limited to 12 months during the insured's continuous disability unless they reside in the United States or Canada for at least six consecutive months in each calendar year.

State variation—CT, GA, IA, ID, IL, KS, LA, MA, MD, MN, MO, MT, NC, ND, NE, NJ, NY, OK, SC, SD, TX, UT, VA, WA, WI.

Pre-existing condition limitation

We will not pay any claim for a disability or loss which:

- Begins within 12 months after the effective date of coverage(s); **and**
- Results from a pre-existing condition which was not disclosed or was misrepresented in this policy's application.

Pre-existing condition means a condition:

- For which medical treatment, testing or medication was recommended by a doctor or received from a doctor within the 12 month period prior to the effective date of coverage(s); **or**
- Which has caused symptoms within the 12 month period prior to the effective date of coverage(s) which would cause an ordinarily prudent person to seek diagnosis, care or treatment.

State variation—GA, IA, ID, KY, MD, MN, MT, NC, ND, NH, NJ, NM, NY, SD, WY.

Policy description (HH702)

This policy description is a general summary. **This policy series is only available in Ohio and Vermont.**

All features, provisions and riders may not be available in all states and may be subject to state variations. Refer to your state policy and rider forms for the full definition of all policy provisions, benefits, limitations and exclusions.

Renewability

- Non-cancelable and guaranteed renewable to age 65.
- Principal can't change or cancel the policy (except for nonpayment of premiums) or increase the premiums before age 65, regardless of changes in the insured's expenses, occupation or health.
- Owner may renew the policy on a year-to-year basis after the insured's age 65 policy anniversary if:
  - The insured has been actively working an average of 30 hours a week for the year preceding renewal; **and**
  - The insured is working at least 30 hours a week at the time of renewal; **and**
  - The policy is in force with no premium in default; **and**
  - You pay the renewal policy premium, which will be based on those rates in effect for your age at the time of renewal.

For disabilities beginning on or after the insured's age 65 policy anniversary, the maximum monthly benefit and maximum aggregate benefit will be the same.

Definition of total disability

Means solely due to injury or sickness:

- You are unable to perform the substantial and material duties of Your Occupation; **and**
- You are not working; **and**
- You satisfy the requirements of the claim information section of the policy.

Benefit payable

For total disability, we will pay an amount equal to the covered overhead expenses the insured incurs each month up to the maximum monthly benefit, but not to exceed the maximum aggregate benefit.

Benefits start to accrue at the end of the elimination period and will continue during the insured's disability. Benefits will not be paid for more than three months beyond the insured's age 65 policy anniversary except as described under the renewal after age 65 section.

Carry forward feature

The insured's covered overhead expenses in any one month of disability may be less than the maximum monthly benefit. If so, any unused benefit will be carried forward and applied to the insured's covered overhead expenses in a later month for the same continuous disability when the insured's covered overhead expenses exceed the maximum monthly benefit.

Carry forward of expenses

The insured's covered overhead expenses in any one month of disability may be greater than the maximum monthly benefit. If so, any excess covered overhead expenses will be carried forward and reimbursed in a later month for the same continuous disability when the insured's covered overhead expenses are less than the maximum monthly benefit.

Covered overhead expenses

- Your share, based on your percentage of ownership or contractual agreement, of the usual and customary monthly business expenses You are responsible for in the operation of the business.
- These expenses must be incurred during your disability.
- Covered overhead expenses must be deductible for federal income tax purposes and each expense cannot exceed what it was prior to disability.
- Expenses paid other than monthly are considered on a pro-rata basis as if paid monthly.

Death benefit

- If the insured dies after satisfying the elimination period and while benefits are being paid, we will pay benefits during the three-month period immediately following the insured's death for his or her portion of any covered overhead expenses.
- Benefits will be paid as if the insured was totally disabled with no monthly gross income, subject to the maximum aggregate benefit.

Exchange privilege

- Prior to age 60, the insured may exchange the OE policy for an individual Disability Income (DI) policy without medical evidence of insurability.
- Premium based on our then current rates, the insured's attained age and occupation.
- The new policy's:
  - Maximum benefit period will not be more than two years and the elimination period will be 90 days or greater.
  - Maximum monthly benefit will be the lesser of $2,500 or the maximum amount we are willing to offer under our current underwriting guidelines.

Interrupted elimination period

- Allows the combination of separate periods of disability to satisfy the elimination period.
- These periods of disability must occur within a period of time that is up to twice as long as the elimination period and less than one year.
- The disabilities can be from the same or different causes.

Legal/accounting fee benefit

- If legal and accounting fees are incurred in the termination of the business due to disability we will reimburse to the loss payee such fees up to a maximum of $3,000.
- Benefit payable in addition to the maximum monthly benefit and maximum aggregate benefit.

Military suspension

- Suspends the policy if the insured enters the military service on a full-time active-duty basis.
- No premium is due during the service and no policy benefits are provided during that time.
- The policy can be restored (same as before the suspension), if:
  - Active duty ends within five years of the suspension; **and**
  - The owner requests the suspension to end within 180 days of the end of service.

Monthly gross income

- The insured's share of the monthly gross receipts and other income of the business during the insured's disability, less the cost of goods, merchandise, products or services. This includes income generated by the insured, his or her replacement, or income attributed to the insured. If totally disabled, monthly gross income is not considered.
- Cash or accrual accounting method can be selected at time of claim to determine monthly gross income during disability.
- Gross receipts or other income received during disability for work performed prior to the start of disability **will not** be included as monthly gross income during disability.

Presumptive Disability Benefit

Is an injury or sickness resulting in total loss of use for any and every purpose or activity without any possibility of recovery of:

- Power of speech; **or**
- Hearing in both ears; **or**
- Sight of both eyes; **or**
- The use of both hands, both feet, or one hand and one foot.

If you incur a Presumptive Disability:

- We consider you disabled and will pay benefits for total disability under the benefit section, regardless of your ability to work or earn an income if you incur a Presumptive Disability. You will be considered disabled as long as your Presumptive Disability continues.
- You are not required to be under the regular care of a doctor.

- No new elimination period is required and the benefit will start to accrue on the date of loss. Monthly benefits are paid as long as the loss continues, subject to the policy's maximum aggregate benefit.

Recovery benefit

Provides a benefit if:

- You are no longer disabled; **and**
- You are not receiving benefits under the benefit section; **and**
- You return to full-time work in your occupation immediately after a continuous disability for which benefits were payable under the benefit section; **and**
- You have a loss of net income; **and**
- Your loss of net income is solely due to the prior injury or sickness that caused disability; **and**
- You satisfy the requirements of the claim information section of the policy.

The amount of benefit payable will be 50 percent of the maximum monthly benefit for a maximum three-month period, but not to exceed the maximum aggregate benefit or the insured's age 65 policy anniversary.

Recurring disability benefit

Means a continuation of a prior disability and no new elimination period is required when:

- The disability results from the same or a related cause as a prior period of disability for which we paid benefits or provided the waiver of premium benefit; **unless**
- After the prior disability ends you return to work at least 40 hours per week in any occupation for at least six consecutive months.

Benefits will be paid for the remainder of the maximum aggregate benefit, if any.

Reinstatement

- Policy can be reinstated any time within one year after its termination, subject to our then current underwriting guidelines.
- Formal reinstatement application will also be required.
- A reinstated policy covers disabilities from a sickness that first manifests itself more than 10 days after reinstatement date, or an injury occurring after the reinstatement date.

Transplant surgery benefit

We will pay benefits under the benefit section if your disability results from surgery involving a transplant of a part of your body to another person.

Waiver of premium benefit

If insured is disabled, after the lesser of 90 days or the elimination period, we will:

- Refund the monthly pro-rata portion of any premium paid for coverage after the date a continuous disability began; **and**
- Waive the payment of premiums which come due during the continuous disability.

Premium payments will begin on the next premium due date after the insured is no longer receiving benefits under this policy or the disability ends.

Exclusions and limitations

This policy does not pay benefits for injury or sickness which in whole or in part is caused by, contributed by, or which results from:

- Intentional, self-inflicted injury; **or**
- Your commission of or your attempt to commit a criminal act, or your involvement in an illegal occupation or activity; **or**
- The suspension, revocation or surrender of your professional or occupational license or certification; **or**
- Active military service during a military action or conflict.

No benefits are payable for any period of disability in which you are incarcerated in a penal or correctional institution for a period of 30 consecutive days or longer.

A sickness resulting from normal pregnancy will be covered if the elimination period is equal to or greater than 90 days.

There may be other exclusions or limitations in the policy in addition to those stated above. Any additional exclusions or limitations (if any) will be described in riders or endorsements attached to the policy. Examples include, but are not limited to Modified Coverage rider, Additional Exception riders, etc.

State variation—VT.

Benefit riders (HH789 | HH702)

Automatic Increase Option (AIO) rider

- No cost rider.
- Issue ages: 18 to 55 (for all standard premium policies).
- Occupation classes: All.
- Automatically increases base policy benefits subject to the maximum issue and participation limit on each policy anniversary for six years, based on the change in the CPI-U. Evidence of insurability is not required.
  - Guaranteed minimum: 4 percent compounded.
  - Guaranteed maximum: 10 percent compounded.
- Renewed every six years with financial evidence of insurability.
- Premiums for AIO increases are based on the insured's attained age and the rates in effect at the time of the increase.
- Does not apply to the Business Loan Protection rider.
- Is available in conjunction with Benefit Update rider.

See the AIO maximum issue and participation limits table (page 4-27).

The AIO rider is not available on policies exceeding the benefit amounts indicated in the table.

State variation—GA (HH789).

Benefit Update (BU) rider

- No cost rider for standard premium policies.
- Issue ages: 18 to 55.
- Occupation classes: All (if at least 75 percent of eligible coverage is purchased at issue).
- Allows the policyowner to purchase increased policy benefits every three years without evidence of medical insurability.
- At three year intervals, Principal sends the insured correspondence regarding the opportunity for a BU review.
- The client must return a completed application and financial documentation (if required).
- Depending on the information submitted, we may offer to increase coverage up to the maximum issue and participation limits for which they qualify—**there is no cap** (hard to find in the industry).
- At each BU option, the client must accept a minimum of 50 percent of the additional benefit offered or the rider is removed.
- Client maintains **one policy** and all definitions, provisions, current rates (at the attained age) and discounts of the original policy apply.

Producers are kept up-to-date with client correspondence through the IDI benefit update activity report available at our advisors.principal.com.

A weekly e-mail notification is sent (prompting login) when there is any BU activity on your in-force book of business.

Business Loan Protection rider

- Cost rider.
- Provides reimbursement coverage for covered business-related loan obligations.
- See section 5 for additional details.

Residual Disability Benefit rider

- Cost rider.
- Occupation classes: 2A and above.

Residual Disability means:

- Insured is not totally disabled; **and**
- Solely due to injury or sickness:
  - They are able to perform some, but not all, of the substantial and material duties of your occupation or they are unable to perform full-time work in their occupation; **and**
  - They incur a monthly loss of net income; **and**
- Satisfy the requirements of the claim information section of the policy. We will pay an amount equal to the loss of net income the insured incurs each month up to the maximum monthly benefit, but not to exceed the maximum aggregate benefit.
  - Loss of net income is the amount by which monthly gross income is less than overhead expenses.

For the first six months of a Residual Disability following the elimination period, the benefit payable will not be less than 50 percent of the maximum monthly benefit. The Residual Disability Benefit does not apply to the Business Loan Protection rider.

State variation—MD, NC, NJ, NY, VA (HH789).

Underwriting guidelines

Maximum issue and participation (I&P) limits

The maximum monthly benefit issued with other companies (excluding key person Replacement, Disability Buy-Out, Business Loan Protection and Disability Income insurance) is:

		Benefit Factor				
Occupation class	Elimination period	12-month	15-month[1]	18-month	24-month	30-month[1]
5A/5A-M 4A/4A-M 3A/3A-M	30 days	$30,000/month				
5A/5A-M 4A/4A-M 3A/3A-M	60- or 90 days	$50,000/month	$40,000/month		$30,000/month	
2A/A	30-, 60- or 90 days	$10,000/month				

Automatic Increase Option (AIO) rider maximum issue and participation limits

The AIO rider is available on Overhead Expense policies (excluding any Business Loan Protection rider coverage) according to the following issue and participation limit guidelines:

		Benefit Factor				
Occupation class	Elimination period	12-month	15-month[1]	18-month	24-month	30-month[1]
5A/5A-M 4A/4A-M 3A/3A-M	30 days	$28,000/month				
5A/5A-M 4A/4A-M 3A/3A-M	60- or 90 days	$46,000/month	$37,000/month		$28,000/month	
2A/A	30-, 60- or 90 days	$8,000/month				

[1]Not available for HH702.

These AIO maximum issue and participation limits are also the basis for renewal of the AIO rider. If in-force and applied for coverage with all companies exceeds the AIO maximum issue and participation limit, the AIO rider will not be renewed.

Expense requirements

- Over insurance guidelines:
  - Coverage is not available if the proposed insured is overinsured for personal Disability Income insurance.
  - An overinsured individual has less incentive to return to work, which typically results in a claim being paid for a longer duration than might otherwise be expected.
- The Overhead Expense statement must be submitted with all OE applications, as it is made part of the policy.
- Expense verification required when the total Overhead Expense insurance coverage:
  - In-force and applied for with all companies exceeds $10,000 per month.
  - Needs to be clarified or justified.

Continued on the next page.

The following forms are required for expense verification:

Sole proprietorship	Schedule C (including all supplemental schedules) or Profit and Loss (Income) Statement for the last 12 months
Partnership	1065 Partnership return (including all supplemental schedules), or Profit and Loss (Income) Statement for the last 12 months
Limited liability company—partnership	1065 Partnership return (including all supplemental schedules), or Profit and Loss (Income) Statement for the last 12 months
Limited liability company—S corporation	1120S S corporation return (including all supplemental schedules), or Profit and Loss (Income) Statement for the last 12 months
Limited liability company—C corporation	1120 C corporation return (including all supplemental schedules), or Profit and Loss (Income) Statement for the last 12 months
S corporation	1120S S corporation return (including all supplemental schedules), or Profit and Loss (Income) Statement for the last 12 months

Note: Loan documentation is always required for Business Loan Protection coverage. See section 5 for details.

Covered overhead expenses

- Expenses must be deductible for federal income tax purposes, which means not all expenses can be covered.
- Amount of benefit issued is based on the owner's share of the usual and customary monthly business overhead expenses the owner is responsible for in the operation of the business/practice.
- Coverage is based on percent ownership in the business.

Examples of expenses commonly covered

- **Accountant or accounting services—**if a recurrent and ongoing expense. See "professional fees" for further guidance.
- **Advertising**—if an ongoing, contracted expense.
- **Answering service/beeper—**Generally covered—since usually a fixed monthly expense.
- **Car insurance—**Sometimes covered—to the extent vehicle is used for business purposes and is necessary for continuation of the business, this item is covered on a pro-rata basis. Personal use is not covered.
- **Car loan—**Sometimes covered—to the extent vehicle is used for business purposes, this item is covered on a pro-rata basis. Interest expense is only covered if vehicle is necessary for continuation of the business.
- **Car rental**—Sometimes covered—covered if vehicle is necessary for continuation of the business.
- **Electricity.**
- **Employee benefits**—Sometimes covered—medical, life, LTD, etc., on eligible employees only. Benefits for the client or members of the same profession are not covered.
- **Equipment loans.**
- **Heat.**
- **Insurance premiums** (malpractice, liability, property)—if premiums are not waived during disability.
- **Janitorial/maintenance/security services.**
- **Laundry.**
- **Leased equipment**—if necessary for continuation of the business.
- **Legal fees—**Sometimes covered—need to know purpose of the fee. If non-recurrent, expense not covered.
- **Liability insurance.**
- **Life and medical insurance**—Sometimes covered—on eligible employees only.
- **Loan to purchase business-related equipment and real estate**—Interest and principal are covered expenses if not covered under the Business Loan Protection rider. *Covered asset examples*: medical/dental equipment, office furniture and equipment, building (to the extent owned and occupied by the firm.) *Not covered assets*: insured's personal vehicle, airplane, investment real estate.

- **Malpractice insurance.**
- **Mortgage/rent**—Both rent and mortgage interest and Principal are covered; however, generally not together. If the business owns and occupies the building, then only mortgage interest and principal is covered (cannot rent from itself). If there are two locations which are occupied by the business, it is possible to have both rent and mortgage interest (owns one building and rents the other).
- **Office supplies—**Examples: paper, writing utensils, etc. are covered. Supplies directly related to the insured's work are NOT covered.
- **Payroll taxes**—Use 10 percent of payroll expense as a reasonable rule of thumb for payroll tax expense. This covers: FICA expense—7.65 percent; federal unemployment—0.8 percent; **and** state unemployment—1.6 percent.
- **Professional dues and memberships**—generally covered since continued membership in professional organizations is necessary to maintain an insured's professional level of knowledge. Dues and membership to private clubs, country clubs, etc., would not be covered.
- **Professional fees**—Sometimes covered—*Covered*: fees to professional organizations. Legal and accounting fees subject to comments noted for specific expense account. *Not covered*: services performed by individual organizations of same or similar profession, or supporting professions.
- **Real estate taxes**—Only if building is owned by the business, houses the business, and is not a real estate investment of the business.
- **Rent/mortgage**—Both rent and mortgage interest and principal are covered; however, generally not together. If business owns and occupies the building, then only mortgage interest and principal is covered (cannot rent from itself). If there are two locations which are occupied by the business, it is possible to have both rent and mortgage interest (owns one building and rents the other).
- **Rental equipment—**If necessary for continuation of the business.
- **Repairs—**Sometimes covered—equipment repairs would be covered.
- **Replacement expense**[1]—Covered—the compensation to employ a replacement must be reasonable in relation to the duties performed and should not exceed a maximum of 50 percent of the client's earned income.

  Example: Owner's monthly income $10,000/mo. x 50% = $5,000/mo. replacement expense
- **Salaries**—Sometimes covered—generally, salaries and benefits for administrative non-income producing employees are covered. *Not covered salary expenses include*: salaries, wages, fees, drawing accounts, advances, bonuses and other remuneration, including benefits for: the client and any person sharing business expenses with the client, member of the client's profession, individual hired to perform the client's duties during disability[2] may be covered under replacement expense as noted above, person responsible for the generation of income in the business, and member of the client's immediate family who was not a full-time paid employee of the business for at least 60 days before disability began.
- **Subscriptions**—Sometimes covered—the maintenance and renewal of professional materials are covered (i.e., subscriptions for medical, legal or accounting journals and research texts).
- **Telephone.**
- **Utilities.**
- **Water.**
- **Workers' compensation insurance**—for eligible employees only.

[1] Description and calculation may vary for HH702 policies.

[2] This includes any person capable of performing the same duties as the client. For example, a legal assistant is not considered to be in the same profession as an attorney. Note, however, that a legal assistant may be included as "any person responsible for the generation of income in the business."

Examples of expenses not covered

- **Conventions.**
- **Cost of goods sold, merchandise or products.**
- **Credit bureau collection**—Generally not covered—because if the insured is disabled, there should not be any current services being performed to warrant any current collection activities. This expense would normally only relate to income earned prior to disability (1-2 years from date of service).
- **Depreciation.**
- **EKG service.**
- **Entertainment.**
- **Lab fees—**expenses are usually passed on to the patient.
- **Loan to buy a business—**Not covered[1]—this is a capital asset that is appreciating in value. Where business acquisition loans include equipment and other depreciable assets which are generally covered expenses, give the breakdown as to the percentage of the loan payment that applies.
- **Medical supplies/x-ray supplies**
- **Moving expenses.**
- **OE premium.**
- **Parking fees.**
- **Past due bills**– bills for expenses that were incurred prior to disability are not covered.
- **Personal taxes.**
- **School loans.**
- **Travel.**

[1] May be considered under the Business Loan Protection rider.

Business Loan Protection (BLP) rider

(HH789 | HH702)

Business Loan Protection (BLP) rider (HH789 | HH702)

Business Loan Protection (BLP) rider

- Cost rider.
- Occupation classes: All (3A and above preferred).
- Provides reimbursement for a monthly business-related loan obligation in the event of the insured's total disability. Items commonly covered, include:
  - Purchase of a practice or existing business.
  - Purchase of expensive equipment.
  - Expansion of the business or practice.
  - Facility renovations and improvements.
  - Purchase of a building used solely for the business.
- Elimination periods: 30, 60, 90, 180 and 365 days.
- The BLP termination date is based on the end of the financial obligation with a minimum of three years, up to a 30 year maximum, but it may not exceed the loan termination date or the age 65 policy anniversary of the Overhead Expense policy.
- This rider is not renewable beyond age 65.
- The maximum monthly benefit is based on the amount of the monthly loan payment, rounded up to the nearest dollar amount, not to exceed issue and participation limits.

