



Economic times call for a review of disability underwriting guidelines

- *Changes effective 2/16/09*

Due to the uncertainty of the economic environment, Principal Life has reviewed its underwriting guidelines and is instituting changes effective 2/16/09 for certain occupations in all states.

These new underwriting guidelines will be applied to:

- Applications received in the home office on or after 2/16/09. Any applications received prior to 2/16/09 will be underwritten following our current guidelines.
- Inforce Individual Disability Income (DI) insurance policies.

New underwriting guidelines for Individual DI insurance

The below guidelines are being instituted for Individual DI insurance applications and inforce policies for the following occupations:

- Stockbroker
- Bond trader (not on trading floor)
- Mutual fund manager
- Real estate agent/broker
- Mortgage loan originator/broker
- Investment banker
- Investment analyst
- Attorney specializing in real estate
- Residential construction

Changes impacting new Individual DI insurance applications

- 1.** Complete income verification is required for all benefit amounts, including:
 - The most recent income tax returns with all schedules and supporting statements for the past two years
 - Year-to-date income statement verification
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- 2.** The maximum issue and participation (I&P) limit is \$10,000/month (\$15,000/month with group insurance)¹ for 3A and above occupations. The I&P limits for 2A and A occupations remain unchanged.
- 3.** Policies with \$8,000/month or less benefit are eligible to receive the Future Benefit Increase (FBI)² rider [up to the set limit per occupation class].
- 4.** Special underwriting considerations will no longer be offered, such as:
 - The Enhancer Program
 - The Business Owner Allowance Program
 - Section 179 Allowance Add-Back

5. When submitting an application, a cover sheet including the proposed insured's employment history, prior earnings and future income potential is recommended with the application.

Changes impacting inforce Individual DI insurance policies

Inforce policies will be subject to maintaining benefit amounts within the new maximum I&P limits. If the policy's benefit amount exceeds the new I&P limits:

- Riders that are linked to a CPI-U index will not be renewed (i.e. Future Benefit Increase, Automatic Benefit Increase or Automatic Increase Option)
- The additional \$500 benefit increase available with the FBI rider will not be offered
- Benefit Update rider increases will not be offered

New underwriting guidelines impacting all IDI products

The following are being added to the list of uninsurable occupations for ***all*** individual disability insurance products from Principal Life: hedge fund manager, venture capitalist and real estate developer.

Illustration System

These new guidelines are not incorporated into the illustration system and should be kept in mind when running illustrations.

Questions?

Principal Life Insurance Company is committed to maintaining a strong and viable individual disability insurance (IDI) portfolio for you and your clients. As market conditions stabilize, Principal Life will re-evaluate these changes.

If you have any questions, contact your regional disability wholesaling team or the DI National Sales Desk at 800-654-4278.

1 – When running an illustration for these occupations, on the plan tab maintain the issue limit to \$10,000/month. If the client has group insurance, maintain the group supplement limit to \$15,000/month.

2 – Automatic Benefit Increase in California. When running an illustration, do not select the rider from the Riders/Discount tab if the benefit is greater than \$8,000/month.

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