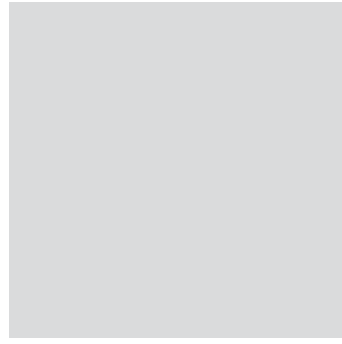
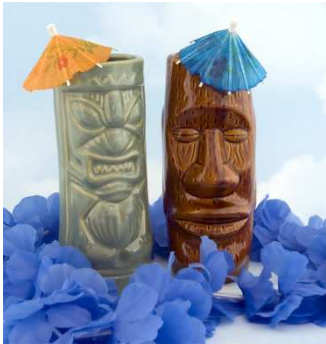


SCHOOL of EXCELLENCE



NFP Disability Insurance



Disability: Is Your Client's Income Protected Through Work?



Presented By:

Sarah Ritchie, *Principal Financial Group*
Claude Gibson, *ProFinancial Services*
Kat Freeman, *NFP*

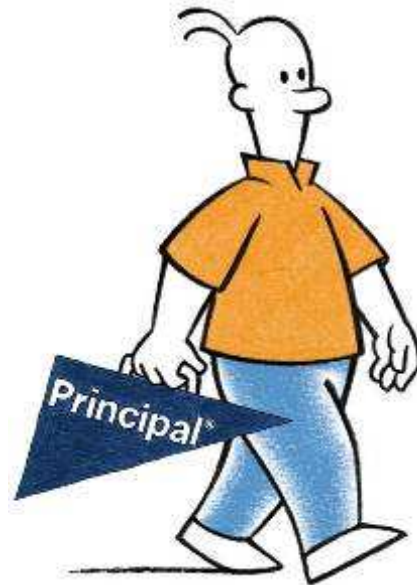
Agenda

- Protecting Income Through the Workplace
 - Sarah Ritchie, Principal Financial Group
- Pro Plus: Specialty Risk Insurance Benefits
 - Claude Gibson, ProFinancial Services
- NFP Disability Business Center
 - Kat Freeman, NFP

Individual Disability Insurance

Protecting Income through the Workplace

Sarah Ritchie, Sr. Relationship Manager – IDI Sales



Agenda

- The need for disability insurance
- Group Long-Term Disability (LTD)
- Individual Disability Income (DI) Insurance
- Combination solutions

May is Disability Insurance Awareness Month

An ideal time to show clients how disability insurance can help them and their employees protect their dreams.



Question

Which is the most common cause of disability?

- A. Injuries and poisoning
- B. Nervous system and mental disorders
- C. Cardiovascular/circulatory disorders
- D. Musculoskeletal/connective tissue disorders