[1] Balloon loans are written for a specific number of years, with a balloon payment at the end of the period. These loans may be amortized over a longer period of time. The BLP rider covers the amount of the payment for the contractual time period as stated in the loan agreement (minimum of three years) rather than the amortized payment over the longer time period.

[2] Variable interest rate loans can result in fluctuations in the monthly loan payment. The eligible monthly BLP amount is calculated using the lowest interest rate stipulated in the loan agreement.

BLP issue and participation limits

BLP maximum monthly and aggregate benefit issue and participation limits

Maximum monthly benefit issue limit	$20,000
Maximum monthly participation limit	The amount of the monthly loan obligation
Maximum aggregate benefit issue limit	$2,000,000
Maximum aggregate participation limit	The total aggregate loan obligation

Example 1: A client has a total aggregate loan obligation (including principal and interest) of $2,000,000 and the loan has monthly loan payments of $40,000 payable over 50 months. The client would be eligible for:

- $20,000/month BLP and
- $20,000/month with another carrier.

Example 2: If the total aggregate loan obligation (including principal and interest) is $3,000,000 and the loan has monthly loan obligations of $15,000 payable over 200 months, clients could choose to have their BLP rider have either a:

- $20,000/month for 100 months (total payout of $2,000,000) or
- $10,000/month for 200 months (total payout of $2,000,000)
- The balance of the monthly loan obligation or the total aggregate loan obligation could be funded with another carrier.

Types of covered loans

We will consider covering the following types of loan obligations in the event of a total disability:

- Balloon[1]
- Term
- Variable rate[2]
- Commercial mortgage
- Lease financing
- Loans for working capital or increase in inventory

Types of loans not covered

- Investment[1]
- Line of credit
- Credit card
- Revolving line of credit
- Interest only
- Family loan

Note: Client can purchase an Overhead Expense insurance policy with a zero dollar benefit to obtain loan coverage with the BLP rider. No additional riders will be available.

State variation—FL, IL, NJ, NY, PA, TN, VA .

Not available—CA, MD.

[1] Investment loans are loans that are taken out solely to finance an investment. They are not eligible loans because the proposed insured is not actively working on a full-time basis in the business.

Loan documentation required

The following will serve as loan documentation:

- **Loan has closed:** Copy of executed loan agreement that has been dated, signed by all parties and includes the name of the borrower, name of lender, loan number, loan amount, amount of the monthly loan payment, date of the initial loan payment, duration of the loan and purpose of the loan.
- **Loan has not closed:**
  - Either of the following may be submitted—commitment letter, promissory note or letter or email from bank personnel.
  - Commitment letters and promissory notes should be dated and appropriately signed by all parties.
  - A letter or email from bank personnel should be dated, signed and contain the title of the bank personnel.
  - All should include the name of the borrower, name of the lender, amount of the loan, amount of monthly loan payment, projected initial loan payment due, duration of the loan, purpose of the loan and expiration date of the letter, note or offer.
  - If the expiration date has been reached the document is no longer valid and updates will be required.
  - If the loan has closed, a copy of the loan agreement should be submitted. If the loan has not yet closed, updated documents could be included with an updated commitment letter, promissory note or a letter/email from bank personnel providing updated details.
  - If there are any conditions listed in the document that must be met before the loan can be made, there needs to be a realistic expectation that the conditions can be met.

Disability Buy-Out

(HH703 | HH794)

Disability Buy-Out (HH703 | HH794)

This section provides detailed information on the features, rider and underwriting of the Disability Buy-Out (DBO) insurance policy. Our illustration system calculates rates for you.

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Disability Buy-Out (HH703 | HH794)

The objective of Disability Buy-Out (DBO) insurance is to provide funding for the purchase of a business owner's interest under a buy-sell agreement, by one or more other owners in the same firm, in the event of a long-term total disability.

Target market

- The best prospects for DBO are businesses with two or more owners who are full-time, active and key to the continuation of the business. A one person or single owner DBO is considered with the HH794 product under a One-Way Buy-Out concept (an industry game-changer!).
- DBO works best for small businesses rather than large ones, where the principals can more easily fill in if another principal becomes disabled.
- A three-person professional partnership, with equal ownership, is an example of an ideal DBO situation.

Other types of businesses are eligible, too. However, the ownership details and objectives of the buy-out must be looked at more closely. Where these factors are favorable, DBO cases between two or more non-related principals are generally good risks. Business owners with large differences in age may represent an uninsurable Disability Buy-Out risk.

There are additional guidelines when the buy-out is between close relatives because of possible anti-selection. Familial cases (spouses, parent-child) generally are not considered. Other family relationships (siblings, cousins, etc.) may be considered.

Note: California business products differ and are not part of the Series 700 portfolio.

Buy-out methods

The client's attorney and/or financial advisor should assist the client in determining the appropriate buy-out method. The number of owners, their ages and desired tax results will all affect the decision on the structure of the agreement.

- Cross purchase, stock redemption and trusteed buy-sell agreements are all eligible.
- Trusteed buy-sell arrangements are also available for C corporation owners.
- Sample buy-sell agreements are available on advisors.principal.com.

Note: A buy-sell agreement is not required in order to purchase DBO insurance (unless a One-Way Buy-Out agreement is established, page 6-13), but one must be in place at the time of a disability claim. In the state of New York, the buy-sell agreement must be in place before purchasing DBO insurance.

Occupation classes/policy forms

- Occupation classes: 6A[1], 5A, 5A-M, 4A, 4A-M, 3A, 3A-M, 2A and A.
- Premiums, benefits, and the availability of riders vary by occupation class. The premium class may be standard or an extra percentage of standard.
- The "M" subcategory (5A-M, 4A-M, 3A-M) is being used to cap the maximum issue and participation limit and may have additional requirements for optional riders.
- Policy Form: Disability Buy-Out HH703 (HH735 in NY) or HH794

[1] The 6A occupation class is for Disability Buy-Out (HH794 policy) in approved states. In these states, the Select Occupation Discount is not available. For a complete listing of state approvals, visit principal.com/distateapprovals.

Premium rates

- Premiums are dependent on many factors age, occupation class, tobacco status, benefit factor, elimination period, termination date, riders, features and others.
- Minimum annual premium required: $200 (pre-discounted).
- Minimum earned income is $15,000/year as indicated on federal tax returns. Verification of personal earned income is not required unless requested by your DI underwriter.
- Policies issued with male and female rates.

	Single-Life	Multi-life
Disability Buy-Out	Sex Distinct[1]	Sex Distinct[1]

[1]Written state of Montana requires unisex rates.

✔ **Tip:** Leverage the illustration system to automatically calculate premiums.

Eligible discounts[2]

Discounts are not available in all states, are not all stackable with each other and may require pre-approval. Certain guidelines and restrictions may apply.

- 10% Association
- 20% multi-life
- 5% Preferred Business Owner (HH794 only)
- 10% Select Occupation (HH703 only)

[2] See page 8-4 (Multi-life), 11-2 (Association), 12-5 (Select Occupation), 6-9 (Preferred Business Owner).

Issue ages

- Issue ages: 18-60 (18-55 for One-Way Buy-Out—HH794 only).
- Issue age has a direct impact on the premium paid for coverage.
- Older the client, the higher the premium; use age as of last birthday.
- Backdating to save age is allowed for a maximum of 30 days prior to the application date.

Elimination periods

- The elimination period (commonly referred to as a "waiting period") is the number of days the insured must wait before benefits begin to accrue.
- Benefits are paid one month after satisfying a policy's elimination period.
- Elimination periods: 365, 540, 730 days.

✔ **Tip:** When combining Overhead Expense (OE) insurance with Disability Buy-Out (DBO) insurance, recommend the client matches the OE benefit period to the DBO elimination period when possible.

✎ **Note:** The shorter the elimination period, the higher the premium.

Termination dates

The termination date is the date DBO coverage is provided through. Available termination dates:

- To age 65 policy anniversary
- To age 67 policy anniversary (HH794 only)

Payment methods

There are three payment methods available:

- Lump sum
- Monthly installment
- Combination of lump sum and monthly installment

Benefit factors available on the monthly installment and combination payment methods are 24, 36 and 60 times.

The benefit factor multiplied by the maximum monthly benefit equals the maximum aggregate benefit. The maximum aggregate benefit is the maximum amount payable for any total disability.

Policy description (HH703 | HH794)

This policy description is a general summary. All features, provisions and riders may not be available in all states and may be subject to state variations. Refer to your state policy and rider forms for the full definition of all policy provisions, benefits, limitations and exclusions.

Renewability

- Renewable to age 65 or to age 67.[1]
- During the term of the policy, and while this policy is in force, we cannot change the policy or change the premium rate.
- The term of the policy continues until the earliest of the:
  - Insured's age 65 or 67[1] policy anniversary; **or**
  - Date the insured terminates active full-time employment with the firm for any reason other than total disability; **or**
  - Date the buy-sell agreement is terminated or executed; **or**
  - Date the maximum aggregate benefit or the final buy-out expense payment is paid; **or**
  - Date of the owner's written request to terminate the policy; **or**
  - End of the grace period; **or**
  - Death of insured or owner:
    1) Date the owner no longer has ownership interest in the firm; **or**
    2) Date the owner terminates active full-time employment with the firm.

HH703 state variation—NY.

HH794 state variation—VA.

[1]Available in approved states for policy series HH794.

Definition of total disability

When due to injury or sickness, the insured:

- Is unable to perform the substantial and material duties of his or her occupation,
- Is not working in any other occupation for the firm, and
- The requirements of the claim information section of the policy are satisfied.

HH794 State variation—MO, MD, VA.

Benefit payable (HH703)

Benefit will become payable to the owner the later of the end of the elimination period or the date a buy-out expense is incurred if:

- The insured incurs a total disability while engaged in active full-time employment in the firm;
- The insured has an ownership interest in the firm when the buy-out expense is incurred;
- The owner incurs a buy-out expense in performance of the terms of the buy-sell agreement that is in force at the time the total disability begins; **and**
- The requirements of the claim information section of the policy are satisfied.

We will refund any excess premium paid for the 12 months prior to the date of total disability if the total buy-out expense amount incurred is less than the benefits shown on the current data pages.

We will waive the requirements of total disability during the Insured's lifetime after a payment of a buy-out expense benefit has been made.

If the insured has buy-out expense coverage with another company in effect at the time of total disability, the benefits of this policy will be adjusted to a proportion equal to the percentage this policy's benefits bears to the total amount of buy-out expense coverage. The total benefits provided by this policy and any other buy-out expense coverage in effect at the time of total disability will not exceed the total buy-out expense incurred.

After age 61, benefits are reduced as follows:

Age when disabled	Maximum benefit
Under 61	100%
61-62	80%
62-63	60%
63-64	40%
64-65	20%
Over 65	0%

HH703 State variation—NJ, NY.

Benefit payable (HH794)

Benefit will become payable to the owner the later of the end of the elimination period or the date a buy-out expense is due if:

- The insured becomes totally disabled while engaged in active full-time employment in the firm; **and**
- The insured has an ownership interest in the firm when the buy-out expense is due; **and**
- The owner is responsible for a buy-out expense in performance of the terms of the buy-sell agreement that is in force at the time the total disability begins; **and**
- The owner is engaged in active full-time employment for the firm; **and**
- The requirements of the claim information section of the policy are satisfied.

We will refund any excess premium paid for the 12 months prior to the date of total disability if the total buy-out expense amount incurred is less than the benefits shown on the most recently issued Data Pages.

We will waive the requirements of total disability during the insured's lifetime after a payment of a buy-out expense benefit has been made.

If the Insured has buy-out expense coverage with another company in effect at the time of total disability, the benefits of this policy will be adjusted to a proportion equal to the percentage this policy's benefits bears to the total amount of buy-out expense coverage. The total benefits provided by this policy and any other buy-out expense coverage in effect at the time of total disability will not exceed the total buy-out expense due.

After age 61, benefits are reduced as follows:

Age when disabled	Maximum benefit
Under 61	100%
61-62	80%
62-63	60%
63-64	40%
64-65	20%
Over 65	0%

After age 63 on an Age 67 policy anniversary policy:

Age when disabled	Maximum benefit
Under 63	100%
63-64	80%
64-65	60%
65-66	40%
66-67	20%
Over 67	0%

Full benefit continuation (HH794)

If the client chooses the **full benefit continuation** (cost) feature, the benefits available if the insured becomes disabled within five years of the termination of coverage are not reduced.

This feature is available for those who are insured and under age 55 at time of purchase.

Exclusions and limitations (HH794)

This policy does not pay benefits for injury or sickness which in whole or in part is caused by, contributed by, or which results from:

- Intentional, self-inflicted injury; **or**
- The insured's commission of or attempt to commit a felony or the insured's involvement in an illegal occupation or activity; **or**
- The suspension, revocation or surrender of the insured's professional or occupational license or certification; **or**
- Active military service during a military action or conflict; **or**
- Loss we have excluded by name or specific description in any attached rider or endorsement.

No benefits are payable for any period of total disability in which the insured is incarcerated in a penal or correctional institution for a period of 30 consecutive days or longer.

No claim for total disability or loss which begins within two years after the effective date of coverage and results from a pre-existing condition not disclosed or misrepresented in the policy application will be paid.

If the insured is residing or staying outside the U.S. during any period of total disability, additional requirements are applicable:

- Evidence submitted for the claim will be required to be translated by the U.S. embassy and contain their seal.
- The insured may be required to return to the U.S. at a frequency we deem necessary to substantiate the claim at his or her or the owner's expense.
- The insured or owner must notify us in advance of the insured's return to the U.S. and the change of address.

There may be other exclusions or limitations in the policy in addition to those stated above. Additional exclusions or limitations, if any, will be described in riders or endorsements attached to the policy. Examples include, but are not limited to Modified Coverage rider, Additional Exception riders, etc.

HH794 State variation—CT, DC, GA, IA, IL, KY, LA, MD, MN, MO, NC, ND, NE, NJ, SC, SD, TX, VA, WI, WY.

Death benefit

- Pays a lump sum benefit of two times (three times for policy series HH794) the maximum monthly benefit if the insured dies after satisfying the elimination period while monthly benefits are being paid.
- Benefit is payable in addition to any other policy benefits.
- This benefit is not available with the lump sum payment method and is restricted in some states.

HH794 State variation—GA, KS, LA, MD, MN, SC.

HH794 Not available—IL, NJ.

Exchange privilege

- On or before age 60, the Insured may exchange the policy for any individual Disability Income policy based on our then current underwriting guidelines, without medical evidence of insurability.
- The new policy will:
  - Not feature a maximum benefit period more than two years and the elimination period will be 90 days or greater.
  - Have a maximum monthly benefit lesser of $2,500 or the maximum amount we are willing to offer under our current underwriting guidelines.

HH703 Not available—NY.

HH794 State variation—MI.

Legal/accounting fee benefit

- Provides the owner up to a maximum of $3,000 in legal and accounting fees if such fees are incurred in performance of the buy-sell agreement as a result of the Insured's total disability.
- Benefit payable in addition to the maximum aggregate benefit.

Military suspension

- Suspends the policy if the insured enters the military service on a full-time active-duty basis.
- No premium is due during the service and no policy benefits are provided during that time.
- The policy can be restored (same as before the suspension), if:
  - Active duty ends within five years of the suspension; **and**
  - The owner requests the suspension to end within 180 days of the end of service.

HH794 State variation—IL, MD, NJ, VA.

Reinstatement

- Allows the policy to be reinstated anytime within one year after its termination, subject to our then current underwriting guidelines.
- A formal reinstatement application may be required.
- A reinstated policy covers disabilities from a sickness that first manifests itself more than 10 days after reinstatement date, or an injury occurring after the reinstatement date.

HH794 State variation—IL, IN, KY, MD, MN, NE, NJ, SC, VA, WI.

Transfer privilege

On or before age 60, the Insured may become the insured under any form of buy-out policy available without medical evidence of insurability if:

- The policy has been in force for at least two years; **and**
- The policy terminates because the insured ends active full-time employment with the firm; **and**
  - The insured starts active full-time employment for another firm in which the insured has an ownership interest; **and**
  - The insured is not totally disabled and is not receiving benefits under the policy.

Underwriting requirements, other than medical, must be met. The benefit limits of the new policy cannot be greater than those provided by the current policy.

HH703 Not available—NY.

HH794 State variation—MI.

Waiver of premium benefit

If insured is disabled, after the lesser of 90 days or the elimination period, we will:

- Refund the monthly pro-rata portion of any premium paid for coverage after the date a continuous disability began; **and**
- Waive the payment of premiums which come due during the continuous disability.

Premium payments will begin on the next premium due date after the insured is no longer receiving benefits under this policy or the disability ends.

Exclusions and limitations (HH703)

- This policy does not pay benefits for injury or sickness which in whole or in part is caused by, contributed by, or which results from:
  - Intentional, self-inflicted injury; **or**
  - Your commission of or your attempt to commit a criminal act, or your involvement in an illegal occupation or activity; **or**
  - The suspension, revocation or surrender of your professional or occupational license or certification; **or**
  - Active military service during a military action or conflict.
- No benefits are payable for any period of disability in which you are incarcerated in a penal or correctional institution for a period of 30 consecutive days or longer.
- A sickness resulting from normal pregnancy will be covered if the elimination period is equal to or greater than 90 days.

There may be other exclusions or limitations in the policy in addition to those stated above. Any additional exclusions or limitations (if any) will be described in riders or endorsements attached to the policy. Examples include, but are not limited to Modified Coverage rider, Additional Exception riders, etc.

HH703 State variation—ID, MT, NY, PA, UT, VT.

Preferred Business Owner Discount (HH794)

- Available in approved states for HH794 policy.
- 5% discount on DBO insurance when the owner buys or has other IDI insurance from Principal in place.
- Stackable with either the multi-life or Association Discount.[1]

[1]See page 8-4 (multi-life) and 11-2 (Association).

Benefit Update

Benefit Update (BU)/BU Valuation[2]

- No cost rider on all standard premium policies.
- Allows owner to purchase increased policy benefits every three years without evidence of insured's medical insurability.
- Occupation classes: All (if at least 75 percent of eligible coverage is purchased at issue).
- Issue ages: 18-55.
- Policy benefits can increase every three years without medical evidence of insurability.
- An advance option is available for the HH794 policy when the owner has a 20% increase in the buy-out expense since the last review.

At three year intervals beginning with the policy date, Principal sends the owner correspondence regarding the opportunity for an informal business valuation and benefit (BU) review.

- The owner must return a complete application and financial documentation.
- There is **no cap** (or age restrictions) for benefit increases up to maximum issue and participation limits. A competitive advantage.
- At each BU option, the owner must accept a minimum of 50 percent of the additional DBO benefit offered or the rider will be removed from the policy.

Producers are kept up-to-date with correspondence through the IDI Benefit Update Activity Report available on our advisor website.

A weekly e-mail notification is sent (prompting login) when there is any BU activity on your in-force book of business.

[2]Benefit Update Valuation rider for HH794 policy.

HH717 state variation—NY.

HH795 state variation—AK, VA.

Underwriting guidelines

Maximum issue and participation limits[1]

Occupation class	6A[2], 5A, 4A, 3A	5A-M, 4A-M	3A-M	2A	A
Elimination period	Lump sum				
365 days	$1,500,000	$1,250,000	$1,250,000	$750,000	$250,000
540 days	1,750,000	1,500,000	1,500,000	1,000,000	500,000
730 days	2,000,000	1,500,000	1,500,000	1,250,000	750,000
Elimination period	Monthly benefit factors 24 and 36				
365 days	1,750,000	1,500,000	1,250,000	1,250,000	500,000
540 days	2,000,000	1,500,000	1,500,000	1,500,000	750,000
730 days	2,500,000	1,500,000	1,500,000	1,750,000	1,000,000
Elimination period	Monthly benefit factor 60				
365 days	2,000,000	1,500,000	1,250,000	1,500,000	500,000
540 days	2,500,000	1,500,000	1,500,000	1,750,000	750,000
730 days	3,000,000	1,500,000	1,500,000	2,000,000	1,000,000

Note: When a combination of lump sum and monthly payments is desired, the aggregate benefit limit (lump sum plus monthly payments) is the maximum issue and participation limit for the monthly benefit factor selected. The lump sum amount of the combination cannot exceed the lump sum limit for the selected elimination period and occupation class.

