



Learning about Key Person Replacement (KPR) insurance from Principal® is easy. This product profile outlines the key features you need to know.

## How it works

A **Key Person Replacement insurance policy helps protect a business** from the total disability of an employee who's critical to its success. This coverage helps minimize the disruption to a business from losing a valued employee. Benefits are paid to the business and can be used as needed to help offset hiring costs, staffing needs and replacing revenue.

### A key employee defined

- Critical to the livelihood of a small- to medium-size business
- Working 30+ hours a week (full-time)
- Employed for more than a year
- Does not own more than 50% of the business<sup>1</sup>

### Policy benefits

- Guaranteed premium rate to age 65
- Conditionally renewable to age 65
- Pairs well with key person life insurance
- Benefits can be paid in a lump sum or a combination of monthly and lump sum, and are generally received income tax-free

### Policy discounts and built-in features

- Two discounts available:
  - 20% Multi-Life (based on sex-distinct rates)<sup>2</sup>
  - 10% Select Occupation<sup>3</sup>
- Interrupted Elimination Period
- Recurring Disability
- Waiver of Premium Benefit

## Product and underwriting guidelines

- **Issue ages:** 18 to 55
- **Occupation classes:** 3A/3A-M and above
- **Benefit payout:** Lump sum or combination of monthly and lump sum
- **Elimination (waiting) periods:** 90, 180, 365<sup>4</sup> or 730<sup>4</sup> days
- **Issue limits<sup>5</sup>:**
  - Lump sum: up to \$500,000 (\$5,000 minimum)
  - Monthly: up to \$20,000
  - Combination: up to \$750,000

Monthly benefit Elimination period	Lump sum benefit Elimination period	Total potential benefit
	180-Day	\$560,000
90-Day	365-Day	\$680,000
	730-Day	\$750,000
180-Day	365-Day	\$620,000
	730-Day	\$750,000

## Cost for coverage

Premiums are paid by the employer and are based on the key employee's:

- Age
- Gender
- Occupation
- Tobacco status
- State of residence
- Policy structure
- Discounts

### Sample monthly cost for \$200,000 total benefit

Age	Male	Female
30	\$60	\$124
40	\$105	\$193
50	\$203	\$263

Assumptions: \$100,000 annual salary, lump sum payout, 180 day elimination period, non-tobacco and 4A occupation class

## Starting the conversation with clients

- **Discuss with life insurance clients** – Bring up this important coverage when discussing succession planning or having an annual review with clients that have purchased life insurance for key employees.
- **Stand out from your competition by offering comprehensive solutions** – Business owners are looking for ways to minimize risk. Help make sure they have all the proper disability solutions in place in the event of the unexpected – at a 20% Multi-Life Discount.
  - Individual Disability Income insurance and DI Retirement Security enhance an employee benefits package.
  - Disability Buy-Out (DBO) and Overhead Expense insurance help protect the business investment.

### Example:

Two business owners purchase DBO insurance policies on each other and pay for a KPR policy on an employee (non-owner):

**DBO + DBO + KPR = 20% discount**

- <sup>1</sup> If the insured is an owner, the business must be in operation for at least one year for fee-for-service businesses and three years for other business types.
- <sup>2</sup> Available when three or more employees with a common employer purchase individual disability insurance from Principal. In Ohio, only Individual DI insurance and DI Retirement Security receive the discount or count toward the three-employee minimum. In written state of Montana the discount is applied to gender-neutral, unisex rates.
- <sup>3</sup> Available for select 5A occupations, such as actuaries, architects, attorneys, CPAs, engineers, judges, executives earning more than \$60,000/year and more.
- <sup>4</sup> Available for lump sum benefit only. Note: If both monthly and lump sum benefits are applied for, the elimination period on the monthly benefit must be less than the elimination period on the lump sum benefit.
- <sup>5</sup> Benefits are up to maximums based on three times earned income for lump sum and three times maximum Individual Disability Income benefit available.



[principal.com](http://principal.com)

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