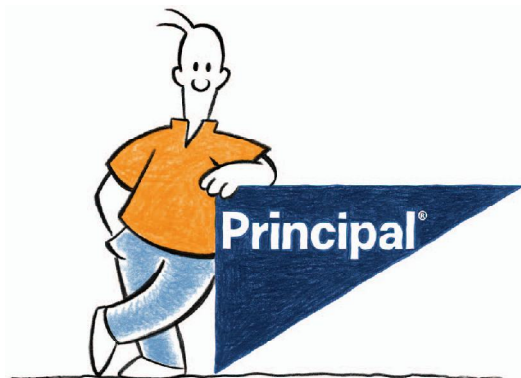


Individual Disability Income Insurance

# Know the Facts

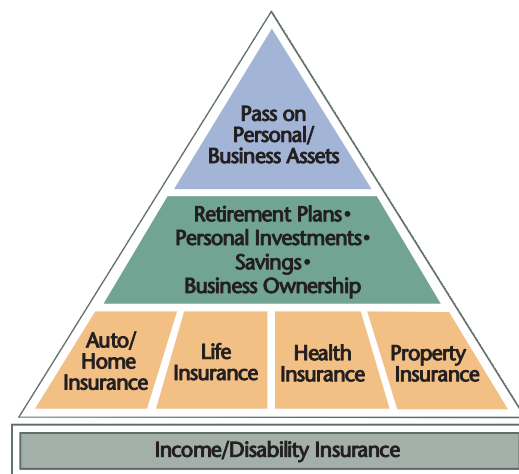


# Understanding the need for disability insurance

Know the facts before you decide to purchase or not purchase individual disability income insurance.

## “Why would I need individual disability income coverage?”

- There are many components to financial security, but your income makes everything else possible. Consider how much you could earn over the years and what your life would be like without that income.
- If you became too sick or hurt to work, you could lose your:
  - Standard of living
  - Home
  - Peace of mind
  - Credit rating
  - Retirement savings/other assets



How solid is your financial foundation?

## “It won’t happen to me – I expect to stay healthy.”

- The reality is that deaths have decreased while disabilities are up dramatically. For example, the number of deaths due to hypertension has decreased 73%, yet disabilities due to hypertension have increased 70%.<sup>1</sup>
- And do you know your chance of having at least one disability lasting three months or longer before reaching age 65? For example, a 45-year-old has a 40% chance of incurring a disability lasting three months or longer before reaching 65.<sup>2</sup>

<sup>1</sup>National Underwriter, May 2002; The JHA Disability Fact Book – 2003/2004 Edition – Need for Disability Insurance

<sup>2</sup>Commissioner’s Individual Disability Tables, CSO

### “I can buy disability insurance later or it costs too much.”

The average annual cost of individual disability income insurance is 1% to 3% of what you earn. As for waiting, people usually don't get healthier as they grow older, and coverage will cost more.

### “I have enough disability coverage through my employer.”

- Group long-term disability insurance is a great start. It typically covers 60% of your gross income and the benefits are usually taxable. Could you survive a 42% pay cut (after taxes) if you became disabled?
- What would happen if you lost your group disability benefits? It may make sense to purchase an individual DI insurance policy now rather than later when it can be more expensive or not an option for you due to health reasons.

### “Social Security or Workers' Compensation will take care of me.”

- The Social Security Administration initially denies about 65% of all claims<sup>3</sup> and pay benefits for total and permanent disabilities only.<sup>4</sup> Also, the benefits may not be enough to maintain your lifestyle. For example, the maximum benefit for someone earning \$100,000 a year is only \$16,800 a year.
- Workers' Compensation benefits are limited to only occupational diseases or injuries arising out of or in the course of employment.

### “I can rely on my savings or my friends/family will help me out.”

- Chances are you're not saving for a disability – you're saving for a new home, retirement, your children's college education, travel, etc.
- Even if you save 10% of your salary, a one-year disability could eliminate many years of savings.
- Would you want to put that burden on your family? How long could they support you?

### “Would I even have a disability that would be covered?”

You'd be surprised at the many different types of illnesses and injuries that leave people disabled and unable to work. Principal Life Insurance Company's most common claims are caused by these reasons:

- Back problems
- Cancer
- Cardiac illnesses
- Injuries
- Mental and nervous disorders
- Nervous system disorders
- Orthopedic issues (excluding back)

<sup>3</sup>Social Security Forum, Volume 21, No. 5 – May 1999 (for fiscal year 1998)

<sup>4</sup>Guide to Social Security and Medicare, 28th Edition, April 2000

**“My financial needs change so fast, what policy could keep up?”**

Individual Disability Income insurance from Principal Life is very flexible. Principal Life offers riders that allow you to increase coverage without having to prove evidence of good health – allowing you to keep your benefits up-to-date with your changing life.