Example: A combination of lump sum with a 365 day elimination period and a benefit factor of 24 is desired by two optometrists (6A[2]) with an aggregate benefit of $1,750,000 each (the business valuation equals $4,000,000).

The maximum issue and participation limit (per the table) is $1,750,000. Of this amount, each optometrist may have any number of combinations, as long as the lump-sum amount does not exceed $1,500,000.

For Benefit Update or Benefit Update Valuation offers, the maximum issue and participation limit is based on the current limit of the insured's current occupation.

[1]Guidelines differ for One-Way Buy-Out.

[2]Available in approved states for the HH794 policy.

Financial verification requirements

Documentation for business valuation is required for:

- Any application not using TeleApp.
- If over age 50.
- If benefit amount applied for is more than $360,000 total aggregate benefit, regardless of age.

The required documentation is:

- Profit and loss (income) statement year-to-date.
- Past two years business federal income tax return.
- Current balance sheet.

General guidelines

- A business valued at over $20 million may not be an acceptable risk for DBO.
  - There are often underwriting concerns relating to the value of the business and the division of ownership.
  - Contact your DI underwriter before submitting an application when the total of business value is above $10 million.
- Closely-held family businesses involving siblings or cousins are typically eligible for DBO. However, due to the increased risk of anti-selection associated with family relationships, husband-wife and parent-child businesses are not considered.
- The insured may not be the owner of the policy.
- If the proposed insured is overinsured for personal Disability Income insurance, Disability Buy-Out coverage is not available because there is less incentive to return to work (e.g. claim duration might be longer than otherwise be expected).

Number of business owners

Minimum number of business owners required: 2 (in most cases).

- Insurable DBO cases need to represent an arms-length transaction between **two or more** current, full-time, active owners of the business.
- Businesses which have more than one owner, but which desire DBO on only one owner, are not eligible because of an increased element of anti-selection.
- Single person or sole business owners are eligible when an established agreement is in place to fund a One-Way Buy-Out agreement (HH794 only). See page 6-13 for details.

Occupation classes	Maximum number of business owners
6A[1], 5A, 5A-M, 4A and 4A-M	10
3A, 3A-M and 2A	8
A	6

Additional considerations:

- Business owners with at least 5 percent ownership interest in the business are eligible if there are at least four active owners and no one owner has more than 80 percent ownership interest; otherwise, 10 percent ownership is required.
- Business owners must be actively working on a full-time basis for the business named in the application.
- All eligible owners of the business must apply for coverage in the same proportion as their business ownership.
- The insured may not be the owner of the policy.

Minimum number of years in the business:

- Service professionals (i.e., M.D., CPA, attorney)—1 year
- Other business owners—3 years

[1]Available in approved states for the HH794 policy.

Business valuation

The underwriter's purpose in evaluating the DBO risk is to determine if the amounts applied for are reasonable in relation to the value of the business.

- This is the most important process of underwriting Disability Buy-Out coverage.
- The process is not an exact science; rather, it is based on the underwriter's assessment of economic and financial conditions, industry and market data, financial condition of the business being insured and common sense.
- The underwriter is not acting as a business appraiser or attempting to establish a true market value or sale price for the business.
- The process is comparable to the valuation conducted by a bank during a mortgage application.
  - As part of the mortgage process, the bank conducts an appraisal (valuation) of the property involved.
  - The bank is not looking to set a sale price for the property but simply to determine a reasonable value in the event of a forced sale during a foreclosure.
  - The Disability Buy-Out valuation follows a similar course by attempting to assess a reasonable value for the business in the event of a forced sale resulting from the disability of a shareholder.

✔ **Tip:** Don't forget, Principal offers complimentary business planning services for owners, including buy-sell reviews and informational business valuations. These informal business valuations conducted by Principal can be used in the underwriting process.

Valuation Definitions

Valuation—A multiple of the earned income of all of the owners plus book value. To determine the value of a business, it is important to have an understanding of the following definitions:

- **Book value (net worth)—**Total assets minus total liabilities at the beginning of the year underwriting reviews. This information is found on the balance sheet.
- **Goodwill—**An intangible asset of a business (i.e., customer list, location, reputation) which is generally not carried on the balance sheet but is a factor in the business valuation. The factor typically ranges from 1-5. The majority of businesses use a factor of 2-3.

Valuation method

The following method is used to determine business valuation for DBO insurance purposes.

100% owner's salary **+** business profit **x** goodwill multiplier[1] **+** book value = DBO business value.

Example: An architecture firm with two owners and total owner compensation of $200,000; business profit of $100,000 and book value of $150,000.

(200,000 + 100,000) x 3[1] + 150,000 = $1,050,000

$1,050,000/2 owners = $525,000 of DBO insurance per owner

[1] The multiplier selected in all scenarios should be based on the overall factors of the case, i.e., earnings trends, number of years in the business and the nature of the business.

One-Way Buy-Out (HH794)

The objective of the One-Way Disability Buy-Out (DBO) is to provide the key employee the ability to fund the buy-sell agreement with the owner of the business in the event of the business owner's long term total disability. Principal is the only IDI insurance carrier to offer this solution.

Target market

Sole proprietorships are a popular business structure in the U.S. and span a range of industries—from construction to retail to professional services. We recommend targeting:

- Professional service-related companies, such as architecture, healthcare systems, law, dentistry, engineering, accounting and technology.
- Profitable, growing businesses with gross revenues of $500,000 or more

Buy-out methods:

- Cross purchase
- Purchase or sale agreement

Occupation classes: All

Issue ages: 18—55 (owner and insured)

Maximum aggregate benefit: $1,000,000

Financial Documentation:

- Prior 2 years federal business tax returns
- Current year-to-date profit and loss statement and balance sheet for the firm

Agreement Documentation:

- Cross purchase is the type of buy-sell agreement required.
- The buy-sell agreement must be in place at the time of application and be reviewed through our business and advanced solutions team.

Note: There are different requirements and underwriting limits for the One-Way Buy-Out, but the HH794 policy premium rates and features remain the same.

Key Person Replacement

(HH772)

Key Person Replacement (HH772)

This section provides detailed information on the features and underwriting of the key person Replacement (KPR) insurance policy. Our illustration system calculates rates for you.

To find out if KPR is approved in your state, go to principal.com/distateapprovals.

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Key Person Replacement (HH772)

The objective of key person Replacement (KPR) insurance is to provide a benefit to the owner (employer) if the key person (insured) becomes totally disabled. The policy is designed for minority or non-owner employees who earn $30,000 or more a year and who are critical to the success of the business. Key person coverage provides a lump-sum benefit with the ability to add on a monthly benefit for a period of time before the lump sum is paid. Not all benefits or features are available in all states or to all occupation classes.

Not available—CA, FL, MT, NY, VT.

Occupation classes

Occupation classes: 5A, 5A-M, 4A, 4A-M, 3A and 3A-M.

Premiums and benefits vary by occupation class. The premium class may be standard or an extra percentage of standard.

Premium rates

- Premiums are dependent on many factors: age, occupation class, tobacco status, elimination period, benefit amount and others.
- All key person Replacement policies are issued with male and female rates. Except in written state of Montana (unisex rates required).
- Minimum annual pre-discounted premium is $200 (required).
- Premium quotes are available through the illustration system.

Payment methods

There are two payment methods available:

- **Lump sum.**
- **Combination of monthly installments and lump sum.**

If the combination of monthly installments and lump sum is chosen, the monthly benefit will be paid for the period between the monthly elimination period and the lump-sum elimination period.

Issue ages

- 18-55 for single-life.
- 18-60 for multi-life.
  - Issue ages 56-60 require at least three KPR policies to qualify for multi-life discount.
  - If you do not have at least three KPR lives for the multi-life case, the maximum issue age is 55.
  - The majority of individuals being covered with policies should be under the age of 55.
- Issue age has a direct impact on the premium paid for coverage.
- Older the client, the higher the premium; use age as of last birthday.
- Backdating to save age is allowed for a maximum of 30 days prior to the application date.

Elimination periods

- The elimination period is the number of days the insured must be disabled and the owner waits before benefits begin to accrue.
- The owner will receive benefits one month after the elimination period is satisfied.
- The lump-sum benefit is payable after the elimination period is satisfied.
- Elimination periods:
  - Monthly benefit—90 and 180 days.[1]
  - Lump sum benefit—180, 365 and 730 days.

✔ **Tip:** The shorter the elimination period, the higher the premium.

[1] If applying for both monthly and lump-sum payouts, the elimination period on the monthly benefit must be less than the elimination period on the lump-sum benefit.

Policy description (HH772)

This policy description is a general summary. All features and provisions may not be available in all states and may be subject to state variations. Refer to your state policy form for the full definition of all policy provisions, benefits, limitations and exclusions.

The term of the policy continues until the earliest of the:

- Insured's age 65 policy anniversary; **or**
- Date the insured terminates the key person occupation or actively working full-time for any reason other than disability; **or**
- Date the maximum lump-sum benefit is paid; **or**
- Date of the owner's written request to terminate the policy; **or**
- End of the grace period; **or**
- Death of Insured.

Renewability

- Continuable to age 65.
- May be terminated based on the termination provision.
- During the term of the policy and while this policy is in force, we cannot change the policy or the premium rate.

Definition of total disability

The insured is considered totally disabled when due to injury or sickness, he or she:

- Is unable to perform the substantial and material duties of his or her key person occupation; **and**
- Is not working in any other occupation which is comparable by duties and/or earnings for the firm; **and**
- The requirements of the claim information section of the policy are satisfied; **and**
- There must be no reasonable job or work site modifications which would allow the Insured to work in the key person occupation.

State variation—MO, NJ, VA.

Benefit payable

- Becomes payable to the owner at the end of the lump-sum elimination period.
- The maximum monthly benefit will start to accrue at the end of the monthly elimination period if applicable, providing:
  - A disability occurs while the insured is actively working full-time for the owner of the policy; **and**
  - A disability begins on or after the effective date of the policy and while the policy is in force and subject to the policy provisions; **and**
  - The requirements of the claim information section of the policy are satisfied.

Military suspension

- Policy is suspended if the insured enters the military service on a full-time basis. No premium is due during the service and no policy benefits are provided during that time.
- Policy may be restored if active duty ends within five years of the suspension.
- Reinstatement must be requested by the owner with payment of premium within 180 days of the end of service.

State variation—IN, MD, NJ, PA, TN.

Reinstatement

- Policy can be reinstated anytime within one year after its termination.
- An application and evidence of insurability under our then current underwriting guidelines may be required.

State variation—LA, MN, NH, NJ, NM, PA, SC, SD, TN, VA, WI.

Waiver of premium benefit

If insured is disabled for the elimination period, and the requirements of the claim information section of the policy are satisfied, we will:

- Refund the monthly pro-rata portion of any premium paid for coverage after the date disability began; **and**
- Waive the payment of premiums which come due during the disability.

The waiver of premium benefit will end when the insured is no longer disabled or the policy is terminated under the termination provision of the policy.

Exclusions and limitations

This policy does not pay benefits for injury or sickness which in whole or in part is caused by, contributed to by, or which results from:

- The suspension, revocation or surrender of your professional or occupational license or certification; **or**
- Active military service during a military action or conflict; **or**
- Loss we have excluded by name or specific description in any attached rider or endorsement.

There may be other exclusions or limitations in the policy in addition to those stated above. Any additional exclusions or limitations (if any) will be described in riders or endorsements attached to the policy. Examples include, but are not limited to Modified Coverage rider, Additional Exception riders, etc.

State variation—ID, NJ, SC, VA.

Pre-existing condition limitation

We will not pay any claim for a disability or loss which:

- Begins within two years after the effective date of coverage(s); **and**
- Results from a pre-existing condition which was not disclosed or was misrepresented in the policy's application.

Pre-existing condition means a condition:

- For which medical treatment, testing or medication was recommended by a doctor or received from a doctor within the two-year period prior to the effective date of coverage(s); **or**
- Which has caused symptoms within the two-year period prior to the effective date of coverage(s) that would cause an ordinarily prudent person to seek diagnosis, care or treatment.

State variation—DC, ID, KY, MA, ND, NJ, NM, NC, PA, SC, SD, VA.

Underwriting Guidelines

Maximum issue and participation limits

Maximum issue and participation limit for monthly payout, all occupation classes, is $20,000.

Monthly and lump-sum benefits will be directly off set, dollar for dollar, with other in-force key person coverage.

Combination of monthly and lump sum

- The maximum monthly benefit allowed is based on the insured's earned income, using the same rules and calculations and issue limits used when applying for individual Disability Income (DI), based on the DI issue and participation (I&P) limit individual pay table (see page 1-26) times three, not to exceed $20,000/month.
- Lump sum amount will be calculated by taking earned income times three minus maximum monthly benefit times the benefit period; lump sum not to exceed $500,000.
- Total of lump sum and monthly benefits not to exceed $750,000.

Example: A combination of lump sum and monthly benefit is desired with an annual salary of $250,000.

$250,000 times three equals $750,000.

90-day elimination period on monthly benefit and 365-day elimination period on lump sum equals 270 days (or nine months).

DI I&P-individual pay amount is $11,910/month times three equals $35,730. Since that exceeds the limit, the maximum monthly benefit is $20,000.

$750,000 minus $180,000 ($20,000 times nine months) equals $570,000, which is more than $500,000 so use $500,000.

Benefits would be $500,000 lump sum and $20,000/month.

Lump sum only

- Earned income times three.
- Not to exceed the maximum limit of $500,000.
- Minimum lump sum limit of $5,000.

Example 1:

Earned income of $150,000.

$150,000 times three equals $450,000, which is less than the $500,000 maximum benefit, so use $450,000.

Example 2:

Earned income of $300,000.

$300,000 times three equals $900,000, which is greater than the $500,000 maximum benefit, so use $500,000.

Financial verification requirements

Minimum earned income is $30,000/year as indicated on federal tax returns. Verification of personal earned income is:

- **Employee**—Same documentation as required for individual Disability Income, including third party verification of salary and bonus, but not a letter from the employer. (May include a payroll census or letter from Human Resources or Payroll department.)
- **Owner**—Same as required for individual Disability Income; see pages 1-20 to 1-21 for requirements based on business entity owned.

Key person coverage will not impact the insured's issue and participation limits for personal disability coverage issued with us, unless he/she is overinsured for key person coverage or is using an individual DI policy to fulfill a key person need. If the insured key person is significantly over-insured for any other disability product, he/she is not eligible for the requested key person coverage.

Monthly and lump-sum benefits will be directly offset, dollar for dollar, with other in-force key person coverage.

General guidelines

To be eligible, the insured:

- Must have an employee relationship or be an actively working owner; **and**
- Cannot own more than 50 percent of the business[1]
- Can only be insured as a key person under one business entity; **and**
- Cannot be a government employee; **and**
- Cannot be in seasonal employment
- Must be actively working full-time in the key person position (at least 30 hours per week); **and**
- Must be a business in operation one year for fee-for-service and three years for others (if insured is an owner).
- Must be employed in the key person position for 12 months; **and**

Ownership—The owner of the policy must be the business and only one owner is allowed. The owner may not be the Insured.

Change of Ownership—The owner cannot be changed to an individual or the insured.

Payment of Benefit—The benefit will be paid to the owner (business) and may not be assigned to the insured.

[1] Limiting the ownership interest to 50 percent reduces the risk of over-insurance to a controlling owner, as those owners still generally are eligible for Disability Income, Business Overhead and Disability Buy-Out coverage. The purpose of key person coverage is to protect the profits of the business rather than to protect the income replacement of key individuals.

Multi-life opportunities

Multi-life opportunities

Offering individual Disability Income (DI) insurance at the worksite is a valuable employee benefit. Principal offers discounts and a variety of underwriting programs to help design a benefit program that is ideal for the employer's unique situation. And, employee's benefit from quality coverage that is **fully portable** (with the discount, too).

Plus, in some cases, employer involvement isn't required—and everyone can still benefit from our 20% multi-life Discount. This discount is available when three or more employees with a common employer purchase coverage from the same financial representative (see page 8-4 for more details).

Target market

Business owners and employers with 3 or more employees.

Underwriting options

Employer- or employee-pay options available:

- Fully underwritten
- Guaranteed standard issue (GSI)
- Fallback GSI
- Simplified multi-life (see Section 9 for details)

Fully underwritten

- Offers the most comprehensive protection options, but also requires each policy to be underwritten and evaluated according to required medical and financial criteria.
- Maximum issue and participation (I&P) limits available.
- All riders available based on current underwriting guidelines and state availability.
- Number of lives: At least three employees with a common employer to receive multi-life discount and guidelines.
- Issue ages: 18-64 (issue ages 65-70 may be available with underwriting approval, and the Conditionally Renewable Policy rider is approved in your state).
- Occupation classes: All.
- Can be voluntary or employer-paid.
- Compensation: Based on occupation class.
- Discounts[1]:
  - 20% multi-life (employer and resident options)
  - 10% Select Occupation.
  - Up to 10% Mental/Nervous & Substance Abuse (MNSA).

Note: Discounts may be stacked.

[1] See page 1-15 (MNSA), page 8-4 (Multi-life) or page 12-5 (Select Occupation) for guidelines.

Guaranteed standard issue (GSI)

- Home office approval and employee census are required.
- Provides standard coverage for the entire group with virtually no medical underwriting, and discounts are offered based on the number of participating lives—up to 30 percent for 100+.
- The proposed insured must be actively at work in his/her current job for 180 consecutive days without medical restrictions, reduced hours, or modified work duties prior to application.
- If the insured has missed more than five days of work because of a medical condition, he or she is subject to being removed from the GSI offer and subject to regular underwriting guidelines.
- Issue ages: 18 to 64.
- Number of Lives:
  - Employer-paid: 10.
  - Employee-paid: 15 participating lives and a minimum 30% participation.

Note: Typical case does not exceed 30 lives.

- Occupation classes: 3A and above.
- Can be voluntary or employer-paid.
- Available riders—Cost of Living Adjustment and Conditionally Renewable Policy; additional riders may be available based on Underwriting approval.
- Renewability—Available annually at employer request and Principal approval.
- Compensation determined at time of submission.
- Discounts[1]:
  - 20% multi-life for 10-49 participating lives.
  - 25% multi-life for 50-99 participating lives.
  - 30% multi-life for 100+ participating lives.
  - 10% Select Occupation.
  - Up to 10% Mental/Nervous & Substance Abuse (MNSA)

Note: Discounts may be stacked.

[1] See page 1-15 (MNSA), page 8-4 (Multi-life) or page 12-5 (Select Occupation) for guidelines.

Fallback GSI program

- Combines the advantages of receiving the maximum individual Disability Income (DI) insurance benefits with the safety net of receiving GSI benefits, if an underwriting concern arises.
- Typical fallback GSI offers range from $2,500 to $5,000 based on total premium and the number of lives.
- Cases must be discussed with a multi-life underwriter in order to get the final fallback GSI offer.
- Issue ages: 18 to 64.
- Issue limits:
  - Fully underwritten: maximum issue and participation limits.
  - Fallback GSI: Up to $5,000/month based on total premium and the number of lives.
- Minimum number of lives:
  - Employer-paid cases: 8.
  - Employee-paid cases: 15 participating lives and a minimum 20% participation.

Note: Typical case size does not exceed 30 lives.

- Occupation classes: 3A and above.
- Available riders:
  - Fully underwritten: All.
  - GSI/Fallback: Cost of Living Adjustment and Conditionally Renewable Policy; others may be available based on underwriting approval.
- Renewability—Available annually at employer request and Principal approval.
- Discounts[1]:
  - 20% multi-life for 8-49 participating lives.
  - 25% multi-life for 50-99 participating lives.
  - 30% multi-life for 100+ participating lives (not available for employee-paid cases).
  - 10% Select Occupation.
  - Up to 10% Mental/Nervous & Substance Abuse (MNSA).

Note: Discounts may be stacked.

Continued on the next page.

How it works

- Principal may conduct routine medical and financial underwriting on all eligible employees based on census information. Attending physician statements may be required.
- If a health concern is identified during underwriting, instead of rating, ridering or declining the case, Principal provides fallback GSI benefits to that employee.