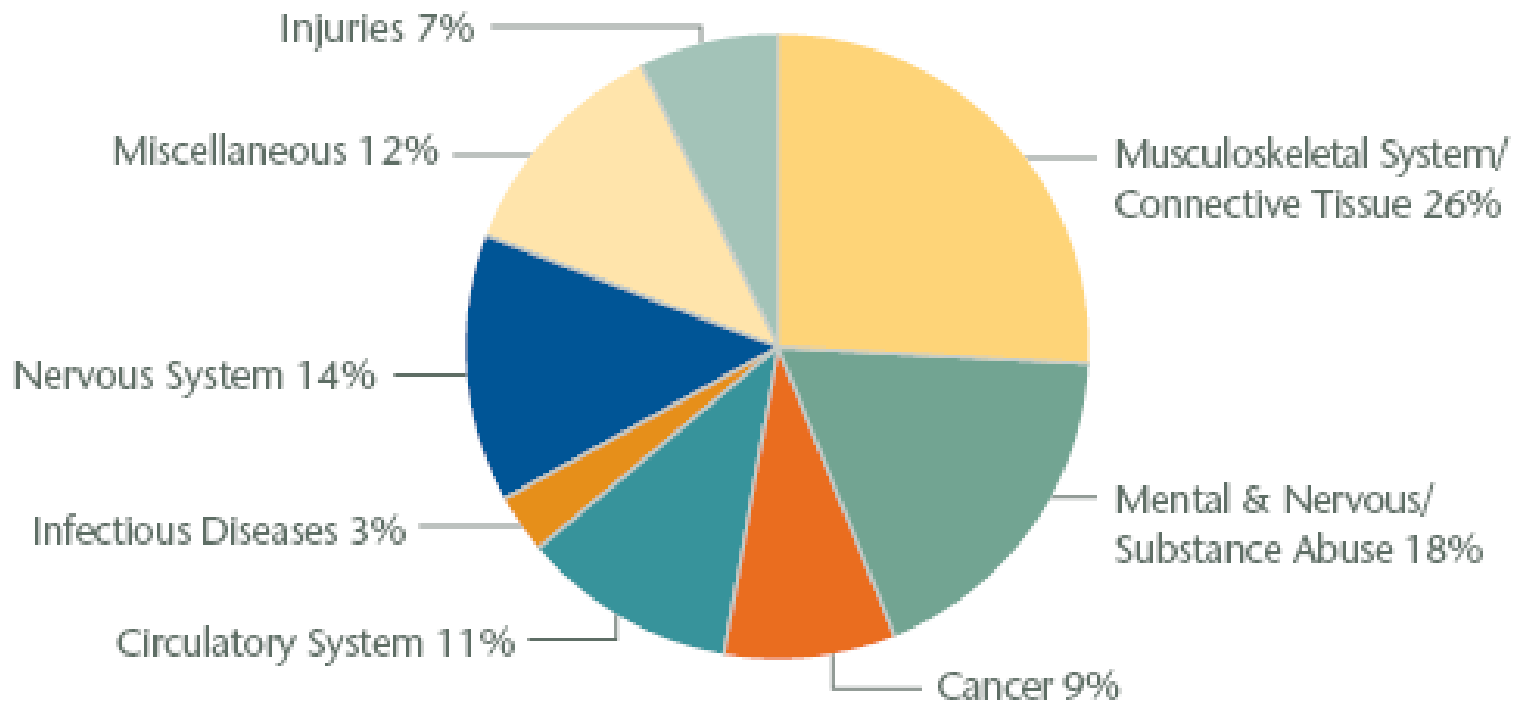
Answer: D. Musculoskeletal/connective tissue disorders

Council for Disability Awareness, *2010 Consumer Disability Awareness Survey*, 2010

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Disability plays no favorites



Source: Principal Life Disability insurance claims incurred as of March 2009. The above is for illustration purposes only and is not intended as an inclusive representation of all claims.

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Did you know?

- **49% of workers** would have difficulty supporting themselves within one month of becoming disabled.¹
- **In the last 10 minutes**, 490 Americans have become disabled.²

1 – Disability Survey, conducted by Kelton Research on behalf of the LIFE Foundation, April 2009.