**“I hear that the underwriting process is long and difficult.”**

Not always. If you qualify for Principal Life’s Simplified DI Program, there is a quick and simple application process with no routine medical requirements. Plus, you get an underwriting decision within 48 hours after your application and telephone medical interview are received in good order.

**FOR MORE INFORMATION**

Contact your local representative.



**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)

Disability insurance has limitations and exclusions. For costs and complete details, contact your Principal Life financial representative.



## Individual Disability Insurance

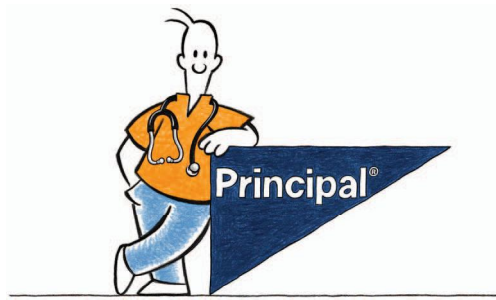
# Automatic Medical Declines

- Adult on-set ADD
- Aids
- Alcoholism (within last 5 years)
- Aneurysm
- Anxiety Disorders (currently under treatment/medications or within past 2 years)
- Appendicitis (non-operated)
- Arteriosclerosis
- Severe or Rheumatoid Arthritis
- Brain Tumor
- Breast disorders (present tumor, non-operated)
- Cancer (carcinoma or sarcoma within past 5 years)
- Cerebral Hemorrhage (stroke)
- Cerebral Palsy
- Concussion (within past 6 months)
- Coronary Artery Heart Disease (within past 5 years)
- Coronary Artery By-pass surgery
- Crons Disease (within past 5 years)
- Cyst (malignant or multiple bone)
- Depression (currently under treatment/medication or within past 5 years)
- Diabetes (juvenile onset and/or insulin dependant)
- Epilepsy/Seizure (within past 3 years)
- Glaucoma (within past 6 months)
- Fibromyalgia (within past 5 years)
- Gastric Bypass Surgery (within 1 year)
- Hemophilia
- Hepatitis C
- Hodgkins Disease
- Cirrhosis of liver
- Multiple sclerosis
- Narcolepsy (within past 5 years)
- Lupus
- Vertigo (within past 3 months)

The above medical declines should be used as a guide. Each policy is reviewed by an underwriter to determine eligibility.  
These conditions are subject to change without notice.

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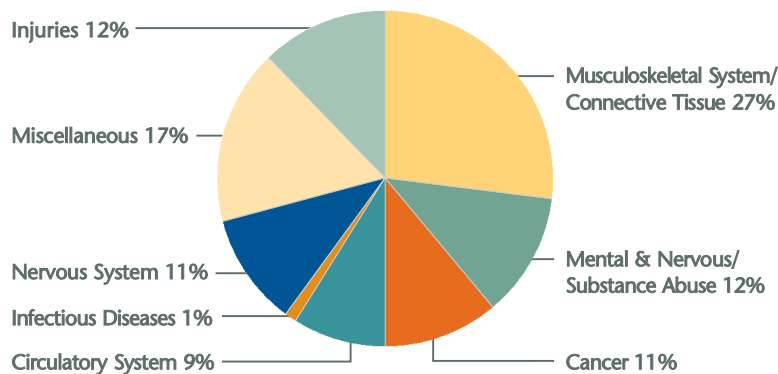
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## Individual Disability Insurance

# What if You Couldn't Practice Medicine?

As a medical professional, you know there are thousands of known illnesses and conditions that can cause a disability. Just look at this breakdown:



Source: Principal Life Disability insurance claims incurred as of March 2007. The above is for illustration purposes only and is not intended as an inclusive representation of all claims.

You also know firsthand the impact disabilities have on patients. For some it's a short-term adjustment, but for others it's a new way of living – perhaps for the rest of their life.

Have you thought what would happen to *your* lifestyle if you became too sick or hurt to practice medicine? What would happen to your income, your dreams for retirement, your practice?

