Proposal

Business and key person protection

Protect your business from the loss of top talent

Presented to

Sample Business

Presented by

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You can be better prepared for the unexpected

Oftentimes, the most valuable assets of any business are the key people who contribute most to its success.

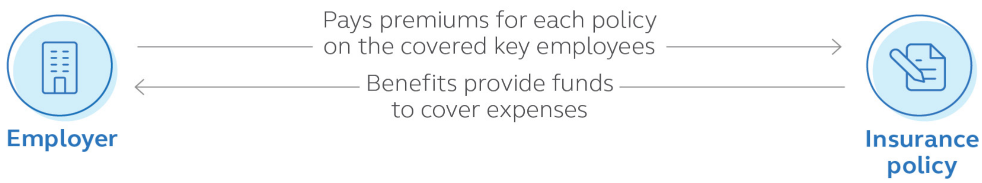
Have you considered the impact the absence of your top talent would have on the business if something happens to them? Their contributions are difficult to measure, and may be more robust than you might think. It's likely that finding a replacement would be difficult and may create a financial challenge that puts the business at risk. That's why it's a good idea to consider protecting it.

One way to address this risk is Key Person Life insurance. It can be a critical component to your business protection strategy. It's designed to provide the funds necessary to recover financially from the loss of top talent. It can also provide liquidity for business succession funding or pay for key employee benefit programs.

How it works

Your business is the owner and beneficiary of a Key Person Life insurance policy for each key employee you choose to cover. If the unexpected does happen, the business receives funds, generally income tax-free[1], to help overcome the financial challenge of the loss.

Key Person Life Insurance



Determine the right amount of coverage

Each business is different, so it's important to carefully assess your situation and different protection options. To help you get started:

1 | **Review** the customized scenarios on the next pages to see how much coverage may be appropriate for your situation.
2 | **Learn** about how much the coverage for each scenario costs.
3 | **Assess** the advantages and considerations of this coverage.

Key Employee, Sales VP

Estimated Key Person Life insurance

	Base coverage (1 - 5 times salary)	Enhanced coverage (3 - 10 times salary[2])
Base protection		
Total compensation	$200,000	$200,000
Multiply by factor	x 3.0	x 7.0
Base protection needs	**$600,000**	**$1,400,000**
Range of coverage need	**$600,000**	**$1,400,000**
Annual premium for coverage:		
10-Year Term	**$406**	**$782**
20-Year Term	**$588**	**$1,258**

This business protection proposal is intended to provide a range of coverage for your consideration based on factors including the coverage type, the size of the organization, the number of key employees, and level of difficulty to replace the covered owner/employee.

Rates provided are an estimate and aren't guaranteed. State variations and restrictions may apply that aren't represented here. Amounts applied for are subject to underwriting approval.

Assumptions:

No. of total employees: 11-50

No. of key employees: 1-5

Owner/employee: Female, age 45[3], Preferred Non Tobacco underwriting class

Policy: Principal® Term, Convertible, with a limited conversion period

Get coverage that keeps pace with salary increases.
Principal term, used for key person protection, allows you to add the innovative Salary increase Rider.[4] It allows the life insurance face amount to be increased, without additional underwriting, based on increases in the covered employee's salary. In most instances, there's no cost to have the rider[5]; premiums will increase, however, to reflect the increased face amounts.

Properly funding your business protection plan

Benefits

Immediate funds - Insurance benefits can be used to replace lost revenue and cover expenses to recruit, hire, and train a replacement.

Cost efficiency - Policies can provide attractive benefit amounts relative to premiums paid.

Balance sheet boost – When permanent life insurance is used, any cash value accumulation is carried as an asset on your balance sheet. It can also be used for other expenses, such as financing a key employee benefit program.

Easier underwriting may be available – If there are 10[6] or more employees/owners getting coverage, Guaranteed Standard Issue could be an option. It provides coverage based on only a few simple questions to answer.

Personal coverage option – The business policies presented in this proposal do not limit personal income protection available from Principal to you and your key employees.

Considerations

What's right for you - Several insurance funding and design options are available. Carefully decide what's best for your unique situation.

Impact on your assets - Understand how policy holdings will affect your capital and liquidity.

Insurance availability – Product availability varies by state. Some products and/or features represented in this proposal may not be available for your specific situation. In those situations, your financial professional will discuss options with you.

Next steps

1 | Identify people who are key to your business.
2 | Determine the amount of coverage you need for each of them.
3 | Discuss your plans with each key person [and get notice 101(j) signed[7]].
4 | Request official illustrations, apply for coverage, and begin underwriting.
5 | Once approved, begin the on-boarding process and set-up administration services.

Learn more

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[1] If the requirements of the Internal Revenue Code Section 101(j) are not met, death proceeds from employer-owned life insurance contracts may be taxable as ordinary income in excess of cost basis.

[2] Principal will consider up to 20 times an employee's total compensation for well-established businesses and/or unique circumstances.

[3] Principal product quotations utilize an insured's age nearest birthday.

[4] Availability varies by state.

[5] There is a cost to have an increase capacity above $50,000.

[6] Will consider groups of 5-9 for employers that have Principal Group Term, Voluntary Term Life, or Guaranteed Standard Issue Individual Disability Insurance.

[7] Notice 101(j) is required to be signed by all covered key employees. The notice must inform the employee that the employer, as policy owner and beneficiary, intends to insure the life of the employee. In addition, Section 101(j) requires that the notice provide the maximum face amount for which the employee could be insured at the time the contract is issued. It's important to keep in mind that the employer is responsible to maintain the necessary records which show compliance with the notice and consent requirement. In addition, the employer should document the HCE, HCI or director status of any insured at the time employer-owned life insurance is purchased. Failure to do so may jeopardize the tax-free status of the death benefit.

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