Example

A group of eight attorneys (100% participation) all qualify for a $10,000 monthly Individual DI insurance benefit with a total case premium of $35,000. Assuming all attorneys apply for the maximum, Principal would offer a guaranteed monthly "fallback" benefit of at least $4,000 a month GSI to anyone not qualifying for standard coverage.

Multi-Life (employer) discount guidelines

The Multi-Life discount is a 20% discount that is available on DI[1], OE, DBO and KPR:

- Qualification for the discount is three or more employees with a common employer who purchase any combination of individual disability insurance from the same financial representative.[1]
- Eligibility for this discount requires the proposed insured still be employed by the company/organization on the day the policy is issued and placed in-force. This includes the completion and submission of any amendments, exclusion riders, money or any other delivery requirement.

Notes: The Multi-Life discount is not available for key person Replacement, Overhead Expense and Disability Buy-Out policies written in Ohio. This includes any Multi-Life discount given for fully underwritten, Simplified Multi-Life and Guaranteed Standard Issue cases. Policies taken on these products will not count towards the three lives qualification for multi-life in Ohio.

[1] For DI, discount is taken on unisex rates. If a single-life case is submitted and during the following year applications for at least two additional employees from the same employer group are submitted, all three would be eligible for the Multi-Life discount. The first policy issued would be rewritten and the discount and unisex rates would be effective as of the original issue date.

Multi-life Resident discount guidelines

The multi-life Resident discount is a 20% discount that is available for individual Disability Income (DI) (HH750).

- Based on sex-distinct rates.
- Requires 3 or more medical or dental residents/fellows/interns/students from the same institution.
- Excludes staff physicians.

For more information on the issue & participation limits for graduating residents, see page 12-3.

Simplified sales program

Simplified sales program

This program can help you meet your clients' disability insurance needs faster and easier than ever before. Your job is less complicated because of the streamlined underwriting—**no blood, urine, financial documentation or attending physician statements (APSs) required.**[1,2]

Notes: Lab and physical measurement requirements are determined by amount applied for with all companies within 180 days of the application date. A TeleApp interview is required.

Key highlights

- Available for all Individual Disability Insurance (IDI) products.[2,3]
- Provides meaningful benefits—quickly and without hassle.
- All riders are available, including our competitive Benefit Update rider.
- No income verification required if applying for coverage that's within the Simplified limits[3] (for Simplified DI and Simplified multi-life[4]).
- Business owners can purchase full Simplified benefits for DI and OE—no combined limits apply.

For more information on the issue & participation limits for graduating residents, see page 12-3.

Simplified DI

Feature	Single-Life[5]	Multi-life
Maximum Benefit Amount	• $6,000/month issue limit • $10,000/month participation limit (excluding group long-term disability insurance)	
Standard Number of Lives	N/A	3+ lives
Maximum Issue Age	50	64
Occupation Class	All	
Elimination period	All (30 day not available in CA)	
benefit periods	All (2-year not available in CA)	
Your occupation Periods	All	
Rates	Sex-Distinct (except in MT)	Unisex
Available Riders	All	
Available Discounts[4]	Affiliation—10% Association—10% MNSA—up to 10% Select Occupation—10%	Multi-life (employer and resident options)—20% MNSA—up to 10% Select Occupation—10%

[1] 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, ridered 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. Overhead Expense and Disability Buy-Out supplement must also be completed and received.

[2] Financial documentation is required when applying for more than the Simplified amounts—this applies for new applications and adjustments. And will be required for the following occupations (regardless of the amount being applied for): real estate agent/broker, mortgage loan originator/broker, residential construction, real estate developer. For real estate agents/brokers, two years of financials will be required. In California, there are no labs required for simplified single-life cases up to $6,000/month, but an APS and financial documentation are required.

[3] In California financial documentation is required for all single-life cases. And for simplified DI multi-life, when all three applications are not submitted together, we require APSs and financials on the first two applications, but not for any additional applications on that case. See page 8-4 for more details.

[4] See page 1-15 (MNSA), 8-4 (Multi-life), 10-2 (Affiliation), 11-2 (Association) or 12-5 (Select Occupations) for details.

[5] In California, there are no labs required for Simplified Single-Life cases up to $6,000/month, but an APS and financial documentation are required.

Simplified OE

Feature	All states, except CA (Series 700)	California (Solutions II)
Maximum monthly benefit Amount	$10,000/month	
Maximum issue age	50	
Occupation class	All	All (except A)
Elimination periods	All	
Benefit factors	All	
Rates	Sex Distinct (unisex in MT)	Sex Distinct
Available riders	All	
Available discounts[1]	Association—10% Multi-life—20% Select Occupation—10%	Multi-life—20% Select Occupation—10%

[1] See page 1-15 (MNSA), 8-4 (Multi-life), 10-2 (Affiliation), 11-2 (Association) or 12-5 (Select Occupations) for details.

[2] Available in approved states for HH794 policy only.

[3] Not approved in all states. Visit principal.com/distateapprovals for details.

Simplified DBO

Feature	All states, except CA (Series 700)	California (Solutions II)
Maximum aggregate benefit	$360,000	
Maximum issue age	50	
Occupation class	2A and above	
Elimination periods	All	
Benefit factors	All	
Rates	Sex Distinct (unisex in MT)	Unisex
Available riders	All	
Available discounts[1]	Association—10% Multi-life—20% Preferred Business Owner—5%[2] Select Occupation—10%	Multi-life—20% Select Occupation—10%

Simplified KPR[3]

Feature	
Maximum aggregate benefit	$360,000
Maximum issue age	50
Occupation class	3A and above
Elimination periods	All
Benefit factors	All
Rates	Sex distinct (unisex in MT)
Available discounts[1]	Multi-life—20% Select Occupation—10%

Affiliation sales program

Affiliation sales program

The Affiliation sales program allows you to offer quality individual Disability Income (DI) insurance with a 10% discount to select target markets; in approved states. For a list of state approvals, visit principal.com/distateapprovals.

Target market

- **1099 contractors** from the same business entity/firm.[1] May be from different occupations. For example:
  - IT professionals
  - Accountants
  - Business consultants
- **Franchise owners and a key employee** under the same nationally or regionally recognized franchisor who are actively working in the business.[1,2] For example:
  - Accounting and tax centers
  - Restaurants/fast food
  - Fitness facilities
- **Spouses of employee**s who are part of a multi-life individual Disability Income (DI) insurance case from Principal.[3]
- **Families** with at least three income earning adults.[4]

[1] Not available to doctors (M.D., D.O.), physician's assistants, psychiatrists, nurses (RN or LPN), nurse practitioners, CRNAs, nurse anesthetists or other hospital/medical workers. Spouses can work in the medical field, but cannot be 1099 contractors.

[2] Not available to owners or a key employee of home-based or route sales franchises or investors.

[3] Add the multi-life case name to the Producer Report and use reference number 8-9247 (without MNSA rider) or 8-9246 (with the MNSA rider).

[4] Use reference number 8-9713 (with MNSA rider) or 8-9714 (without MNSA rider) on the Producer Report.

Program guidelines

- Issue ages: 18-60.
- 10% discount.
- Sex-distinct rates (Unisex in Montana).
- Requires three or more individuals with a common affiliation working with the same producer.
- Stackable discounts: Mental/Nervous & Substance Abuse discount and the 10% Select Occupation discount.
- Available for Disability Income (HH750), including DI Retirement Security, Core Value Income Protection and Simplified DI.

Association sales program

Association Sales Program

The Association sales program allows you to offer quality Individual Disability Insurance products and a 10 percent discount to qualifying members on Disability Income, DI Retirement Security, Core Value Income Protection, Overhead Expense and Disability Buy-Out insurance.

For state approval information, go to: principal.com/distateapprovals.

Target market

- Associations with 100 or more active members.
- 3A or higher occupation classes are preferred.
- Issue Ages: 18-60 (in most cases).
- Occupations that are homogeneous in nature, for example: CPAs, architects, veterinarians, attorneys or engineers.

Program guidelines

- Association must be a dues-paying local, county, state, professional or trade association that must have been in existence for at least two years and formed for the purpose of promoting the interest of the profession (not for the sole purpose of obtaining insurance for members).
- It must have a constitution or by-laws (regardless of whether incorporated) and have an obtainable membership roster.
- Pre-approval by Principal is required before marketing to the association[1].

[1] Marketing rights are exclusive to the original writing producer, but other producers may write policies under the discount. National associations are typically not considered.

Additional guidelines

- All riders are available based on current underwriting guidelines.
- Select Occupation discount may be available.
- 100+ eligible lives preferred.
- The Mental/Nervous & Substance Abuse (MNSA) rider may be required on Individual Disability Income policies. Includes up to a 10% discount (not available on business products).
- Premium rates: sex distinct (except Montana).

Occupational programs and underwriting

Occupational programs and underwriting

Occupation is the primary factor in determining the client's policy features and the premium rate. The occupation classes are 6A[1], 5A, 5A-M, 4A, 4A-M, 3A, 3A-M, 2A, and A.

Factors affecting occupation class

Duties	• Clients are placed in an occupation class based on their most physically demanding and hazardous duties. • If a proposed insured is employed in a job which includes physical and manual duties, along with administrative responsibility, the occupation class should be based on the physical and manual duties. **Examples:** • The manager of a business machine repair and service company, with managerial and administrative duties only, would be a 3A occupation class. • If that manager spent time repairing and servicing machines, the occupation class would be A.
Education	• Typically, the higher the level of education, the higher the occupation class. Formal education is recognized as a favorable factor when considering occupation classification. • Clients with graduate degrees and specialty designations are considered to be generally more motivated than clients that have not invested as much in their chosen occupation or profession. • A higher level of education also enhances the probability of a disabled client being able to return to work as it broadens their employment opportunities.
Environment	• Higher occupation classes apply to occupations which are in favorable physical environments. • A contractor with office duties only is a more favorable risk than a contractor working out of a trailer at the job sight, even if neither one ever does any physical or manual labor.
Financial	• Stable income levels affect occupation class. • Consistently high income generally indicates long-term job stability and a greater motivation to return to work. • Occupations which are subject to volatile income changes (i.e., real estate) are generally not considered to be as favorable a risk as those with more even and consistent earning patterns.

[1] The 6A occupation class applies for individual Disability Income insurance, including DI Retirement Security, in approved states; not available in California. For a complete list of state approvals visit: principal.com/distateapprovals.

Select professional issue and participation limits

- Target market:
  - Professionals in their first two years of practice, participating in a residency/internship/fellowship program or a student.
  - Expected to quickly attain the top earnings needed to qualify for higher benefit amounts.
- Limits apply to individual-pay or employer-pay benefit amounts, and are offset by any individual, group[2] or association coverage in force or applied for. Coverage may only be applied for as all base benefit. We do not offset for state disability insurance (SDI) benefits.

If a select professional is near completion of residency/fellowship and has a signed employment contract confirming employment to start within six months, additional benefits may be available depending on salary and group benefits available from the future employer. A copy of the signed employment agreement must be submitted.

Select professionals are eligible for $1,000/month in DI Retirement Security benefit.

Note: If the Catastrophic Disability Benefit (CDB) is desired, the proposed insured may apply for CDB and DI coverage using a 1:1 ratio, up to the maximum limit available for that professional.

[2] Group coverage will not be taken into consideration for doctors, dentists, optometrists, podiatrists, doctors of pharmacy or veterinarian residents or interns; or for medical, dental, law, optometry, doctor of pharmacy or veterinary students; or for doctors or dentists during their first 180 days in practice.

Select professional occupations	Maximum monthly Disability Income benefit
Architect, degreed — first two years as a business owner	$4,000
Attorney	
• First two years in practice	$4,000
• Law student — third or fourth year	$2,000
Certified public accountant (CPA)— First two years as business owner	$4,000
Certified registered nurse anesthetist (CRNA)—First two years in practice	$2,500
Dentist	
• D.D.S. specialists — first two years in practice	$6,000
• D.D.S. specialist residents/interns/ fellows:	
– Within 180 days of completing the last of their residency, internship or fellowship	$6,000
– First through last year	$4,000
• General D.D.S. — first two years in practice	$5,000
• Dental students:	
– Within 180 days of entering private practice	$5,000
– Third or fourth year	$2,500
Doctor[1]	
• Specialists[2] — first two years in practice	$7,500[3]
• Specialist[2] residents/interns/ fellows:	
– Within 180 days of completing the last of their residency, internship or fellowship	$7,500[3]
– First through last year	$5,000
• Other M.D., D.O. — first two years in practice	$6,500
• Other M.D., D.O. residents/interns/ fellows:	
– Within 180 days of completing the last of their residency, internship or fellowship	$6,500
– First through last year	$5,000
• Medical students — third or fourth year	$2,500

[1] The occupation class for medical students, residents and interns is based on the declared medical specialty of the client. If a medical specialty has not been declared, coverage will be considered at a 3A-M occupation class.

[2] Specialists include: Cardiologist, Dermatologist, Gastroenterologist, Hematologist, Neonatologist, Neurosurgeon, Oncologist, Opthamologist, Orthopedic surgeon, Otolaryngologist, Pathologist, Radiologist, Urologist.

[3] $6,500 limit for anesthesiologist and emergency room specialties.

Select professional occupations	Maximum monthly Disability Income benefit
Engineer, degreed — first two years as business owner	$4,000
Nurse Practitioner — first two years in practice	$3,000
Optometrist	
• First two years in practice	$4,000
• Third or fourth year student or resident	$2,000
Pharmacist	
• First two years in practice	$4,000
• First through last year resident/ intern	$2,000
• Pharmacy student — last two years of doctor of pharmacy program	$2,000
Ph. D. or Psy. D. psychologist — first two years as a business owner	$3,000
Physician assistant — first two years in practice	$3,000
Podiatrist	
• First two years in practice	$2,500
• First through last year resident/ intern	$1,500
Veterinarian	
• First two years in practice	$4,000
• First through last year resident/ intern	$2,000
• Student — third and fourth year	$2,000

Continued on next page.

Since income verification is not necessary to be considered for coverage under the select professional limits, tax returns are not required.

If the application is written in ME, then Urine-HIV test is required.

The formula for obtaining the BU rider for all select professionals will be:

- 75% of the select professional limit; or
- 75% of the maximum benefit amount based on earned income and other in-force coverage.

Select professionals do not need to submit income verification to qualify for the BU rider.

Select professional Overhead Expense and BLP limits are for professionals in their first two years of practice who have business ownership. The following occupations qualify for up to $10,000/month of combined Overhead Expense and BLP rider coverage:

- Architect, degreed
- Attorney
- Certified public accountant (CPA)
- Certified registered nurse anesthetist (CRNA)
- Dentist—DDS
- Doctor—M.D., D.O
- Engineer, degreed
- Nurse practitioner
- Optometrist
- Pharmacist
- Ph.D. or Psy.D. psychologist
- Physician assistant
- Podiatrist
- Veterinarian

Tax returns are not required. A fully competed Overhead Expense Statement is required, and if applying for the BLP rider loan documentation is required.

Government employees — local, state & federal

- Occupation classes: 3A and above.
- Issue ages: 18-55.
- Elimination periods: 90, 180 or 365 day.
- Minimum annual income: $30,000.
- Maximum issue and participation limits (group supplemental limits available):
  - 6A[1], 5A, 5A-M, 4A, 4A-M, 3A and 3A-M occupations — normal issue and participation limits.
- Riders and benefits not available: Social insurance substitute benefit.
- Assume civil service FERS (federal employee retirement system) disability coverage on federal employees of 40% of salary.
- Assume group long-term disability coverage which pays 60% of salary (local and state employees).

[1] The 6A occupation class is for Individual Disability Income insurance, including DI Retirement Security, in approved states: not available in California. For a complete list of state approvals visit principal.com/distateapprovals.

Select occupation

Certain occupations have been designated as select occupations. This is based on overall favorable claims experience in the disability insurance industry. All of these occupations are classified at 5A occupation class. In addition, they are all given a 10 percent premium discount known as the Select Occupation discount. The discount will be applied to the following 5A occupations:

Actuary[1]	Botanist[1]	Judge
Architect	Chemist[1]	Meteorologist[1]
Astronomer[1]	CPA	Optometrist
Attorney	Economist[1]	Physicist[1]
Auditor[1]	Engineer[1]	Sociologist[1]
Biochemist[1]	Executive[1]	Zoologist[1]
Biologist[1]	Geologist[1]	

The Select Occupation discount is available for DI, DIRS, OE, DBO and KPR policies.

Note: In approved states, these occupations may be classified as a 6A occupation for individual Disability Income, including DI Retirement Security, and would not be eligible for the 10% Select Occupation discount. This discount is not available for Disability Buy-Out insurance (HH 794) in states that have approved the 6A Occupation Class.

[1] See the occupation schedule for additional qualifying criteria.

[2] Employees must work at least 24 hours per week.

The Business Owner Program

This program is designed for business owners when their contributions and those of their employees generate the business revenue and are essential to the business's success. It is designed for individuals who own at least 50% of the business, have had ownership of the business for 5 years, have less than 50% in manual duties and have at least one employee[2]. TeleApp is required. (For more information on TeleApp, please visit principal.com/teleapp.) This program excludes medical professionals and sole income generators (e.g., financial planners, insurance and sales representatives) with one or no employees.

Earning over $150,000 last
2 years with at least 50 employees[2] 6A

Earning over $100,000 last
2 years with at least 10 employees[2] 5A

Earning over $60,000 last
2 years with at least 5 employees[2] 4A

Earning over $60,000 last
2 years with at least 1-4 employees[2] 3A

Note: Business owners who have been in business for 5 years and earn over $60,000 the last two years, but have more than 50% manual duties can be upgraded one occupation class from what is listed in the occupation class schedule (section 13).

Occupational class schedule

Occupational class schedule

This section will help you determine accurate occupational classifications for your applicants. Occupational classes are assigned based on the requirements of the job and the risks that job poses to the applicant's health.

The key to easy reference in this schedule is to first look for the specific title of the client's occupation. If the job title is not listed, refer to the industry in which the client's job belongs.

Job title should not be the sole basis for selection of occupation class. In some instances, titles can be very misleading. Titles such as optometrist or CPA, for example, give the correct class automatically. Titles like owner, supervisor, president and manager are less helpful, since duties could range from 100 percent administrative to 100 percent manual labor. It is appropriate for clients to be classified by job title if the title is representative of their actual duties. If job title does not truly reflect job duties, the occupation class should be based on the day-to-day duties, financial stability, environment, education, training and experience of the client. In Michigan, for any occupation listed as a "no," please contact your underwriter for issue consideration.

If you are unable to find or unsure how to classify an occupation, call your underwriter.

Abstractor 3A

Accountant
- CPA ..... 6A/5A-Select[1]
- Four year accounting degree 4A
- Other 3A

Actor/actress ..... No

Actuary
- FSA, FCAS, ASA, ACAS ..... 6A/5A-Select[1]
- Other 4A

Acupuncturist ..... A

Administrative assistant 3A

Advertising
- Executive (See Executive/office manager/professional)
- Sales
  - Earning at least $100,000/yr. last 2 years 5A
  - Earning at least $75,000/yr. last 2 years 4A
  - Base occupation class 3A

Air conditioning installer/servicer ..... A

Airline industry (see Transportation)

Alarm installer/servicer ..... A

Ambulance driver ..... No

Anesthetist (see Health care)

Antique dealer ..... A

Appraiser 3A

Arborist ..... A

Architect ..... 6A/5A-Select[1]

Armed forces personnel ..... No

Art gallery manager 3A

Artist
- Commercial artist/graphic designer 3A
- Other ..... No

Assessor (If government employee, see Government services) 3A

Astronomer (See Scientist)

Athlete ..... No

Athletic industry (See Sports)

Attorney ..... 6A/5A-Select[1]

Auctioneer ..... A

Audiologist 4A

Auditor (If government employee, see Government services)
- Certified auditor/CPA ..... 6A/5A-Select[1]
- Four year accounting degree 4A
- Other 3A

Author ..... No

Auto body repairer/painter/customizer/pinstriper ..... A

Automotive industry (See Transportation)

Bail bondsman ..... A

Bailiff ..... No

Baker ..... A

Banking industry
- Executive/officer/manager (See Executive/office manager/professional)
- Teller 3A

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Barber ..... A

Bartender ..... No

Beautician ..... A

Bill collector

Office duties only 2A

Field duties ..... No

Biochemist (See Scientist)

Biologist (See Scientist)

Bond trader (no floor trading)

Earning at least $150,000/yr. last 2 years and in business for 5 years 5A

Earning at least $75,000/yr. last 2 years and in business for 5 years 4A

Base occupation class 3A

Bookkeeper 3A

Botanist (See Scientist)

Bowling alley worker (See Sports)

Bricklayer ..... A

Building inspector/superintendent 2A

Butcher ..... No

Business owner

Designed for business owners when their contributions and those of their employees generate the business revenue and are essential to the business's success. This includes individuals who own at least 50% of the business, have had ownership of the business for at least 5 years, have less than 50% in manual duties and have at least one employee. TeleApp is required. Excludes medical professionals and sole income generators (e.g., financial planners, insurance and sales representatives) with one or no employees.