### Protect your income today

You insure your car, personal property and your ability to practice medicine (with malpractice insurance), but do you insure the one thing that provides all those things – your income? Individual Disability Income (DI) insurance from Principal Life Insurance Company helps protect your ability to work and earn an income. If you have a qualifying disability, this policy pays monthly benefits to help you cover daily living expenses so you don't have to dip into your hard-earned savings.

## Individual Disability Income insurance

An Individual Disability Income insurance policy from Principal Life is non-cancelable and has guaranteed premium rates to age 65. This means Principal Life cannot change or cancel your policy (except for nonpayment of premiums) or increase your premium before you reach age 65, regardless of changes in your income, occupation or health.

### Policy features

**Your Occupation Policy** – This type of policy protects you if you are unable to work in your occupation(s) – the one you're actively working in at the time of your disability and are not working in any other occupation. Benefits are payable to the end of your benefit period as long as you remain disabled.

**Competitive Product Design** – Many built-in policy features and optional riders<sup>1</sup> are available to help you customize the policy, such as:

- **Residual Disability Benefit<sup>2</sup>** – Even if you are not totally disabled, you may receive partial benefits if certain requirements are met.
- **Transitional Occupation<sup>2</sup>** – You can continue to receive disability benefits if you become totally disabled in Your Occupation, but are working in another occupation.
- **Cost of Living Adjustment** – During a disability, you receive cost of living adjustments to your monthly benefit to help keep up with inflation.

**Future Increase Opportunities** – These may be available automatically to help keep your policy up-to-date without requiring additional medical underwriting.

**Tax-Free Benefits** – You can receive benefits income tax-free when you pay premiums with after-tax dollars.

### Protection for many needs

Principal Life understands the many needs of medical professionals. That's why we also offer coverage to help you continue saving for retirement and to protect your practice if you become disabled.

<sup>1</sup> These riders are available at an additional cost.

<sup>2</sup> If your policy has both the Residual Disability rider and the Transitional Occupation rider, benefits are not paid out under both riders at the same time. If you meet the definitions and terms of both riders, the monthly benefit you receive is the greater of either the Residual Disability or Transitional Occupation benefit.

#### FOR MORE INFORMATION

Contact your local representative.



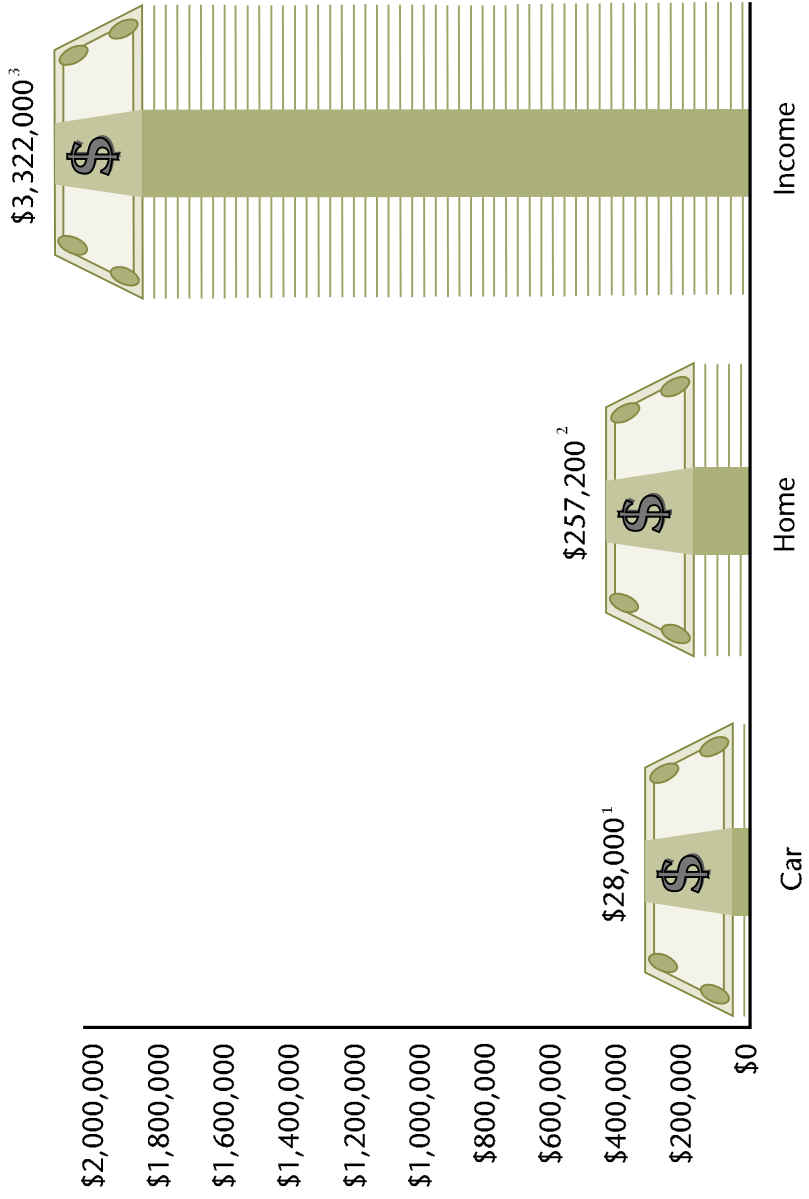
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Disability insurance has limitations and exclusions. For costs and complete details of the coverage, contact your Principal Life financial representative.

