

Product Profile – Series 700 BUSINESS LOAN PROTECTION RIDER



OVERVIEW

The Business Loan Protection (BLP) rider¹ is available on Principal Life Insurance Company's Overhead Expense (OE) insurance policies (HH789 and HH702). It covers loans taken out for business-related expenses, such as:

- Purchase or expansion of a practice or business
- Purchase of a large piece of equipment
- Facility renovations
- An increase in working capital or build-up of inventory
- Purchase of a building or land for a business

Available for an additional premium, this rider provides reimbursement for a monthly business loan obligation in the event of a client's total disability. The maximum monthly disability benefit is based on the amount of the monthly loan payment, rounded up to the nearest dollar.

To cover multiple loans, a separate policy for each loan is needed. The BLP rider offers guaranteed premium rates until the client reaches the business loan protection termination date; it cannot be conditionally renewed beyond the age 65 policy anniversary.

This rider is a unique differentiator for Principal Life. Only one other carrier offers a similar type of protection.

PROFILE OF PURCHASERS

- Owners of small- to medium-size businesses
- Ages 35 to 55
- 3A and above occupation classes preferred
- Often sold to accountants/CPAs, dentists and medical professionals.

Did you know?

- The U.S. has **23 MILLION SMALL BUSINESSES**. They provide 55% of all jobs.²
- Outstanding small business bank loans (under \$1 million) are valued at **OVER \$587 BILLION** for more than **23 MILLION LOANS**.³

PRODUCT AND UNDERWRITING GUIDELINES

- Issue ages: 18 to 60
- Occupation classes: 5A/5A-M, 4A/4A-M, 3A/3A-M
- Elimination Periods: 30, 60, 90, 180 and 365 days
- Benefit amount: Based on loan obligation, up to \$20,000 per month
- Benefit maximum: Up to \$2 million
- Benefit Period: End of the financial obligation or earlier (three-year minimum)
- Types of loans considered for coverage:⁴ Term, balloon, variable rate, commercial mortgage, lease financing and those for working capital or increase in inventory
- Underwriting requirements: OE guidelines followed; copy of the loan contract/agreements required. If more than one individual is responsible for shares of the loan, Principal Life needs documentation stating the percentage of responsibility.

PREMIUMS

Premium rates depend on a variety of factors, including: age, gender, occupation class, tobacco use, benefit amount and elimination period.

Sample monthly premiums: \$250,000 loan payable over 15 years

AGE	MALE		FEMALE	
	No Discount	20% Multi-Life Discount ⁶	No Discount	20% Multi-Life Discount ⁵
35	\$24.40	\$19.52	\$65.29	\$52.23
40	\$35.10	\$28.08	\$84.25	\$67.40
45	\$51.24	\$40.99	\$99.56	\$79.65
50	\$75.17	\$60.14	\$113.27	\$90.62

Assumptions: Colorado resident, \$0 Overhead Expense insurance benefit, 30-day Elimination Period, SA occupation class, non-tobacco, \$1,389 monthly benefit

AVAILABLE FEATURES

Sales Programs

- Fully underwritten
- Association¹
- Simplified underwriting
- Multi-life⁵
- Standard Issue

Discounts

Certain discounts can be used together, providing even greater savings:

- 10% Select Occupation
- 10% Association¹
- 20% Multi-Life⁵

Built-in Flexibility

- Benefits can be assigned to the financial institution holding the loan, allowing Principal Life to pay the lender directly.
- Clients can purchase an Overhead Expense policy with a zero dollar benefit if they just want loan protection. No additional riders are available.

¹ Not approved in all states; not available in California. Go to www.principal.com/distateapprovals for more information.

² Small Business Administration Office of Advocacy, Sept. 2013.

³ Small Business Administration Office of Advocacy, *Small Business Lending in the United States 2012*, July 2013.

⁴ It does not cover the following loans: line of credit, credit card, revolving line of credit, interest only, family or investment (loans that solely finance an investment).

⁵ Available when three or more employees with a common employer purchase Individual Disability Insurance from Principal Life Insurance Company.



WE'LL GIVE YOU AN EDGE®

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POINTS TO DISCUSS WITH CLIENTS

Business loan protection helps clients:

- Secure loans from lenders because it shows their ability to pay back loans during a disability.
- Keep their businesses open and operating, helping retain employees and customers.
- Create goodwill because there is a contingency plan.
- Maintain their credit rating, a critical component for investing in their businesses.

SALES IDEAS

- **Market loan protection through lenders** – Approach local banks and credit unions about loan protection. It helps transfer the risk of the loan to Principal Life, helping ensure the lender is paid if the unexpected happens.
- **Revisit clients who've purchased OE insurance** – If they didn't add BLP, check back with them. Perhaps their situations have changed, making this protection more essential.
- **Make it affordable** – Use Principal Life's Multi-Life Discount.⁵ Clients can purchase Individual Disability Insurance (IDI), including Business Loan Protection, at a 20% discount when three or more employees with a common employer purchase any combination of IDI coverage.