Earning over $150,000 last 2 years with at least 50 employees ..... 6A/5A-Select[1]

Earning over $100,000 last 2 years with at least 10 employees 5A

Earning over $60,000 last 2 years with at least 5 employees 4A

Earning over $60,000 last 2 years with at least 1-4 employees 3A

Note: Business owners who have been in business for 5 years and earn over $60,000 the last two years, but have more than 50% manual duties can be upgraded one occupation class from what is listed in this occupation class schedule.

Cabinet maker ..... A

Cable installer/servicer (telephone/TV) ..... A

Camera operator (See Entertainment)

Carpenter ..... A

Carpet cleaner/layer/installer ..... A

Cashier ..... A

Casino worker ..... No

Caterer ..... A

Chaplain 2A

Chef (See Restaurant)

Chemist (See Scientist)

Child care/day care provider (not operating out of residence) ..... A

Chiropractor ..... No

Claims adjustor/examiner

Office duties only 3A

Other 2A

Cleaning service worker (commercial/residential)

Manager (no cleaning duties) ..... A

Worker ..... No

Clergy 3A

Clerk

Medical records (See Office worker)

Retail sales

Merchandise 2A

Liquor ..... A

Parts ..... A

Shipping and receiving ..... A

Stock ..... A

Postal ..... No

Coach (amateur athletics only)

Public school ..... No

Other ..... A

Commercial Artist 3A

Commodity broker/floor trader

Earning over $150,000 last 2 years (no floor trading) 5A

Earning over $100,000 last 2 years (no floor trading) 4A

Base occupation class 3A

Floor trader ..... No

Day trader ..... No

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Communication industry

- Printing and publishing—magazine and newspaper manager, publisher, writer, copywriter, proofreader, distribution manager (no delivery), editor (office duties only) 3A
- Photographer/reporter/manager (no delivery)/foreman 2A
- Printing, copy shop or franchise manager—office duties only 2A
- Telephone manager/dispatcher 2A
- Exchange and residence wirer, installer and repair person, foreman, ground worker, cable placer, splicer, lineman, tree trimmer ..... A
- Press worker/printer ..... A
- Other manager/worker ..... A
- Foreign correspondent ..... No
- Tower erector, pole-setter, trench machine operator, heavy equipment operator ..... No

Comptroller (See Executive/office manager/professional)

Computer industry

- Computer and information research scientist ..... 6A[1]
- Computer hardware engineer ..... 6A[1]
- Computer network architect, computer programmer, computer system analyst, database administration, information security analyst, network and computer systems administrator, software developer
  - Earning more than $80,000/year ..... 6A[1]
  - Earning less than $80,000/year 5A
- Web developer 4A

Computer support person 3A

Construction industry

- Contractor/general contractor
  - Office duties and supervising on the job site (no manual labor) 2A
  - Other (See specific occupation)
- Surveyor 2A
- Foreman ..... A
- Asphalt paver, bricklayer, cabinet maker, carpenter, carpet layer or installer, concrete finisher, drywall installer, electrician, elevator installer or repairer, floor finisher or sander, heating and air conditioning installer, mason, painter, paper hanger, pipe fitter, plasterer, plumber, sheet metal worker, steam fitter, swimming pool installer or maintenance person, sprinkler installer, stone setter, stucco worker, tile setter, welder ..... A
- Air hammer operator, antenna worker, crane operator, driver, explosives handler, heavy equipment operator, iron worker, laborer, roofer, steeplejack, sandblaster ..... No

Consultant

- Computer (See Computer industry)
- Financial/management/public relations 3A

Contractor (See Construction industry)

Controller (See Executive/office manager/professional)

Convenience Store

- Manager ..... A
- Other employee ..... No

Cook ..... A

Copywriter 3A

Copying services (see Communication industry)

Coroner ..... No

Correction officer ..... No

Cosmetologist ..... A

Counselor (See Health care)

Court Clerk ..... No

Court Reporter[2] 2A

Dancer ..... No

Day care provider (not operating out of residence) ..... A

Dean of college or university (if government employee, see Government services. If not, see Education)

Delivery person ..... No

Dental assistant[2] 2A

Dental hygienist[2] 2A

Dental lab technician[2] 2A

Dentist 3A-M

Detective ..... No

Dietician (See Health care)

Director

- Entertainment (motion picture/TV/radio) (See Entertainment)
- Other (See Executive/office manager/professional)

Disc Jockey ..... A

Dispatcher (If government employee see Government services) 2A

District attorney (see Government services) ..... 6A/5A-Select[1]

Doctor (See Health care)

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[2] Not available for Core Value Income Protection.

Dog catcher/groomer/handler/trainer ..... No
Draftsman 3A
Driver (armored car/bus/cab/chauffeur/truck) ..... No
Dry cleaning worker (no delivery) ..... A
Economist
- PhD with office and/or lab duties ..... 6A/5A-Select[1]
- Office and/or lab duties 4A
- Field and/or lab duties 3A

Editor 3A
Education (if public school employee, see Government services)
- Dean
  - College or university 5A
  - Other 4A
- Principal/superintendent/department head 5A
- Guidance counselor/teacher/music teacher
  - Master's degree 4A
  - Other 3A
- College professor
  - PhD 5A
  - Other 4A
- Other education administrator, teacher of academic or commercial subjects, special education, driver education, private music instructor, choir director 3A
- Dance/vocational/trade/physical education 2A

Electrologist ..... A
Elevator installer/repairer ..... A
Embalmer ..... A
Emergency medical technician (EMT) (See Health care)
Employment recruiter (See Recruiter)
Endodontist 3A-M
Energy industry (electric, nuclear, solar, wind, oil, gas)
- Superintendent/foreman/other worker ..... A
- Any worker with exposure to radiation or radiation monitoring duties ..... No
- Any offshore worker ..... No

Engineer (i.e., chemical, mechanical, electrical)
- 4-year engineering degree with no more than 30% field or lab duties ..... 6A/5A-Select[1]
- More than 30% field or lab duties 4A

Engraver ..... A

Entertainment industry

(General entertainment, motion picture, audio-visual production, infomercial, television, cable, radio, theater-local only, not national)

Executive producer, producer, director
- Earning over $200,000/yr. for last 3 years (2 years financial documentation needed) ..... Individual Consideration (IC)
- Earning over $100,000/yr. for last 3 years (2 years financial documentation needed) 4A
- All others 3A

Talent agent, promoter, scout, manager for performers
- Earning over $200,000/year for last 5 years (2 years financial documentation needed) IC
- All others 3A

Office duty only occupations, not otherwise classified, see Executive/office manager/professional
- Performers ..... No
- Film Editor, Audio Visual Mixer, Engineer, Composer 3A

Reporters, Announcers
- Earning an average income over $40,000/yr.; minimum 5 years in business 2A

Camera operator, make-up artist, wardrobe or property handler ..... A
Stage manager 2A
Writers/editors 3A
All performers, on-air personalities, live or recorded; self-employed or under contract, and clients who work away from a station or studio; all other reporters ..... No
Property manager, worker stagehand ..... No
Theater-local only, not national
- Director, producer (salaried, no royalties or residuals) 3A
- Writer/editor (not self-employed) 3A
- Stage manager (not self-employed) 2A
- Property handler, wardrobe or make-up personnel ..... A
- All performers, live or recorded; agent, scout, writer (self-employed), composer, stagehand ..... No
- Other theater employee ..... No

Event planner 3A

[1] The 6A occupation class is for individual Disability Income insurance, including DI Retirement Security and Disability Buy-Out (HH794) in approved states. The 5A-Select occupation designation is for all other products (except DBO HH794) and states. For a complete list of state approvals visit: principal.com/distateapprovals.

Executive/office manager/professional

A managerial, technical, administrative, employee of a well-established firm whose occupation is not classified elsewhere in this occupation schedule. Daily duties are office, managerial, administrative or supervisory. No physical or manual duties. No technical duties.

- Earning over $75,000/yr. last 2 years ..... 6A/5A-Select[1]
- Earning over $60,000/yr. last 2 years ..... 5A-Select/5A[2]
- Earning over $40,000/yr. last 2 years 4A
- Other/Earning less than $40,000/year for last 2 years (See Office worker)

Exporter/importer 3A

Exterminator ..... A

Factory worker (See Manufacturing)

Farming industry (grain, dairy, livestock, orchard, ranch or hatchery)

- Farmer/manager ..... A
- Other worker/hired hand ..... No

Fashion designer 2A

Federal marshal ..... No

Farrier ..... A

Financial planner

- Earning greater than $150,000/yr. last 2 years; in business for 5 years 5A
- Earning at least $75,000/yr. last 2 years; in business for 5 years 4A
- Base occupation class 3A

Fire department personnel ..... No

Fish and game warden ..... No

Flight attendant/flight instructor ..... No

Floor trader (commodities, stocks or bonds) ..... No

Florist ..... A

Food processing plant worker (See Packing plant)

Forest ranger ..... No

Funeral director

- Not embalming 3A
- Embalmer ..... A

Furnace installer/servicer ..... A

Furniture mover ..... No

Furniture restorer/upholsterer ..... A

Game warden ..... No

Gas station manager, employee ..... A

Geologist (See Scientist)

Goldsmith ..... A

Golf course manager (See Sports industry)

Government Services (see section 12 for details)

- District attorney ..... 6A/5A-Select[1]
- Judge ..... 6A/5A-Select[1]

Dean

- College or university 5A
- Other 4A

Principal/superintendent/department head 5A

Guidance counselor/teacher/music teacher

- Master's degree 4A
- Other 3A

College professor

- PhD 5A
- Other 4A

Other education administrators, teacher of academic or commercial subjects, special education, driver education, private music instructor, choir director 3A

Dance, vocational, trade, physical education ..... No

Assessor 3A

Auditor

- Certified auditor/CPA ..... 6A/5A-Select[1]
- 4-year accounting degree 4A
- Other 3A

Interpreter, librarian, tax agent 3A

Immigration official

- Office duties only earning over $75,000 for the last 2 years 4A
- Other ..... No

Office worker (bookkeeper, secretary, receptionist or other office worker making $30,000/yr. or greater) 3A

Stenographer/typist ..... No

Social worker

- Office duties only and MSW or LCSW 3A
- Other ..... No

Armed forces personnel, bailiff, coroner, correction officer, court clerk, dispatcher, elected and appointed official, federal marshal, fire department personnel, fish and game warden, forest ranger, harbor master or pilot, military personnel, park superintendent, ranger or other worker, parole officer, police department personnel, postal service worker, prison warden, probation officer, sheriff, trash collector ..... No

Graphic designer 3A

Groundskeeper ..... A

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[2] The Select Occupation not available for DBO insurance (HH794). This occupation is a 5A.

- Guide
  - Tour ..... A
  - Hunting/fishing ..... No
- Gunsmith ..... A
- Hairdresser ..... A
- Harbor master/pilot ..... No

Health Care

- Acupuncturist ..... A
- Ambulance driver ..... No
- Anesthetist 3A-M
- Audiologist 4A
- Certified medical aide ..... No
- Certified nurse's aide ..... No
- Chiropractor ..... No
- Counselor
  - MSW degree or LCSW 3A
  - Other 2A
- Dental assistant[2] 2A
- Dental hygienist[2] 2A
- Dental lab technician[2] 2A
- Dentist 3A-M
- Dermatologist (MD or DO only) 4A-M
- Dietician
  - Not preparing food 3A
  - Other ..... A
- Doctor (See Physician)
- Emergency medical technician (EMT) ..... No
- Home health care ..... No
- Hospital administrator (See Executive/office manager/professional)
- Hospital attendant/orderly/aide ..... No
- Medical assistant 2A
- Medical records clerk 2A
- Naturopathic doctor 3A-M
- Nurse
  - Registered Nurse (RN)
    - Physician office or walk in clinic, school director, instructor, supervisor, paramed insurance examiner[2] 3A
  - All other RNs not specifically listed[2] 2A
  - Private duty home healthcare nurse; aide ..... No
  - LPN ..... A
- Midwife ..... A
- Nurse anesthetist 3A-M
- Nurse practitioner (not functioning as RN) 4A-M
- Nutritionist
  - Not preparing food 3A
  - Other ..... A
- Ocularist 2A
- Optician
  - Not grinding lenses 3A
  - Grinding lenses 2A
- Optometrist ..... 6A/5A-Select[1]
- Orderly ..... No
- Otologist 4A-M
- Paramedical examiner 2A
- Perfusionist 3A
- Pharmacist 5A
- Physician (M.D. or D.O. only)
  - Allergist/immunologist 5A-M
  - Anesthesiologist 3A-M
  - Cardiologist 4A-M
  - Cardiovascular surgeon 4A-M
  - Critical Care (based on specialty)
    - Anesthesiology 3A-M
    - Internal medicine (Pulmonary) 5A-M
    - Obstetric (OB/GYN) 3A-M
    - Pediatrics 5A-M
    - Surgical (Surgery) 3A-M
  - Dermatologist 4A-M
  - Electrophysiologist 4A-M
  - Emergency room physician 3A-M
  - Endocrinologist 5A-M
  - ENT 4A-M
  - Family practice physician 5A-M
  - Gastroenterologist 5A-M
  - General practice physician 5A-M
  - General surgeon 3A-M
  - Geriatrician 5A-M
  - Hematologist 5A-M
  - Immunologist 5A-M
  - Internist 5A-M
  - Neonatologist 5A-M
  - Nephrologist 5A-M
  - Neurologist 5A-M
  - Neurosurgeon 4A-M

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[2] Not available for Core Value Income Protection.

- Obstetrician/gynecologist ... 3A-M
- Oncologist ... 5A-M
- Ophthalmologist ... 4A-M
- Orthopedic surgeon ... 3A-M
- Orthopedist ... 4A-M
- Otolaryngologist ... 4A-M
- Pain management physician ... 3A-M
- Pathologist ... 5A-M
- Pediatrician ... 5A-M
- Physiatrist (physical medicine, rehab) ... 5A-M
- Plastic Surgeon ... 3A-M
- Pulmonologist ... 5A-M
- Radiologist
  - Not performing invasive or interventional procedures ... 5A-M
  - Performing invasive or interventional procedures ... 4A-M
- Rheumatologist ... 5A-M
- Surgeon (all specialties except cardiovascular, neuro and vascular) ... 3A-M
- Urologist ... 4A-M
- Vascular surgeon ... 4A-M
- All other M.D. or D.O. specialties ... 4A-M
- Physician assistant ... 4A-M
- Podiatrist ... 3A-M
- Prosthetist ... 2A
- Psychiatrist ... 4A-M
- Psychologist
  - Ph.D. or Psy.D. degree ... 5A-M
  - Other graduate degree ... 4A-M
- Students or resident (no specialty) ... 4A-M
- Technician
  - Dental[3] or medical ... 2A
  - Dialysis ... 2A
  - Emergency medical technician (EMT) ... No
  - Surgical ... 2A
  - X-Ray ... 2A
- Therapist
  - Occupation ... 2A
  - Physical ... 2A
  - Rehabilitation ... 2A
  - Respiratory ... 3A
  - Speech ... 3A

Health club worker (See Sports)

- Heavy equipment operator ... No
- Hedge fund manager
  - Earning at least $200,000/yr. last 2 years ... 5A
  - Earning at least $150,000/yr. last 2 years ... 4A
  - Base occupation class ... 3A
- Home health care ... No
- Horse trainer ... No
- Hospital administrator (See Executive/office manager/professional)
- Hospital attendant/orderly/aide ... No
- Hotel/motel worker
  - Manager ... 3A
  - Desk clerk ... A
  - Housekeeper, cleaner, porter, bellhop, elevator operator, service employee ... No
- Immigration official (See Government services)
- Importer/exporter ... 3A
- Insurance adjuster/examiner
  - Office and consulting duties ... 3A
  - Other ... 2A
- Insurance agent (See Sales)
- Interior decorator ... A
- Interior designer (4-year interior design degree)
  - Office and consulting duties ... 3A
  - Other ... A
- Interpreter (if government employee, see Government services) ... 3A
- Investment analyst & investment banking
  - Earning at least $200,000/yr. last 2 years ... 5A
  - Earning at least $150,000/yr. last 2 years ... 4A
  - Base occupation class ... 3A
- Janitor ... No
- Jeweler
  - Sales/administration only ... 3A
  - Other ... 2A
- Judge ... 6A/5A-Select[1]
- Kennel operator/employee ... No
- Landscape architect
  - No manual labor, 4-year professional degree, less than 20% in field ... 4A
  - Other ... 3A

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[2] Not available for Core Value Income Protection.

Landscape, nursery and horticulture worker
- Manager, office duties only 2A
- Other manager or worker ..... A
- Heavy-equipment operator ..... No

Laundry worker ..... No

Lawyer ..... 6A/5A-Select[1]

Legal assistant 3A

Legal secretary 3A

Librarian (if government employee, see Government services) 4A

Lighting designer/technician (See Entertainment)

Lineman — telephone/telegraph/electrical ..... A

Liquor industry
- Distributorship manager 2A
- Retail sales/liquor store worker
  - Manager 2A
  - Sales person/cashier ..... A
- Tavern/bar/lounge/night club worker ..... No

Lithographer 2A

Loan officer (See Executive/office manager/professional)

Lobbyist
- Earning at least $100,000/yr. 4A
- Other 3A

Locksmith ..... A

Logging/lumberyard worker
- Computer control operator 2A
- Foreman, inspector, sealer, tallyman, grader, machinist, millwright, machine operator, buffer, grinder, polisher ..... A
- Trucker, loader, piler, heavy-equipment operator, other worker ..... No

Machinist ..... A

Mail carrier/clerk ..... No

Makeup artist (See Entertainment)

Manicurist ..... No

Manufacturer's representative (See Sales)

Manufacturing industry
- Designer, draftsman 3A
- Manager, superintendent, foreman (office duties only), lab technician, timekeeper, computer control operator 2A
- Assembly worker, cutter, fabricator, fireman, foreman (any manual duties), glazier, grinder, installer, inspector, machine operator, molder, sheet metal worker, tool and die maker, welder ..... A
- Laborer, cleaner, sweeper, yardman, unskilled worker, heavy-equipment operator ..... No

Marine industry (See Transportation)

Market research analyst
- Earning at least $200,000/yr. last 2 years 5A
- Earning at least $150,000/yr. last 2 years 4A
- Base occupation class 3A

Mason ..... A

Masseur/masseuse ..... No

Meat packing plant worker (See Packing plant)

Mechanic (i.e., aircraft, auto, boat, truck) ..... A

Medical care industry (See Health care)

Medical lab technician (See Health care)

Meteorologist (See Scientist)

Military personnel ..... No

Minister/pastor/clergy 3A

Model ..... No

Mortgage loan originator 3A

Mortician
- Not embalming 3A
- Embalmer ..... A

Motion picture industry (See Entertainment)

Musical instrument repairer ..... A

Musician ..... No

Mutual fund manager
- Earning at least $200,000/yr. last 2 years 5A
- Earning at least $150,000/yr. last 2 years 4A
- Base occupation class 3A

Naturopathic doctor (See Health care)

Navigator ..... No

Nurse (See Health care)

Nurse anesthetist (See Health care)

Nurse practitioner (See Health care)

Nursery worker (See Landscape)

Nutritionist (See Health care)

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Office worker
- If earning over $30,000/yr. ... 3A
- Other ... 2A

Optician
- Not grinding lenses ... 3A
- Grinding lenses ... 2A

Optometrist ... 6A/5A-Select[1]

Oral surgeon ... 3A-M

Orderly ... No

Orthodontist ... 4A-M

Otologist ... 4A-M

Packing plant worker
- Manager, superintendent, foreman — office duties only ... 2A
- Other manager, superintendent, foreman, inspector ... A
- Process worker, dressing operation worker, butcher, sticker, packer, other worker ... No

