



## Disability Buy-Out Insurance

# Policy Highlights

If you or one of your business partners suffered a disability and couldn't return to work, what impact would that have on your long-term business plan?

Principal Life Insurance Company's Disability Buy-Out insurance reimburses the owner(s) of the policy for the purchase of the disabled insured's interest in the business under a buy-sell agreement. These funds allow you and your partners to:

- Maximize the financial return when the business is transferred, while minimizing the tax liability
- Help the business survive a partner's departure – allowing remaining owners and their families to receive the full value.

### How your policy pays

The Maximum Aggregate Benefit (MAB) we will issue you is based on your current ownership share of the total business value. If you meet the definition of total disability, the owner will be reimbursed for the buy-out expense incurred up to the MAB.

The summary definition of **Total Disability** is, you are unable to perform the substantial and material duties of Your Occupation and you are not working in any other occupation for the company. If you become disabled after age 61, the benefit is reduced by 20% for each year after age 61 that the disability begins.

### Receiving your disability benefits

Once disabled under the terms of the policy, you must satisfy the policy's elimination period. The owner will receive either monthly payments and/or a lump sum benefit at the end of the elimination period or the date the buy-out expense is incurred, whichever is later.

There is no limit to the length of time the owner receives benefits if you are disabled under the terms of the policy and have satisfied the elimination period. However, the total of the lump sum benefit and/or all the monthly benefit payments will not exceed the lesser of the total Buy-Out Expense incurred or the MAB. If you die while the owner is receiving monthly payments, we will pay a lump sum death benefit after which time all payments will cease.

**FOR MORE INFORMATION**

Contact your local representative.

## Disability Buy-Out insurance policy benefits

**Guaranteed Premium** – Principal Life cannot change premiums due to changes in your health. The policy can be canceled if:

- You terminate employment with your company for any reason other than Total Disability.
- Your buy-sell agreement terminates.
- The final buy-out expense payment or MAB has been paid.
- Policy premiums are not paid.
- The insured dies.

**Exchange Privilege** – You may exchange your Disability Buy-Out policy for a Principal Life Individual Disability Income insurance policy without having to provide evidence of good health. The new policy will have a two-year Benefit Period, a 90-day or greater elimination period and a \$2,500 Maximum Monthly Benefit.\*

**Legal/Accounting Fee Benefit** – Up to a \$3,000 benefit is paid in addition to all other policy benefits and helps cover the extra expenses when the buy-sell agreement is exercised.

**Transfer Privilege** – If you end employment at your company and begin ownership in another company, you may become insured under a new Principal Life Disability Buy-Out policy without having to provide evidence of good health (based on our then current underwriting guidelines).

**Waiver of Premium** – After you are Totally Disabled for 90 consecutive days, premiums are waived. We'll refund the premiums paid after your Total Disability began and will continue to waive all premiums during your Continuous Disability.

**Flexible Payment Methods** – The policy can be set up to reimburse buy-out expenses in a lump sum payment, monthly installments or a combination of both.

**Valuation of Business** – We help you determine a reasonable value for your business and will insure up to 100% of your interest in the business. At claim time, we reimburse the entire buy-out expense for your share in the business or the MAB, whichever is less.

**Benefit Update Rider** – If added to your policy, this no-cost rider allows you to increase coverage to the maximum amount you're eligible for every three years – without requiring evidence of medical insurability.

\* Or maximum amount we can offer under our then current underwriting guidelines, whichever is less.



WE'LL GIVE YOU AN EDGE®

Insurance issued by Principal Life Insurance Company, a member of the Principal Financial Group®,  
Des Moines, Iowa 50392-0002, [www.principal.com](http://www.principal.com)

All features, provisions and riders 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 your 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.