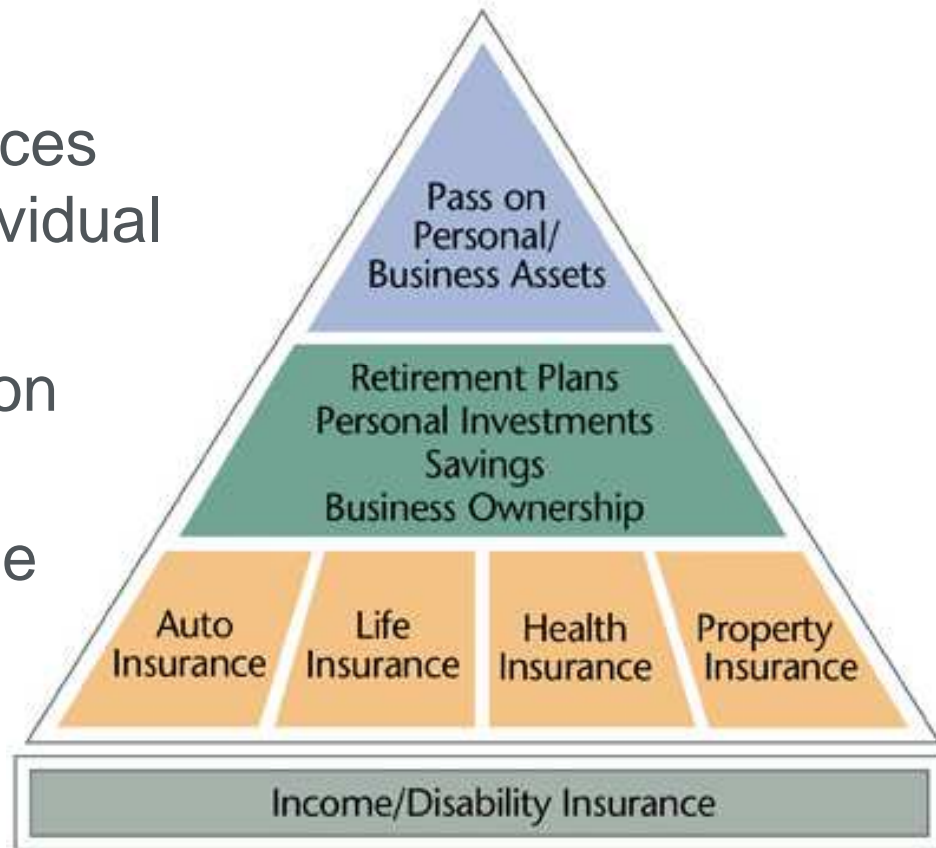
2 – National Safety Council[®], Injury Facts[®], 2010 Ed.

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How can you help clients?

- Understand the differences between group and individual disability insurance
- Identify income protection gaps
- Provide education on the importance of income protection



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Group Long-Term Disability Insurance



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Question

How much of pre-disability earnings does Group LTD insurance typically cover?

- A. 80%
- B. 70%
- C. 60%
- D. 50%

Answer: C. 60%

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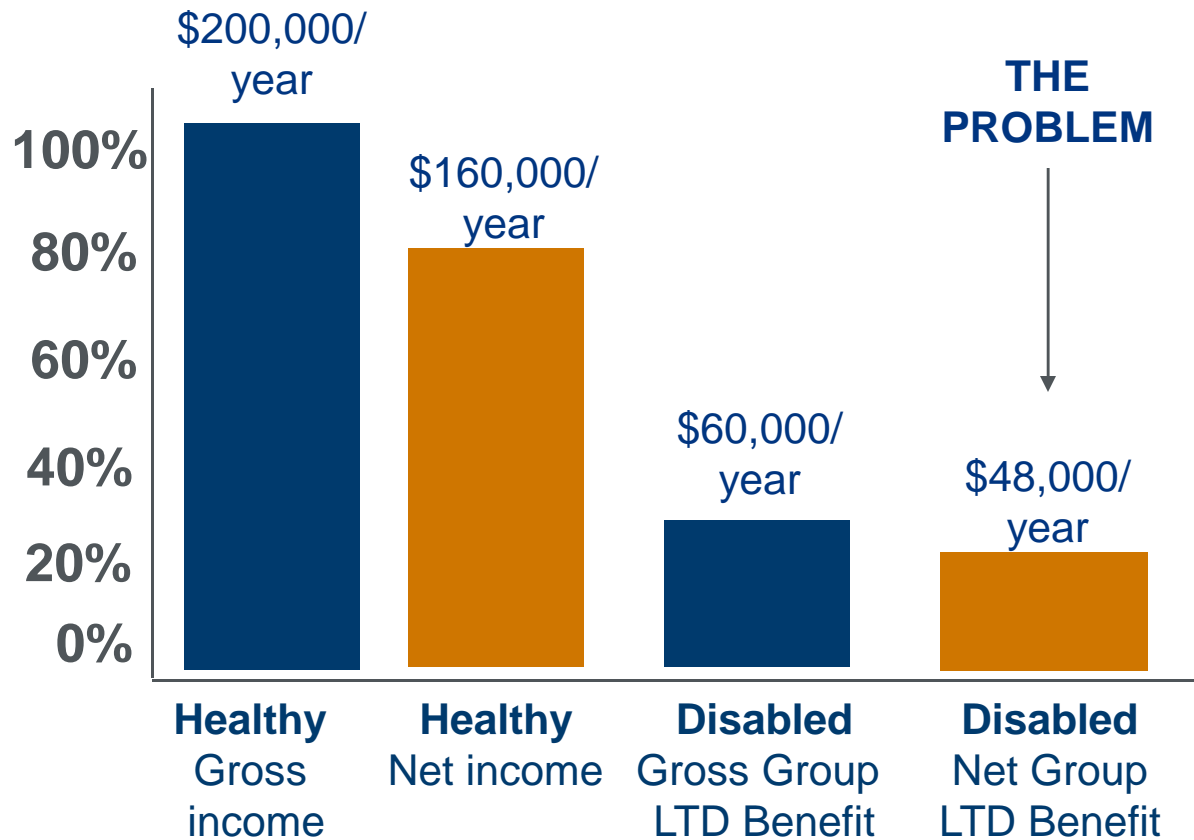
Group LTD insurance limitations