Painter ... A

Paralegal (Earning at least $45,000/yr.) ... 4A

Paramedic ... No

Park superintendent, ranger, other worker ... No

Parking lot/garage attendant ... No

Parole officer ... No

Pastor ... 3A

Pawnbroker ... No

Periodontist ... 3A-M

Pharmacist ... 5A

Photographer ... 2A

Physician (See Health care)

Physician assistant (See Health care)

Physicist (See Scientist)

Piano tuner/restorer ... A

Pilot (aviation) ... No

Pipe fitter ... A

Plasterer ... A

Plumber ... A

Podiatrist ... 3A-M

Police department personnel ... No

Portfolio manager
- Earning at least $200,000/yr. last 2 years ... 5A
- Earning at least $150,000/yr. last 2 years ... 4A
- Base occupation class ... 3A

Principal (See Education)

Printing and publishing (See Communication)

Prison warden ... No

Private equity firm manager
- Earning at least $200,000/yr. last 2 years ... 5A
- Earning at least $150,000/yr. last 2 years ... 4A
- Base occupation class ... 3A

Private investigator, detective ... No

Probation officer ... No

Producer (See Entertainment)

Professor (If government employee, see Government services) (See Education)

Program director, manager (see Entertainment)

Prosthetist ... 2A

Psychiatrist (See Health care)

Psychologist (See Health care)

Purchasing agent ... 3A

Rabbi
- Synagogue only ... 3A
- Food processing ... No

Radiologist (See Health care)

Radio industry (See Entertainment)

Railroad industry (See Transportation)

Rancher (See Farming)

Real estate appraiser ... 3A

Real estate property manager (no manual or maintenance duties)
- Earning over $50,000/yr. for the last 2 years ... 3A
- Others ... 2A
- Manual or maintenance duties ... A

Real estate developer (See Sales)

Real estate sales (commercial/residential) (See Sales)

Receptionist ... 3A

Recruiter (employment, HR, public relations) ... 3A

Reporter (See Communications and entertainment)

Restaurant industry (liquor sales secondary)
- Manager, fast food manager ... 2A
- Chef/cook ... A
- Waiter/waitress ... No
- Lunch wagon operator ... No

Roofer ... No

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Sales

- Agricultural (feed, grain, livestock, chemical, produce, implement)
  - Earning at least $100,000/yr. last 2 years 5A
  - Earning at least $75,000/yr. last 2 years 4A
  - Base occupation class 3A
- Automobile
  - Earning at least $100,000/yr. last 2 years 5A
  - Earning at least $75,000/yr. last 2 years 4A
  - Base occupation class 3A
- Door to door ..... No
- In-home (i.e., cosmetic, kitchenware) ..... No
- Insurance agent, broker, financial planner, mutual fund sales
  - Earning at least $150,000/yr. last 2 years; in business for 5 years 5A
  - Earning at least $75,000/yr. last 2 years; in business for 5 years 4A
  - Base occupation class 3A
- Manufacturer's representative
  - Earning at least $150,000/yr. last 2 years 5A
  - Earning at least $75,000/yr. last 2 years 4A
  - Base occupation class 3A
- Real estate agent/broker/developer
  - Full-time, active in the business for 4 years, earning at least $75,000/yr. for the last 2 years 3A
  - Other full-time agent 2A
- Retail merchandise (if liquor, see Liquor industry) 2A
- Route (i.e., tools, bread, beverages) ..... No
- Stocks/bonds (not on floor of exchange) (See Stockbroker)
- Sales Manager
  - Earning at least $100,000/yr. last 2 years 5A
  - Earning at least $75,000/yr. last 2 years 4A
  - Base occupation class 3A
- **Scientist** (Astronomer, Biochemist, Biologist, Botanist, Chemist, Geologist, Meteorologist, Physicist, Sociologist, Zoologist)
  - PhD with office and/or lab duties ..... 6A/5A-Select[1]
  - Office and/or lab duties 4A
  - Field duties 3A
- Sculptor ..... No
- Secretary 3A
- Security guard ..... No
- Sheriff ..... No
- Singer ..... No
- Social worker (if government employee, see Government employee)
  - Office duties only and MSW or LCSW 3A
  - Other ..... A
- Sociologist (See Science)

Sports industry

- Athlete ..... No
- Bowling alley
  - Manager/cashier ..... A
  - Other worker ..... No
- Coach (amateur athletics only)
  - Public school ..... No
  - Other ..... A
- Fishing guide ..... No
- Golf course (year-round work only)
  - Manager (no instruction) 3A
  - Instructor, pro ..... A
  - Greens keeper, maintenance worker ..... A
- Health/fitness club
  - Manager (no instruction, training) 3A
  - Instructor, trainer ..... A
- Masseuse, masseur ..... No
- Tennis club (year-round work only)
  - Manager (no instruction) 3A
  - Instruction, pro ..... A
- Horse trainer ..... No
- Hunting guide ..... No
- Steamfitter ..... A

Stockbroker

- Earning at least $150,000/yr. last 2 years; in business for 5 years 5A
- Earning at least $75,000/yr. last 2 years; in business for 5 years 4A
- Base occupation class 3A
- Floor trader ..... No
- Day trader ..... No
- Student (if architecture, accounting, engineering, psychology, law, medical, dental, pharmacy, veterinary, optometry or podiatry, see select professional limits on in section 12) ..... No

[1] The 6A occupation class is for individual Disability Income insurance, including DI Retirement Security and Disability Buy-Out (HH794) in approved states. The 5A-Select occupation designation is for all other products (except DBO HH794) and states. For a complete list of state approvals visit: principal.com/distateapprovals.

Surveyor 2A
Swimming pool installer/maintenance worker ..... A
Tailor (not working from residence) ..... A
Tattoo artist ..... No
Tax agent/auditor (if government employee, see Government services) 3A
Taxidermist ..... A
Teacher (See Education)
Telephone industry (See Communication)
Television industry (See Entertainment)
Teller 3A
Tennis club worker (See Sports)
Theatrical industry (See Entertainment)
Therapist (See Health care)

Transportation industry

Agricultural implement, trailer, truck, motorcycle, boat, automobile
- Salesperson
  - Earning at least $100,000/yr. last 2 years 5A
  - Earning at least $75,000/yr. last 2 years 4A
  - Base occupation class 3A
- Gas or service station manager/employee, auto painter, mechanic, body repairer, tire retreader, customizer, pinstriper ..... A
- Washer, polisher, cleaner, parking lot attendant ..... No

Airline
- Manager, supervisor, ticket agent, dispatcher — office duties only 3A
- Freight solicitor — office duties only 2A
- Foreman, inspector, weigher ..... A
- Baggage handler, freight checker, ground crew maintenance, other skilled worker (not flight testing) ..... No
- Pilot, flight attendant, flight instructor, air traffic controller, crop duster ..... No

Marine
- Marina manager ..... A
- Other worker ..... No
- Land or in harbor (all personnel) ..... No
- Ocean-going ship, tug and barge (all personnel) ..... No

Railroad
- Manager, supervisor, ticket agent, dispatcher — office duties only 3A
- Freight solicitor, tower watchman — office duties only 2A
- Engineer, foreman, inspector, weigher, conductor, yardmaster, instructor, signalman ..... A
- Other worker ..... No

Taxicab
- Manager, dispatcher — office duties only 2A
- Driver ..... No

Trucking
- Manager, dispatcher — office duties only 3A
- Loader, warehouse worker ..... No
- Driver, heavy-equipment operator ..... No

Trash collector ..... No
Travel agent 2A
Tour guide ..... A
Tree surgeon, pruner, trimmer ..... A
Truck driver ..... No
Upholsterer ..... A
Venture capitalist
- Earning at least $200,000/yr. last 2 years 5A
- Earning at least $150,000/yr. last 2 years 4A
- Base occupation class 3A

Veterinarian
- Small animal — in clinic 5A
- Other 3A

Veterinary Technician 2A
Waiter/waitress ..... No
Warehouse worker
- Manager ..... A
- Other worker ..... No

Welder ..... A
Writer (not freelance or working from residence) 3A
X-Ray technician (See Health care)
Zoologist (See Scientist)

General underwriting

General underwriting

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General underwriting

The following guidelines apply to the entire IDI portfolio: Core Value Income Protection, Disability Income (DI), DI Retirement Security (DIRS), Overhead Expense (OE), Business Loan Protection (BLP) rider, Disability Buy-Out (DBO) and key person Replacement (KPR).

Conditional receipt

Amount of coverage provided by the conditional receipt is limited to the maximums specified in the conditional receipt under limitations, based on the type of coverage applied for.

Policy adjustments

- All policies, except DIRS, are adjustable through age 64 based on the current underwriting requirements and guidelines, including contract and rider availability, in effect at the time the adjustment is requested.
- An adjustment application is required to adjust a policy. Other underwriting requirements may also be requested by the underwriter.
- Adjustments resulting in an increase in liability require evidence of insurability and are underwritten based on the underwriting guidelines, including product and rider availability, in effect at the time of the requested adjustment.
- Based on current underwriting guidelines, some adjustments may result in a second policy.
- An increase to policy benefits under a future increase rider is an adjustment. The premiums for adjustments are based on the insured's attained age, current state of residence and the rates in effect at the time of the adjustment.
- An occupation class, the client must have had a change in their occupation, such as going from a registered nurse to a physician assistant. This change is considered an underwritten adjustment and an adjustment application is required.

Tobacco/non-tobacco guidelines

Clients are classified as a tobacco user according to the following guidelines:

- Cigarette or electronic cigarette use within the past 12 months.
- Use of a nicotine patch, prescription drugs, gum, inhaler or other nicotine cessation product within the past 12 months.
- Use of chewing tobacco, cigars, or pipes within the past 12 months.

Non-tobacco rates will apply if the client uses 12 or fewer cigars in the prior 12 months, has a negative urine specimen for nicotine and admits to use on the application.

Tobacco to non-tobacco, the client must not have used tobacco-related products (smoke, chew, cigar, pipe), any form of smoking cessation products or e-cigarettes within 12 months of the adjustment application date, and not had a change in health, such as a heart attack, which was related to their tobacco history.

Insured activity considerations

Aviation

- Commercial airline and company pilots and crew are not eligible for disability insurance. Strict medical standards set by the federal aviation administration prevent pilots and crew members from working due to medical conditions which would not be considered disabling in most other occupations (i.e., inner ear disorder).
- Clients who are engaged in full-time occupations, but fly as a pilot or crew member for business and/or pleasure, usually are considered standard, without an aviation exclusion. If medical factors or type of flying make the risk uncertain, coverage may be considered with an aviation exclusion. When the TeleApp process is not used — the aviation statement must be completed.

Avocations

- Non-hazardous recreational activities are acceptable risks for disability insurance.
- Some recreational activities (i.e., scuba diving, sky diving, auto racing) present additional risk and may require an exclusion rider. Similar activities that are an inherent part of a client's work, or are completed for pay, are typically uninsurable risks for disability insurance. When the TeleApp process is not used — the sports statement must be completed.

Criminal/illegal offenses

- Clients currently on parole or probation are not eligible for disability insurance.
- If a client has been arrested without legal resolution, coverage will not be available until the outcome of the legal action has been determined. Upon completion of parole or probation, we will require complete details of the illegal or criminal history before considering offering coverage.

Driving

- Injuries sustained in motor vehicle accidents account for a major portion of disability claims. Accident rates increase in relation to the number of driving violations.
- Age, medical history/impairments, medications, alcohol or drug abuse, participation in aviation/avocations and occupation are factors taken into consideration when determining if a client with a poor driving record is eligible for disability insurance.
- Any person convicted of driving under the influence of alcohol or drugs within one year of the date of the application is not eligible for disability insurance.
- Other driving offenses may result in a variety of underwriting decisions, including an extra premium, extended elimination period, reduced benefit period and/or the denial of optional benefit riders.

Financial considerations

Bankruptcy guidelines:

Years from date of discharge or dismissal whichever is later and the decision[1]:

0-2	3-5	Over 5 years
Offer for coverage will not be made.	• Individual consideration with possible monthly benefit up to $10,000/month. • If unfavorable factors are present, the benefit period may be limited to 5 years.	No adverse action needed

[1] If bankruptcy is filed but not discharged or dismissed, no offer for coverage will be made.

The following information or documentation will be required at the time of application:

- The type, chapter and circumstances of bankruptcy.
- 2 years personal tax returns on all cases.
- 2 years business tax returns, if an owner of a C corporation.
- Documentation of bankruptcy discharge or dismissal.
- An offer for coverage will not be made if the proposed insured has a history of more than one bankruptcy filed or any evidence of fraud.

Favorable factors:

- Medically standard
- Stable job and income history
- Employee of a business
- Honest debtor (partner caused bankruptcy)
- Bankruptcy discharged

Unfavorable factors:

- Adverse health history (especially history of mental/nervous disorder)
- Unstable job and income history
- Business owner (especially one showing negative income)
- Working from home

Occupational considerations

Employment

- Full-Time: Clients must be working at least 30 hours per week in one job to be eligible for coverage. If there is a "second job," it may affect the occupation class and coverage available.
- Part-Time: Clients working 20-29 hours/week may be available for DI and DIRS coverage. See page 1-7 for guidelines.
- Underwriting will consider the entire range of occupational activity. Specific action depends on the facts. Full details should be provided with the application.

Home-based workers

- Individuals whose occupations do not require them to leave their residence for a substantial percentage of their working time are eligible for a DI, Core Value Income Protection and DIRS policy.
- Due to the potential problems inherent in separating residence and business expenses for administration of a claim, Overhead Expense insurance coverage is not available.

The following considerations may apply:

- Individuals who are W-2 income, employed by an outside firm, will generally have no restrictions on coverage.
- Self-employed business owner or contractor working:
  - Recently self-employed, working from home, use 75% of prior W2 wages. Capped at $10,000 per month.
  - Minimum elimination period: 90 days
  - After 2 years of being established in business working from home, no restrictions.

Favorable factors that may allow consideration outside of these guidelines include if the client has a signed contract that can be reviewed or a tax return showing his/her business income for part of the year.

Unfavorable factors include near retirement age, past bankruptcies, frequent job changes, and known involuntary loss of employment.

Note: Individuals whose office has a separate entrance accessible to the public, or whose office is in a separate building on the property, would not be subject to the above limitations.

International considerations

Foreign nationals

- Foreign nationals, who are permanent residents of the United States (also known as green card holders) and have lived in the U.S. for at least one year, are eligible for the same unrestricted coverage as a U.S. citizen.
- Foreign nationals who currently hold a H1B, L1, J1, O1 or TN temporary visa will be considered for disability coverage. Consideration for foreign nationals who currently hold these types of temporary visas will be reviewed on a case-by-case basis and will require completion of a non-U.S. citizen questionnaire.

Continued on the next page.

Foreign travel

Clients traveling outside of the United States for pleasure or business for:

- Less than three months—usually considered standard.
- More than three months of the year—usually a Foreign Travel Exclusion[1] rider is added to the policy.

[1] In most states, The Foreign Travel Exclusion rider states that benefits are not payable for an injury occurring or sickness beginning while the insured is in the excluded location, and for any period he/she is in the excluded location. Not available in FL and VT.

Additional details

- Clients traveling outside of the United States more than six months out of the year are usually not eligible for coverage, but may be considered on a case-by-case basis depending on the country visited.
- Consideration is not given to any client who plans to travel to an area where a state of war or armed conflict exists, or to an area that is remote or unsettled.
- Other clients living and working abroad will be given individual consideration.

Traveling abroad may be a poor disability insurance risk factor for the following reasons:

- Lower-quality medical care in the foreign country.
- Standard of living in the foreign country.
- Difficulty in administering a claim.

Multiple policy owners

- Principal will not issue policies with multiple owners due to the complications that can result.
- Ownership rights can be sacrificed if all owners are not available to sign any policy transaction that requires the owner's signature.

Impaired risks

Policies are issued to select impaired risks on a(n):

- **Extra premium basis**—Usually provide the same coverage as standard policies (except for Benefit Update, Future Benefit Increase and Automatic Increase Option). Moderate to high extra premium classes, however, may be approved with a shortened benefit period, a lengthened elimination period and/or denial of optional benefit riders.
- **Exclusion basis**—States no coverage is provided for a disability resulting from a specified impairment or condition. The use of an exclusion rider provides coverage to a client who would otherwise be declined because of an existing impairment or medical history. Policies written on the exclusion rider basis usually are issued at standard premium rates. Sometimes both an exclusion rider and extra premium may be required to fully offset the high risk presented by certain medical conditions.
- **Modified coverage basis**—Policies are usually issued at standard premium rates, but provide coverage for a specified impairment or condition with a limited benefit period and/or extended elimination period. Sometimes both a Modified Coverage rider and extra premium may be required to fully offset the high risk presented by certain medical conditions.

Modified policy reconsideration

- Modified basis = exclusion rider, Modified Coverage rider, extra premium, reduced benefit period, longer elimination period, etc.
- At the time the policy is issued, the underwriter indicates whether or not the modification can be reconsidered and if so, when it can be reconsidered and if so, when it can be reconsidered.
- After a reasonable period of time, we may be able to remove or reduce the modification.
- This does not mean the modification will automatically drop off the policy at the end of the reconsideration period.
- The reconsideration action is solely dependent on the insurability status of the client at the time of reconsideration, including any medical condition which may have developed since the issue date of the policy. Examples of reconsideration periods include:
  - The first policy anniversary (one year)
  - The second policy anniversary (two years)
- Modification appears permanent (the nature of the medical history is such that the modification might never be removed)
- A fully completed adjustment application is required to begin the reconsideration process. Other underwriting requirements also may be requested by the underwriter.

Life and disability insurance underwriting differences

- Don't try to compare life and disability underwriting decisions.
- Each product is very different and has its own set of risks.
- The fact a client has qualified for life insurance or has a life insurance policy does not imply a satisfactory risk for disability insurance.
- Do not advise a client regarding insurability for disability insurance based on life insurance underwriting action.
- The following risk factors are important in the underwriting disability insurance, but of less concern in the majority of life insurance cases:
  - Income—An in-depth evaluation of income is necessary on every application; not typically a priority for life insurance—unless it's a large face amount.
  - Occupation—Classifying the client in the correct occupation class is critical in determining the proper premium rate; occupations have little impact on life insurance.
  - Medical Impairments—Potentially disabling medical impairments, which may be of little concern for life insurance, require a thorough evaluation for disability insurance (i.e. back pain, psychological history). These are in addition to impairments which can be significant to the underwriting of life insurance (i.e., cancer, diabetes, heart attack).

Reinstatements

- Any disability insurance policy that has lapsed may be reinstated within one year of the date of lapse.
- A reinstatement application is required to reinstate a policy. Other underwriting requirements also may be requested by the underwriter.
- All reinstatements are underwritten based on the then current underwriting requirements, guidelines, products and riders in effect at the time the reinstatement is requested.
- For policies lapsed longer than one year, the client must apply for new coverage using a new business application.

Responsibility of producer

The producer plays an important role in the selection of risks for Principal; therefore, great care should be exercised in selecting disability insurance business.

A producer must:

- Be as familiar as possible with the company's underwriting requirements and avoid soliciting applications from persons who obviously do not satisfy those requirements.
- Guard against overinsurance, which may lead to an increased incidence or duration of claims.
- Use extreme care in completing the application. It is a legal document and will be attached to and become part of the contract of insurance. All questions on the application must be answered completely and legibly in the presence of the proposed insured.

Submitting business:

- When an application is completed, the proposed insured and owner, if other than the proposed insured, must review all questions and answers as recorded, before signing.
- Any additions or deletions must be initialized by the proposed insured and owner, if other than the proposed insured.
- "White out" should not be used to correct mistakes on the application.
- Under no circumstances should a blank application be signed or should applications be taken by phone or mail.

Seasonal employment

Unstable or short-term seasonal occupations are not eligible for disability insurance. Occupations such as snow plowers and lifeguards do not provide long-term job stability or strong potential for a consistent earned income. Many seasonal jobs at parks and resorts are dependent on the weather, which creates even greater job instability.

Federal income tax guide

Federal Income Tax Guide

The type of disability plan chosen greatly affects the amount of federal income taxes payable. This section shows the effects of various federal income tax laws on the premiums and benefits of individual disability insurance.

