



Key Person Replacement Insurance

Policy Highlights

What would happen to your business if a key employee who is critical to the livelihood of the business became totally disabled? You can help protect your business with **Key Person Replacement insurance** from Principal Life Insurance Company. This policy is an effective way to provide your business with the funds necessary to help handle the loss of a key employee and recruit and train a replacement. Here's how it works:



1. The employer pays the premium and is the owner of the policy insuring the key employee in the event of a Total Disability.
2. If the key employee becomes Totally Disabled, the employer receives benefits, generally tax-free. These benefits cannot be assigned to the key employee.

Why purchase Key Person Replacement insurance

- It provides benefits after the total disability of an insured employee that can be used at the discretion of the owner.
- The policy can be used to demonstrate financial stability to creditors and clients.
- The insured key employee is not limited in amount of Individual Disability Income insurance benefits he/she may qualify for from Principal Life.

TWO SOLUTIONS TO ADDRESS BUSINESS CONTINUATION NEEDS

Ask your financial professional how Key Person Replacement and Disability Buy-Out insurance* can work together to provide short and long term protection.

** Available when there are two or more business owners.*

How the policy pays

If the insured key employee meets the definition of Total Disability, the owner of the policy receives either a lump sum payment or a combination of monthly and lump sum payments (depending on how the policy is structured).

To meet the definition of Total Disability, the insured must be unable to perform the substantial and material duties of his/her Key Person Occupation and not be working in any other occupation which has comparable duties and/or earnings for the business.

Receiving disability benefits

Once the insured key employee is disabled under the terms of the policy, the elimination period must be satisfied. Benefits are received at the end of the elimination period, assuming all the claim requirements have been submitted.

If the insured key employee dies during the elimination period, no benefits are payable. If the insured key employee dies while the maximum monthly benefit is being paid, those payments stop at the date of death.

Key Person Replacement insurance policy benefits

These benefits are automatically built into Principal Life's Key Person Replacement insurance policy:

- **Guaranteed Premium** – Principal Life cannot change premiums due to changes in the insured key employee's health. The policy can be canceled only if:
 - Employment is terminated with the company for any reason other than Total Disability.
 - Policy premiums are not paid.
 - The insured key employee dies.
 - The lump sum benefit has been paid.
- **Flexible Payment Methods** – The policy can be set up to provide benefits in a lump sum payment or a combination of monthly and lump sum.
- **Waiver of Premium** – After the insured key person is disabled and meets the elimination period, premiums are waived. We'll refund the premiums paid after the insured's total disability begins and will continue to waive all premiums that come due during the disability.
- **Interrupted Elimination Period** – Principal Life will combine different periods of disability to help reach the policy's Elimination Period. These periods of disability must occur within a period that is twice as long as the elimination period, but less than one year.

FOR MORE INFORMATION

Contact your local representative



WE'LL GIVE YOU AN EDGE®

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This is a general description; it is not the policy, and does not modify or change the provisions of the policy. All features and provisions may not be available in all states, with all occupation classes and in conjunction with each other. They may also be subject to state variations and require an additional premium. Please read the policy carefully for exact definitions in your state. Disability insurance has limitations and exclusions. For costs and complete details of coverage, contact your Principal Life financial representative.