# What is your most valuable asset?

*You insure your home and your car, but what about your income?*



*Your ability to work and earn an income is your most valuable asset.*

<sup>1</sup> MotorTrend, April 30, 2003

<sup>2</sup> U.S. Census Bureau, March 24, 2004

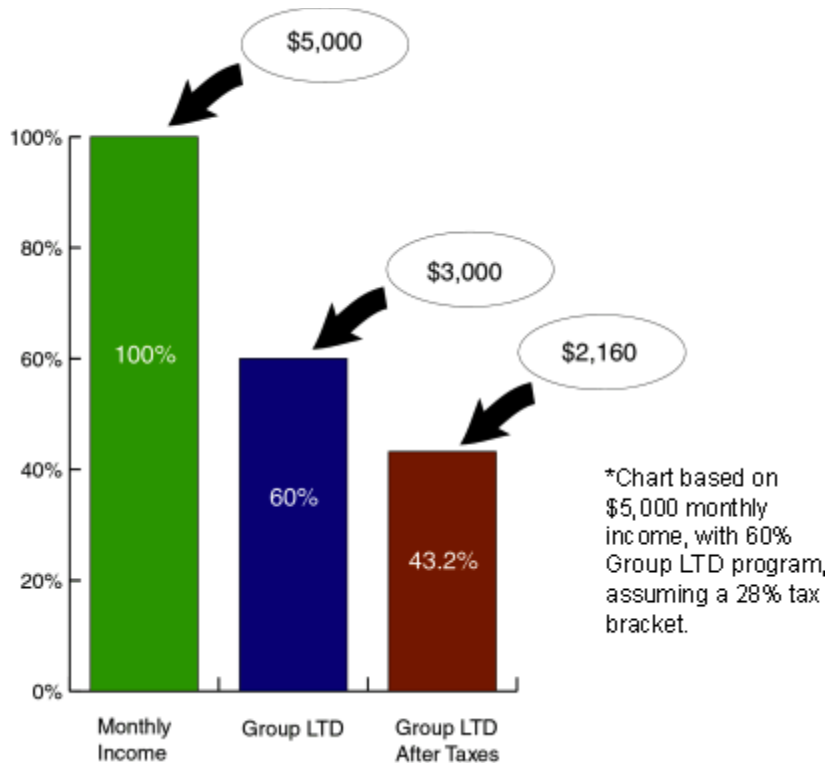
<sup>3</sup> Projected cumulative income, 35-year-old earning \$50,000/year assuming 5% annual increase to age 65.



# Group Disability Insurance

## Do You Have a False Sense of Security...?

*Can you live on 43.2% of your salary if you were disabled?* Even if you are covered at work by a group long-term disability (LTD) program, it may not be enough. Most employees are not aware that their group LTD benefits may be taxable.



### **Alone, the group LTD program may not sufficiently cover your income...**

- n Benefits are typically taxable, reducing the actual percentage of income received in benefits
- n High income levels may not be entirely covered due to benefit level caps
- n Benefits typically are reduced by Social Security
- n Bonuses, overtime pay, pension contributions or other forms of compensation may not be covered
- n Benefits may not provide inflation adjustments during a disability
- n Rates may not be guaranteed
- n Portability is not available or available only on a restricted basis

*A supplemental disability income insurance policy from Principal Life Insurance Company allows you to customize coverage to fit your needs.*

Disability Income Insurance has certain limitations and exclusions. For costs and complete details of coverage, contact your Principal Life representative.  
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