This federal income tax guide is intended to provide general information about the subject matter covered and is provided with the understanding that **Principal is not rendering legal, accounting, or tax advice. Your clients should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements**.

Personal insurance

Most individual Disability Income insurance policies are set up with the insured as the owner, premium payor and receiver of the benefits. Under these circumstances, premiums are not deductible, and benefits are received income tax-free.

Business insurance

There are several business uses for disability insurance: salary continuation, reimbursement of overhead expenses, funding of disability buy-sell agreements and replacement of a key employee lost due to a disability. The federal income tax effects on all of these uses are shown in the tax guide table starting on the next page.

Under a traditional employer-pay-all "salary continuation plan," benefits are taxable to the insured. To offset this taxation, higher issue limits are available. Under a "bonus plan" where premiums are included in the taxable income of the insured, benefits are received income tax-free. Whether to use a salary continuation plan or an executive bonus program is a matter for the insured and their legal and/or tax advisors. Insureds who have an ownership interest in a sole proprietorship, partnership, S corporation or limited liability company may not participate in a salary continuation plan provided by that business.

Special requirements must be met to minimize federal income taxes on salary continuation plans. Court decisions make it clear that a "formal plan" must exist for favorable income tax treatment.

Where no formal plan exists

Tax effect on premiums:

- Premiums may be reported as taxable income to the employee.
- The value of the coverage for a stockholder-employee may be taxed as informal dividends.

Tax effect on benefits:

- The employee may not qualify for a tax credit.
- Benefits could be subject to social security tax on both the employer and employee after the first six months of disability.
- Benefits paid directly by the employer may be considered additional compensation to the employee which is deductible by the employer as a business expense, but is taxable to the employee.
- Benefits paid to stockholder-employees may be taxed as informal dividends to the employee, but they are not deductible by the employer.

A formal plan must be:

- In effect prior to a disability.
- Detailed and known to the employee. Court rulings imply that a "plan" must be in writing.
- For the benefit of the employee. However, different plans may be offered to different levels of employees. Stockholders can be protected if they are identified as a separate class of employees. That class must, however, serve a function other than solely being a stockholder.
- Reasonable in amount of benefit considering the employee's salary and other compensation.

Tax effects when plan is in place

- The employer may deduct premiums paid from company funds under a formal plan. These premiums are considered ordinary and necessary business expenses.
- Employer-paid premiums are not included in the employee's income.
- Disability benefits are taxable to the employee, but not subject to social security taxes after the first six months of disability.

Tax credit

Effective January 1, 1984, employees retired on disability who are under age 65 may be eligible for a tax credit. The tax credit is based on a formula that considers age, adjusted gross income, benefits not subject to tax and federal tax filing status.

In essence, if the disabled employee's reportable income from all sources exceeds certain amounts, some or all of the credit will be lost. Benefit amounts received from social security which are not taxed would also reduce the possible tax credit. In order to qualify for the tax credit, there are limits on both the adjusted gross income and non-taxable social security and pension income that apply. Employees retired on disability should consult with appropriate tax advisors.

Policy owner	Premium payer	Benefits payable to (loss payee)	Tax results	
			Premiums	Benefits
Individual Disability Income insurance				
Individual	Individual	Individual	Non-deductible (IRC § 213, 262 § 265).	Tax free (IRC § 104 (a)(3)).
Employee	Employee—premium only plan (pre-tax)	Employee	Generally results in federal, state and FICA tax savings for the employee and FICA tax savings on premiums for the employer.	Taxable (IRC § 104 (a) (3)).
Formal salary continuation plan using disability policies				
C corporation owner/employee	C corporation	C corporation owner/employee	Deductible by employer (IRC § 162)[1].	Taxable (IRC § 105 (a)) with tax credit possible (IRC § 22).
Employee with no ownership	Any business entity	Employee		
	Shared by employer and employee		Employer share deductible to employer (IRC § 162[1]) and non-taxable to employee at time of contribution (IRC § 106). Employee share non-deductible (IRC § 213).	Employer share taxable (IRC § 105(a)) with tax credit possible (IRC § 22). Employee share tax free (IRC § 104(a)(3)).
Executive bonus plan using disability policies				
Sole proprietor	Sole proprietor	Sole proprietor	Non-deductible (IRC § 213, 262 & 265).	Tax free (IRC § 104(a)(3)).
Partner	Partnership	Partner	Deductible by partnership; includible in income of partner as guaranteed payments (Rev. Rul. 91-26).	
S corporation Owner (more than 2% ownership)	S corporation	S corporation owner	Deductible by S corporation; includible in W-2 income of owner/employee (Rev. Rul. 91-26).	
C corporation Owner/Employee	C corporation	C corporation owner/employee	Deductible by C corporation as regular compensation (IRC § 162); taxable as income to employee.	
Employee with no ownership	Any entity	Employee	Deductible by business as regular compensation (IRC § 162[1]); taxable as income to Employee.	

[1] Limited to the extent of reasonable compensation.

Policy owner	Premium payer	Benefits payable to (loss payee)	Tax results	
			Premiums	Benefits
Overhead Expense insurance/Business Loan Protection rider				
Sole proprietor	Sole proprietor	Sole proprietor	Deductible (Rev. Rul. 55-264).	Reportable as taxable income (Rev. Rul. 55-264). Although the benefits are taxable as income, the actual business expenses are deductible.
Partnership	Partnership	Partnership		
C or S Corporation	C or S Corporation	C or S Corporation		
Disability Buy-Out and Key Person Replacement insurance[2]				
Partnership or corporation	Partnership or corporation—entity purchase	Partnership or corporation	Non-deductible (IRC § 265;Rev. Rul. 66-262).	Tax free (IRC § 104 (a)(3); Rev. Rul. 66-262), IRC § 453.[4]
Partner, individual shareholder, or individual owner	Partner, individual shareholder, or individual owner —cross purchase	Partner, individual shareholder, or individual owner		
Key employee with no ownership[3]	Key employee with no ownership[3]	Key employee with no ownership[3]		

[1] Limited to the extent of reasonable compensation.

[2] For DBO and KPR, the insured may not be the policyowner.

[3] One-Way Buy-Out is available on HH794 DBO insurance policies. Not available in California; not approved in all states. Visit principal.com/distateapprovals for more information.

[4] For DBO only, the disabled owner is taxed only on the gain from the sale of the business. The gain may be considered an installment sale if at least one payment is to be received after the close of the tax year in which the sale was made. Consult a tax advisor for details.

Medical underwriting

Medical underwriting

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Medical underwriting guide 16-9

This section includes all of our medical underwriting requirements as well as a glossary of medical conditions and abbreviations and the likely underwriting decision associated with each condition.

Medical underwriting

DI/OE/BLP routine requirements

The proposed insured's state of residence, age, benefit amount and application type (TeleApp or traditional handwritten Part B) determine the medical requirements.

A paramedical exam, physical measurements, home office blood profile (HOBP), urine-HIV test and/or home office urine specimen are required for Disability Income (DI) and Overhead Expense (OE) if the monthly benefit exceeds the limits stated in the following tables. Use an authorized paramedical company. For all medical exams and studies, the monthly benefit includes the total DI (disability benefit and SIS), OE (including any Business Loan Protection [BLP] rider benefit) coverage issued and applied for with all companies within six months of the application date and all in-force coverage with Principal issued on a non-medical basis within the last five years. This includes our simplified sales program.

Note: The following benefit amounts do not impact the monthly benefit amount when determining routine medical underwriting requirements.

- Catastrophic Disability Benefit (CDB)
- DI Retirement Security (DIRS)—if written as a stand-alone policy (No other coverage applied for or in-force with Principal)

Medical requirements for Disability Income (DI) and multi-life DI

Monthly amount	Ages 18-50		Ages 51+	
	TeleApp	Traditional	TeleApp	Traditional
Up to $6,000—Single-Life				
Up to $6,000—multi-life				
$6,001 to $7,500—Single- and multi-life				
$7,501+—Single- and multi-life				

Note: In California, an APS and income documentation are required for Single-Life cases and for the first two lives of a multi-life case (when not submitting three application(s) for the same case together or when requested by the underwriter). Additional requirements may be needed.

Medical requirements for Overhead Expense and Business Loan Protection rider

Monthly amount	Ages 18-50		Ages 51+	
	TeleApp	Traditional	TeleApp	Traditional
Up to $7,500				
$7,501 to $10,000				
$10,001+				

No routine medical requirements (if application is written in Maine, a urine/HIV test is required)

Blood profile, urinalysis, paramed exam

Blood profile, urinalysis, physical measurements

DBO/KPR routine requirements

For Disability Buy-Out (DBO) or key person Replacement (KPR) coverage, a paramedical exam, physical measurements, home office blood profile (HOBP), Urine-HIV test and/or home office urine specimen are required if the maximum aggregate benefit exceeds the limits stated in the table on the next page. This includes coverage issued and applied for with all companies within six months of the application date and all in-force coverage with Principal issued on a non-medical basis within the last five years. This includes our simplified sales program. If the applicant is applying for both Disability Buy-Out and key person Replacement, the total of the two maximum aggregate benefit amounts will be used to determine the medical requirements.

The maximum DBO aggregate benefit is determined by:

- Monthly payment method: the maximum aggregate benefit is the monthly benefit amount multiplied by the benefit factor (24, 36 or 60). For example, a $4,000/month benefit multiplied by 24 times benefit factor equals a maximum aggregate benefit of $96,000.
- Lump-sum payment method: the maximum aggregate benefit equals the lump-sum payment amount. For example, a $1,000,000 lump-sum benefit equals a maximum aggregate benefit of $1,000,000.
- Combination payment method: the maximum aggregate benefit equals the lump-sum amount plus the monthly benefit amount multiplied by the benefit factor (24, 36 or 60). For example, a monthly payment aggregate of $96,000 plus a lump-sum aggregate of $1,000,000 equals a maximum aggregate of $1,096,000.

The maximum KPR aggregate benefit is determined by:

- Lump-sum payment method: the maximum benefit equals the lump-sum payment amount. For example, a $500,000 lump-sum benefit equals a maximum benefit of $500,000.
- Combination lump-sum plus monthly payout: the maximum benefit equals the lump-sum amount plus the monthly benefit amount multiplied by the number of months of the payout. For example, on a policy that has a $10,000 monthly payment amount with a 90-day elimination period and a $400,000 lump-sum benefit with a 180-day elimination period, the maximum benefit amount would be $430,000: $10,000 times three months equals $30,000 plus $400,000 lump-sum equals $430,000.

Medical requirements for DBO and KPR

Amount	Ages 18-50		Ages 51+	
	TeleApp	Traditional	TeleApp	Traditional
Up to $50,000				
$50,001 to $100,000				
$100,001 to $200,000				
$200,001 to $360,000				
$360,001+				

- No routine medical requirements (if application is written in Maine, a urine/HIV test is required)
- Blood profile, urinalysis, paramed exam
- Blood profile, urinalysis, physical measurements

TeleApp non-medical limits

When using the TeleApp process, physical measurements can be used instead of a paramedical exam. When scheduling the TeleApp interview, you can request the TeleApp counselor to arrange your client's medical requirements. Please make sure the TeleApp counselor is aware of all DI coverage applied for with all companies within six months of the application date and all in-force coverage with Principal issued as non-medical within the last five years. TeleApp results are acceptable for up to 90 days after completion.

General medical requirements

Paramedical exam, physical measurements, blood profiles and urine specimens are acceptable for up to one year after the date of completion. Your underwriter may request new studies on an individual consideration basis.

State required blood authorization forms should be completed at the time of application and must accompany the application. The correct form is based on the state where the blood is actually drawn.

Routine APS guidelines

Medical records should be requested from the attending physician based on proposed insured's age and disability benefit (does not include Catastrophic Disability Benefit amount) requested.

Disability Income (DI) and multi-life DI

- Age greater than 50 or amount applied for is greater than $10,000/month
- In simplified multi-life, for ages 51-64, an APS is required when the amount applied for is greater than $6,000/month.

Overhead Expense/Business Loan Protection rider

Age greater than 50 or amount applied for greater than $30,000/month

Disability Buy-Out

Age greater than 50 or amount applied for is greater than $1,000,000.

Key Person Replacement

Age greater than 50.

Note: In California, an APS and income documentation are required for single-life cases and for the first two lives of a multi-life case (when not submitting three application(s) for the same case together or when requested by the underwriter). Additional requirements may be needed.

Medical requirements guidelines for sales programs

We have created these sales programs and underwriting guidelines to help when selling individual Disability Insurance (IDI). Here is an overview of when you should order medical requirements.

No medical requirements needed[1] if your client is applying for:

- Up to $6,000/month benefit for single-life[2] Disability Income (DI) (ages 18-50) and for Core Value Income Protection (ages 18-60)
- Up to $6,000/month benefit multi-life DI and for Core Value Income Protection (ages 18-64)
- Up to $10,000/month[3] benefit for Overhead Expense (ages 18-50)
- Up to $360,000 aggregate benefit for Disability Buy-Out (ages 18-50)
- Guaranteed standard issue or standard issue—Offer made is the maximum limit
- Up to $4,550/month benefit for DI Retirement Security (DIRS) (employee paid)
- Up to $5,850/month benefit for DIRS (employer paid)

Note: Amounts include coverage issued or applied for with all companies within 180 days of the application date and all inforce coverage with Principal issued on a non-medical (e.g. no labs) basis within the last five years.

A client may own or apply for more than one of these IDI products and sales programs or may have bought one in the past and wants to apply for an additional policy. To determine if the medical requirements are needed, the limits (amount applied for and in-force coverage with us) for each program must be added together. **If this total exceeds the program with the highest limit, medical requirements are required[3].**

[1] If application is written in ME and the TeleApp process is used, then a urine-HIV test is required.

[2] Not available in California.

[3] Combined simplified DI and simplified OE benefits cannot exceed $16,000/month.

Exam requirements based on height & weight

Use this chart to determine if your client's height and weight require a rating. A weight that is greater than the weights listed under the 100 percent column will be considered uninsurable. In order for weight loss to be included in the total weight, it must be kept off for 12 months; otherwise, you will need to add half of the weight loss back into the total weight.

Height	Weight			
	Rating percentage increase			
	25%	50%	75%	100%
5'0"	174	190	200	211
5'1"	180	197	207	218
5'2"	186	203	214	225
5'3"	192	210	221	232
5'4"	198	216	228	240
5'5"	205	223	235	247
5'6"	211	230	242	255
5'7"	217	237	250	263
5'8"	224	244	257	270
5'9"	230	251	265	278
5'10"	237	259	273	287
5'11"	244	266	280	295
6'0"	251	274	288	303
6'1"	258	281	296	312
6'2"	265	289	305	320
6'3"	272	297	313	329
6'4"	279	305	321	338
6'5"	287	313	330	347
6'6"	294	321	338	356

Medical underwriting guide

On the following pages is a listing of medical conditions often seen on applications for disability insurance. Keep this guide handy, so you can easily see what requirements are necessary and what the underwriting decision is likely to be. This will help you "pre-sell" your client and prepare him or her for possible adverse action. Eliminating a potentially unpleasant surprise could be the difference between a closed sale and a lost sale! **Remember, this is only a guide. The underwriting requirements and action will be based on the complete information developed during the underwriting process. Contact your DI underwriter if you have any questions.**

Note: This medical underwriting guide does not apply to residents of New York. If you desire medical underwriting information on a resident of New York, refer to the New York medical underwriting guide. This guide is available from your DI underwriting team. You may also call or e-mail your DI underwriting team for help on any medical questions relating to residents of New York.

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Adjustment disorder	Emotional reaction to a single defined stressor. Usually occurs within 3 months of onset of the stressor and persists no longer than six months.	Association with stress, anxiety, reduced concentration or ability to focus on tasks at hand. If persists may evolve to another type of mental/nervous disorder.	TeleApp with complete details and an APS.	• If controlled—Exclusion with possible restriction in benefits • Others—Decline
Amputation	Complete or partial loss of a limb due to trauma, infection or disease.	Phantom pain or grief over loss of limb. Physical demands of the job. If removed due to a medical condition, risks associated with that condition may continue (e.g. diabetes).	TeleApp with complete details and an APS may also be required.	• First two years—Decline • After first two years—Possible consideration with exclusion due to capital sum and Presumptive Disability Benefits. • If due to disease or there is loss of both extremities—Likely decline
Anemia	Disorder where there is a lower than normal number of red blood cells in the blood.	Associated symptoms include fatigue, chest pain, shortness of breath, or the underlying disease actually causing the anemia.	TeleApp with complete details and an APS may also be required.	• Within two years, mild cases—Often standard • Severe cases—Decline
Aneurysm	A localized blood-filled dilation of a blood vessel caused by disease or weakening of the vessel wall.	The bulge in a blood vessel can burst leading to death or significant disability.	TeleApp with complete details and an APS.	• If present or medical treatment only—Decline • If operated on, with full recovery for one year—Rating and reduced benefits

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Anxiety	A normal reaction to stress.	There is a wide variety of symptoms associated with anxiety disorders, all of which can range from mild to severe. If anxiety is excessive, symptoms can be disabling.	TeleApp with complete details and an APS may also be required.	• Depending on severity, date of last symptoms and treatment—Standard to decline • Mild cases controlled for 3 years or more—Exclusion rider • Mild to moderate—Exclusion, limited benefits, and possible rating • Symptoms within a year or severe—Decline
Arteriosclerosis	Hardening of the medium and large arteries associated with arterial plaque leading to decreased blood flow to major organs.	Heart attack, stroke, peripheral vascular disease, congestive heart failure and aneurysm.	Not applicable, see probable action.	• Decline
Arthritis	Joint inflammation.	Deformity and destruction of joints resulting in impairment to function.	TeleApp with complete details and an APS may also be required.	• Depending on type and severity—Standard to decline • Without symptoms and discovered by testing—Standard • Mild symptoms—Exclusion rider • Rheumatoid, psoriatic, or any type if severe or on steroid medication—Decline
Asthma	Disease in which inside walls of the airways are narrowed due to inflammation.	Attacks may be prolonged and are often disabling if severe. Continuous symptoms can cause scarring of the lungs and decreased pulmonary function. Occupational considerations include stress levels, exposure to allergens or environmental pollutants.	TeleApp with complete details and an APS may also be required.	• Often standard • If moderate or severe symptoms—Rating and/or limited benefits

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Back strain/sprain	Acute muscle or ligament injury.	Pain severe enough to affect daily activities and the ability to work.	TeleApp with complete details and an APS may also be required.	• Single acute episode—Exclusion for 1 year, then standard • Recurrent episodes—Exclusion for 3-5 years depending on frequency, severity and job duties
Barrett's esophagus	Pre-cancerous condition of the esophagus.	Increased risk of developing esophageal cancer.	TeleApp with complete details and an APS may also be required.	• With good response to therapy and an esophagoscopy completed the past 2 years—exclusion • All other—Decline
Blindness	Visual impairment/loss of vision.	Loss of visual acuity required to perform job tasks.	TeleApp with complete details and an APS may also be required.	In all instances applicant must be fully functioning in their occupation. • One eye, due to trauma—Exclusion on the affected eye • One eye due to disease, or both eyes due to trauma or disease—Exclusion on both eyes
Breast implants	Surgical placement of mammary implants.	Structural failure with rupture and leakage, displacement of the implants. Hardening and discomfort of surrounding breast tissue. Breast cancer risk, if implanted due to this history.	TeleApp with complete details and an APS may also be required.	• Exclusion until 1 year after implantation, then usually standard • If implanted due to breast cancer history, underwriting decision will also include action for the cancer history
Bronchitis	Inflammation of the bronchi in the lungs.	If associated with chronic obstructive pulmonary disease. Risk may be increased if they use tobacco or with certain occupational exposures.	TeleApp with complete details and an APS may also be required.	• Acute and fully recovered—Standard • Chronic—Rating and limited benefits to decline
Bursitis	Inflammation of bursa between tendons and muscles.	Pain severe enough to affect daily activities and the ability to work. May be increased in occupations with manual duties.	TeleApp with complete details and an APS may also be required.	• Single acute episode—Exclusion for one year, then standard • Recurrent episodes-Exclusion for two years, then standard • If diagnosed as Rheumatic-Likely decline

