

Underwriting Insights: Differences in Disability Definitions

When purchasing an individual disability income (IDI) insurance policy, clients should be aware that there are different occupational definitions of disability. It's helpful to be well-versed in these differences so you can help clients select the best option. Principal Life Insurance Company offers three options:

1. **Your Occupation Period** – This definition comes with Principal Life's IDI policies. The Your Occupation period is the amount of time the Insured is protected in the profession(s) or occupation(s) that he or she is actively working in at the start of the disability.

All occupation classes can have either a 2-year Your Occupation or a 5-year Your Occupation definition built into the base policy. Occupational classes 3A/3AM and above may also select Your Occupation periods of To Age 65, Age 67 or Age 70. The Your Occupation period may not exceed the benefit period of the policy.

2. **Transitional Occupation rider** – Available for an additional premium to occupational classes 3A/3AM and above, this rider allows the Insured to continue receiving disability benefits if he or she becomes totally disabled under the Your Occupation definition, but is working in another occupation.

Benefits are paid on up to 100 percent of Prior Earnings, but not to exceed the Maximum Monthly benefit on the policy. In other words, the income earned in the new occupation plus the benefits from this IDI policy and other disability benefit sources cannot exceed 100 percent of Prior Earnings. A minimum of 50 percent of the Maximum Monthly Benefit on the policy is paid for the first six months of a Transitional Occupation disability.

3. **Regular Occupation rider** – Available for an additional premium to occupational classes 4A/4AM and 5A/5AM,^{1,2,3} this rider allows the Insured to continue receiving the Maximum Monthly disability benefits if he or she becomes totally disabled under the Your Occupation definition, but is working in another occupation. The Regular Occupation rider differs from the Transitional Occupation rider because the Insured can receive 100 percent of policy benefits if he or she becomes totally disabled under the Your Occupation definition even if he or she is working in another occupation, *regardless* of the income earned in the other occupation.

When helping clients evaluate their needs, be sure to recommend the occupational definition of disability that best suits their income protection needs.

For more information, contact your Disability Insurance Underwriter.

¹ Not available to 4A and 4AM in California and Florida.

² Not available to 4AM or 5AM in Vermont.

³ When the Regular Occupation rider is added to 4AM or 5AM policies, the Limitations of Benefits for Mental/Nervous and Substance Abuse Disorder rider is required on the policy.