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Cancer (carcinoma/ sarcoma)	Abnormal cell growth that invades and destroys adjacent tissue.	Pain, weight loss, anemia, fatigue, complications of treatment or progression to an incurable state. Risk of recurrence and metastasis (spread).	TeleApp with complete details and an APS may also be required.	• All cases—Postpone for 1 year, thereafter possible offer if carcinoma in situ • Other types within 5 years—usually decline • Other types after 5 years depending on location, type and stage/grade—Possible exclusion and rating
Carpal tunnel syndrome	Compression of the median nerve at the wrist.	Pain, numbness, diminished grip strength decreasing one's ability to perform repetitive action duties. Occupational considerations include jobs with repetitive action duties or if hands are required to carry out normal duties.	TeleApp with complete details and an APS may also be required.	• Symptoms within one year-Exclusion rider • If operated, or if two or more episodes—Permanent exclusion
Carcinoma in-situ	An early form of carcinoma defined by the absence of invasion of surrounding tissue.	Progression to invasive cancer.	A TeleApp with complete details and an APS.	If removed and no personal or family history of cancer—Standard
Cataracts	A clouding of the lens of the eye.	Vision loss and/or complications from surgery.	A TeleApp with complete details and an APS may also be required.	• If present—Exclusion • If operated, completely recovered with no visual impairment—Standard.
Cerebral hemorrhage	A bleed into the cranial cavity.	Loss of speech, motor activity, senses. It can also affect behavioral and thought patterns.	A TeleApp with complete details and an APS.	• Usually—Decline • After 5 years—if a single episode, complete recovery with no other medical concerns—Limited consideration for rated and limited benefits
Cerebral palsy	A group of non-progressive conditions that cause physical disability in human development.	Varies widely depending on extent of disability in human development. Wear and tear on joints and muscles resulting in development of arthritis at a younger age.	A TeleApp with complete details and an APS.	• If minimal involvement, working full-time, normal intellect, self-supporting and no seizures—Rating and limited benefit period • Otherwise—Decline

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Cirrhosis	Replacement of liver tissue by scar tissue and regenerative nodules.	Immune system dysfunction decreased cerebral function, esophageal bleeding, weakness, fatigue, anorexia, renal failure, shortness of breath, progressive liver failure.	Not applicable, see probable action	• Decline
Colitis	Inflammation of the colon.	Severe diarrhea, abdominal pain, anemia, or fatigue. Increased risk of cancer if ulcerative colitis. Non-compliance with routine follow-up colonoscopies. Complications of steroid treatment.	TeleApp with complete details and an APS may also be required.	• Spastic colitis—Usually standard to rider • Mild-moderate ulcerative—Decline for 2 years from last episode; then exclusion, rating, and limited benefits • Severe or non-compliant with follow-up—Decline.
Concussion	Injury to the brain that results in temporary loss of normal brain function. May be associated with loss of consciousness.	Ongoing headaches, cognitive problems or dizziness. If longterm symptoms, increased risk of psychiatric conditions. Development of post-traumatic epilepsy.	TeleApp with complete details and an APS may also be required.	• After three months, if no loss of consciousness and no residual symptoms—Standard • All others, depending on length of unconsciousness and severity of residuals—Rating and limited benefits to decline
Coronary artery disease (CAD)	Narrowing or hardening of the coronary arteries.	Chest pain, shortness of breath, heart attack, disability due to heart damage.	TeleApp with complete details and an APS will be required.	• Depending on location, type and stage/grade—Rating to decline • With surgery—Decline
Curvature of the spine	There are three types: Lordosis—a backward curving, Kyphosis—a hunchback, and Scoliosis—a bending of the spine to the side.	Pain severe enough to affect daily activities and ability to work, if moderate to severe, could affect respiratory system.	TeleApp with complete details and an APS may also be required.	• If mild—Standard • Moderate or severe—Decline. • If operated, full recovery—Will consider with an exclusion after 5 years
Cyst	A fluid-filled sac which can be located anywhere in the body.	Depending on size and location, pain or swelling may interfere with one's ability to work. Rare association to malignant cancers or serious infections.	A TeleApp with complete details and an APS may also be required.	• If benign and without symptoms—Standard • Depending on type, location, size and symptoms—Exclusion to decline

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Cystitis	Inflammation of the urinary bladder.	Frequent and painful urination; may be secondary to obstruction of urinary flow or indicative of a problem with the prostate.	A TeleApp with complete details and an APS may also be required.	• Usually standard
Deafness	Reduced ability or inability to hear.	Loss of hearing affecting one's ability to perform job tasks.	TeleApp with complete details and an APS may also be required.	In all instances, applicant must be fully functioning in their occupation. • One ear due to trauma—Exclusion of the affected ear • One ear due to disease or both ears due to trauma—Exclusion of both ears
Depression	A mental illness characterized by sadness, apathy, loss of self-esteem, and feelings of guilt.	If severe can be disabling.	TeleApp with complete details and an APS.	• If mild to moderate—Exclusion and limited benefits • If symptoms within a year, severe symptoms—Decline
Diabetes	A metabolism disorder resulting from insulin deficiency.	Association with retinopathy, kidney failure, neuropathy, cardiovascular conditions, peripheral vascular disease, seizure and coma.	TeleApp with complete details and blood profile and an APS may also be required	Newly diagnosed—Decline for 1 year • Type 1 (also known as juvenile onset or insulin dependent)—Decline • Type II (also known as adult onset or non-insulin dependent) depending on age of applicant, duration and control—Rating and reduced benefit period to decline
Dislocation	Displacement of a joint.	Destruction of a joint resulting in impairment to function; occupation considerations include manual labor and prolonged standing; chronic cases often require surgery.	A TeleApp with complete details and an APS may also be required.	• Single acute episodes, complete recovery—Exclusion for one year, then standard. • Recurrent episodes mild to moderate residuals—Exclusion rider. • Severe deformity with restriction of activity—Decline.
Diverticulitis	Inflamed diverticula which are pouches that form outside the colon.	Pain, bleeding, perforation and/or intestinal obstruction.	A TeleApp with complete details and an APS may also be required.	• Standard if no complications • If complications present—Exclusion to a decline

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Elevated prostate specific antigen (PSA)	A serum protein produced by the prostate gland. Typically, results over 4.0 are considered elevated.	Increased risk of prostate cancer.	A TeleApp with complete details and an APS may also be required.	• Depending on cause and level—Standard to decline
Emphysema/ COPD	A type of chronic obstructive pulmonary disease involving damage to the air sacs in the lungs.	Shortness of breath with minimal exertion. Occupational considerations include stress levels, exposure to allergens or environmental pollutants. The progressive and irreversible nature of this disease.	TeleApp with complete details and an APS may also be required.	• Mild—Rating may apply • Moderate—Rating with reduced benefits • Severe or with continued exposure to dust, toxic air or other irritants—Decline • Still using tobacco—Decline
Epilepsy/seizure disorder	A disorder of the central nervous system characterized by seizures.	Seizures may be difficult to control and may come without warning.	TeleApp with complete details and an APS may also be required.	• Depending on type and severity—Standard to decline • First two years from date of diagnosis—No consideration (Substandard offers usually are in the form of a rating and limited benefits.)
Fibrocystic breast disease	Cysts in the breast, causing lumpiness.	Constant pain and tenderness in severe cases, elevated risk of developing breast cancer in some cases.	A TeleApp with complete details and an APS may also be required.	• If breast cancer history in a first degree family member—Exclusion to decline • Without family history of breast cancer—Standard to decline. Presence and size of nodules, severity of symptoms, biopsy results and follow-up are important underwriting factors
Gallbladder disease	Diseases of the gallbladder including but not limited to biliary pain, acute or chronic cholecystitis and choledocholithiasis. Disease may be with or without stone formation.	Severe abdominal pain, chronic diarrhea, and risks associated with surgery.	A TeleApp with complete details and an APS may also be required.	• Depending on severity, number of occurrences, time since last—Standard to exclusion • If surgery is anticipated in the future—Decline with reconsideration a few months after surgery
Glaucoma	Eye disease characterized by increased intraocular pressure.	Damage to the optic nerve leading to visual loss.	TeleApp with complete details and an APS may also be required.	• Operated with unimpaired vision,—Exclusion of the eyes • Others—Exclusion plus possible rating

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Gout	A disease created by the buildup of uric acid, provoking inflammatory reaction in tissues.	Chronic joint changes, pain, formation of kidney stones or impairment to kidney function. Increased morbidity when associated with vascular disease and hypertension. Physical demands of the occupation.	A TeleApp with complete details and an APS may also be required.	• If single attack and completely recovered for 3 yrs.—Standard • If associated with renal or cardiovascular disease or if severe or chronic—Decline • All others—Rating or exclusion, with possibility of limited benefits
Headaches	May be primary (migraine, tension, cluster) or secondary (due to an underlying condition such as brain tumor or bleeding).	Association with stress, anxiety, chronic pain, visual difficulties, reduced concentration or ability to focus on tasks at hand. The possibility of a significant underlying cause if they are of new onset, present for an extended period, or increasing in frequency or severity.	TeleApp with complete details and an APS if new onset or moderate to severe in nature.	• Primary and mild—Standard • Severe or secondary—Decline • Moderate—Exclusion rider and/or rating
Heart murmur	An abnormal heart sound that is produced as a result of turbulent blood in or near the heart.	May indicate underlying heart disease.	TeleApp with complete details and an APS.	• If innocent (or functional)—Likely standard • All others—Rating and limited benefits to decline
Hemophilia	A bleeding disorder where blood does not clot normally.	Bleeding may occur more easily or last longer than normal. If internal bleeding, may lead to damage of organs, joints, muscles, tissues.	A TeleApp with complete details and an APS.	• Usually decline
Hepatitis	Inflammation of the liver.	Progression to cirrhosis or liver cancer.	TeleApp with complete details and an APS may also be required.	• In history completely recovered, depending on type, treatment, current use of alcohol—Standard to decline • If present—Decline

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Herniated disc	Abnormal protrusion of disc, which may impinge on nerve roots or the spinal cord.	Pain, numbness, tingling and motor weakness. Occupational considerations include amount of manual labor and prolonged sitting.	TeleApp with complete details and an APS may also be required.	• Unoperated—Exclusion to decline • Single episode, no continued therapy, fully recovered, without surgery—Exclusion for two years then standard • Recurrent episodes—Exclusion • Operated, complete recovery—Exclusion for six years then standard.
Hodgkin's disease	A cancer of the lymphatic system.	Compromised ability to fight infections. Painful swelling of lymph nodes and fatigue.	A TeleApp with complete details and an APS if appears insurable.	• For highly rated, limited benefits with an exclusion rider 9 years after treatment depending on Stage—Possible consideration • Higher Stages—Decline
Hypertension	Increased pressure of circulating blood within the arterial walls.	Association with headaches, visual defects, kidney failure, coronary artery disease, heart attack, aneurysm and stroke, if uncontrolled.	A TeleApp with complete details and an APS or physical measurements may also be required.	• Controlled by diet or medication—Standard • If elevated—Rating with possible limitation in benefits to decline
Hyperthyroidism	A disease caused by excessive production of the thyroid hormone.	Associated symptoms include nervousness, problems sleeping, excessive sweating, weight loss, tachycardia and muscle weakness.	A TeleApp with complete details and an APS may also be required.	• If treated and under good control—Consider with an exclusion for the first two years from diagnosis then likely standard. • Under poor control—Decline
Hypothyroidism	A disease caused by insufficient production of the thyroid hormone.	Associated symptoms include fatigue, cold intolerance, weight gain, muscle cramps and joint pain.	A TeleApp with complete details and an APS may also be required.	• If treated and under satisfactory control—Standard • If untreated, minimal symptoms—Consider with rating • Others—Likely decline
Kidney stones	Small mass or lesion found in the kidney or urinary tract.	Can block the flow of urine causing infections, kidney damage and even kidney failure.	A TeleApp with complete details and an APS may also be required.	• Usually standard • If abnormal kidney function, urinalysis, elevated blood pressure or history of renal or ureteral problems—Possible decline

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Knee disorders	Injury to the ligaments, tendons or cartilage.	Pain severe enough to affect daily activity and ability to work. Occupational considerations include manual labor or prolonged standing.	A TeleApp with complete details and an APS may also be required.	• Single acute injury and/or surgery—Exclusion for 1 year; then standard • Recurrent episodes—Exclusion for 2 years depending on frequency, severity and job duties • Multiple surgeries—Permanent exclusion
Labyrinthitis	Inflammation of the inner ear.	Increased risk of accident due to dizziness or vertigo, and the possibility of hearing loss.	TeleApp with complete details and an APS may also be required.	• Present or symptoms within six months—Decline • Single episode or recurrent episodes with resolving trend—Standard after six months. • Recurrent stable and not disabling symptoms,—Decline for 3 years from diagnosis. • Thereafter—Possible rating and/or exclusion
Meniere's	An inner ear disorder which causes episodes of vertigo, ringing in the ears (tinnitus), a feeling of fullness or pressure in the ear, and fluctuating hearing loss.	Increased risk of accident due to dizziness or vertigo, and the possibility of hearing loss.	A TeleApp with complete details and an APS.	• Present or symptoms within the past three years—Decline • If resolved after three years—Consider with rating
Multiple sclerosis	A chronic disease that affects the central nervous system.	Fatigue, neuropathy, blurred vision, weakness in limbs and loss of balance.	None, see probable action section.	• Decline
Narcolepsy	A neurological disorder characterized by excessive daytime sleepiness.	Daytime drowsiness, fatigue and/or reduced concentration, accidents.	TeleApp with complete details and an APS.	• Mild attacks, good response to medication with no occupational hazards or driving criticism—Decline for six months • After six months—Rating and reduced benefits.
Nephrectomy	The surgical removal of a kidney.	Complications of surgery, kidney failure in remaining kidney, and risk associated with any underlying condition.	TeleApp with complete details and an APS may also be required.	• If donor—Consideration is given after 6 months. • If single kidney removed due to a congenital or benign non-progressive disease, and remaining kidney is normal, with stable renal function—Exclusion and reduced benefits for the first two years • Thereafter—Standard

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Nephritis	Inflammation of the kidney.	Possible association with autoimmune disorders. Complications of impaired kidney function.	A TeleApp with complete details and an APS may also be required.	• Depending on type, number of occurrences, current results of kidney function tests, association with underlying disease processes, treatment and control—Standard to decline
Osteomyelitis	Inflammatory process of the bone, usually due to infection.	Intense pain and in extreme cases death of an area of bone.	A TeleApp with complete details and an APS may also be required.	• Single bone and one episode—Possible standard one year after recovery • After recovery depending on number of bones and number of recurrences—Exclusion for 1-5 years • If present, if multiple bones and last episode is within 2 years, or if residual impairment—Decline
Phlebitis	Inflammation of a vein's vessel wall often accompanied with the formation of blood clots.	Severe pain and swelling of the arms and legs. Pulmonary embolism, heart attack, stroke and decreased kidney function in some cases.	A TeleApp with complete details and an APS may also be required.	• If single episode, no residual swelling, and over 1 year from event—Usually standard • If moderate or severe residual swelling or if more than one episode with any residual swelling—Decline • Others—May be considered with exclusion
Pleurisy	Inflammation of the pleura that covers the lung surface and inner chest wall.	Shortness of breath and chest pain.	TeleApp with complete details and an APS may also be required.	• Single attack over six months ago—Standard • More than one attack—Standard to decline
Pregnancy	The state of being pregnant from conception to birth. The time period is divided into three trimesters.	Age, health and habits have a significant role in potential complications such as gestational diabetes, hypertension, eclampsia & toxemia.	A TeleApp with complete details and an APS may also be required.	• Currently pregnant, up to the 6th month—Exclusion • Third trimester—Postpone • Past complications or fertility treatment—Exclusion
Prostatitis	An inflammation of the prostate.	Pain severe enough to affect daily activities and the ability to work.	TeleApp with complete details and an APS may also be required.	• Single attack, completely recovered—Standard • Chronic attacks—Exclusion

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Psoriasis	A lifelong skin disease.	Social factors depending on location, severity and occupation. Development of psoriatic arthritis.	TeleApp with complete details and an APS may also be required.	• Mild to moderate—Usually standard • Severe or treated with methotrexate—Exclusion to decline • Associated with arthritis—Probable decline
Restless leg syndrome (RLS)	A neurological condition that is characterized by an irresistible urge to move one's legs at rest.	Disruption of sleep leading to daytime drowsiness, fatigue or reduced concentration.	TeleApp with complete details and an APS.	• Depending on frequency, severity and response to treatment—Rating and reduced benefits to decline • Fully recovered without symptoms or treatment for 2 years—Possibly standard
Retinal detachment	Partial or complete separation of inner layers of the retina.	Partial or complete loss of vision.	TeleApp with complete details and an APS may also be required.	• Operated and recovered—Standard • Unoperated or with vision deterioration after surgery—Exclusion
Rheumatic heart disease/ rheumatic fever	A condition in which the heart valves are damaged by rheumatic fever.	Permanent damage to heart valves resulting in stenosis and valve replacement in severe cases.	A TeleApp with complete details and an APS may also be required.	• Fully recovered with no valvular damage or arrhythmia—Possible standard after 1 year • Multiple episodes, with no valvular damage or arrhythmia—Rating one to three years from last attack. • If active—Decline • If valvular damage—Likely decline or highly rated
Sciatica	Sciatic nerve pain often radiating into the lower back, buttock, leg or foot.	Pain severe enough to affect daily activities and the ability to work.	TeleApp with complete details and an APS may also be required	• Single acute episode—Exclusion for 1 year, then standard • Recurrent episodes—Exclusion for at least 3 years and depending on frequency, severity and job duties, possible permanent exclusion
Skin cancer	Abnormal cells of the skin that grow and divide without respect to normal limits.	Unsightly lesions and complications of treatment.	TeleApp with complete details and an APS.	• Depending on type, stage/ grade, personal and family history—Standard to decline • Substandard risks—Usually offered with an exclusion and possible rating
Sleep apnea	A sleep disorder where people stop breathing repeatedly while asleep.	Associated with obesity, cardiovascular disease, stroke, and alcohol excess. Sufferers remain fatigued throughout the day.	TeleApp with complete details and an APS.	• Two years from date of diagnosis—Rating • After two years from diagnosis -Standard to Mild to moderate rating and compliant • Severe—no treatment—decline

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Syncope	Fainting, a sudden loss of consciousness.	Increased risks of falls or accidents.	A TeleApp with complete details and an APS.	• Single episode fully evaluated—Likely standard after one year • Recurrent episodes—Decline for three years from last episode • Thereafter—Consider with rating and reduced benefits
Tumor	An abnormal mass of tissue which may be benign or malignant.	Cancer risk associated with malignancy.	TeleApp with complete details and an APS including pathology report.	• Benign brain tumor—Decline • Others, unoperated or within one year of operation—Usually decline • Others, operated—Standard to rider, possible rating one year after surgery if fully recovered • Malignant, see "Cancer"
Ulcer (stomach)	Open sore on the lining of the digestive track. Most common locations are esophagus, stomach (gastric), duodenum and intestines, with the most common being duodenal ulcers.	Pain, perforation, anemia/fatigue due to bleeding, possible cause being gastric cancer.	TeleApp with complete details and an APS may also be required.	• Depending on type, location, number of occurrences, frequency, severity and results of biopsy if one were completed—Standard to decline • Moderate or new onset risks—Consideration with an exclusion rider
Urethral stricture	A narrowing of the urethra cased by injury or disease.	May cause urinary obstruction and require dilatation or surgery. May be caused by a sexually transmitted disease.	A TeleApp with complete details and an APS may also be required.	• Present—Exclusion • Fully resolved—Usually standard.
Urethritis	Inflammation of the urethra due to infection or nonspecific causes.	May be due to a sexually transmitted disease (STD).	A TeleApp with complete details and an APS may also be required.	• Usually standard • If due to a STD—Possible decline
Varicose veins	Enlarged and twisted veins.	Painful ulcers, swelling of the legs, difficulty standing or walking for long periods of time.	A TeleApp with complete details and an APS may also be required.	• If mild, without ulcers or edema—Standard • If moderate to severe without complications or if with swelling—Rating or exclusion and limited benefits • If location is other than legs or if legs and with ulceration—Decline • If surgically removed—Standard to exclusion

Condition	Definition	Risk to DI	Underwriting requirements	Probable action
Vertigo	A sensation of spinning or swaying, dizziness.	Increased risk of falls or accidents.	A TeleApp with complete details and an APS.	• Single episode fully evaluated and recovered—Likely standard • Recurrent episodes—Decline for three years from last episode • Thereafter—Consider with a rating.

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