Did you know? Only 33% of workers today have access to Group LTD insurance through their jobs.¹

- Benefits are typically taxable (since premiums are paid by the employer)
- Monthly benefit cap
- Bonuses and incentive pay are not typically covered
- Typically not portable
- Conservative benefit provisions

1 – Employee Benefits Survey, the Bureau of Labor Statistics, March 2009.

The problem with Group LTD insurance



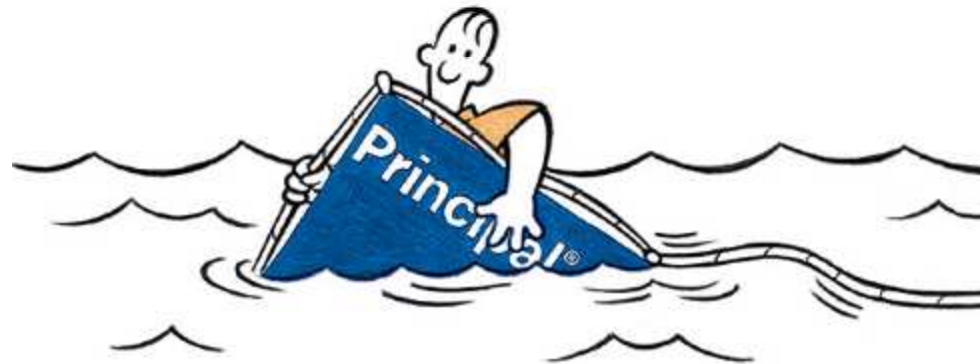
Many employees don't know how their group LTD works and could be surprised at claim time.

Assumptions: \$200,000 Annual Income; Group LTD benefits of 60% up to \$5,000/month, taxable benefit; 20% tax bracket

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Individual Disability Income (DI) Insurance



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Individual DI insurance features

- Higher level of income protection available
- Can be offered at the worksite; employer or employee paid
- Can be stand-alone or supplemental coverage
- Policy and discounts are portable

When three or more individuals with a common employer purchase Individual DI insurance, everyone receives a **20% Multi-Life Discount** (on gender neutral rates).

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Principal Life's Individual DI insurance

Key features:

- Occupationally-specific definition of disability
- Guaranteed future insurability options
- Partial (residual) disability benefits
- Rate and contract language guarantees
- Affordable

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Question

On average, what is the typical premium cost of an Individual DI policy per year?

- A. 1% - 3% of annual income
- B. 4% - 6% of annual income
- C. 7% - 9% of annual income
- D. 10% - 12% of annual income

Answer: A. 1% - 3% of annual income

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Sample monthly rates

Age	Male Rate	Female Rate	Multi-Life Discounted Rate*
30	\$19.50	\$30.56	\$16.47
40	\$28.74	\$40.25	\$23.70
50	\$42.19	\$50.43	\$33.75

Assumptions: 5A Occupation Class, To Age 65 Benefit Period and Your Occupation Period, 180 day Elimination Period, \$1,000/monthly benefit, 10% Select Occupation Discount, Residual Disability and Recovery Benefit rider, Colorado resident, non-smoker.

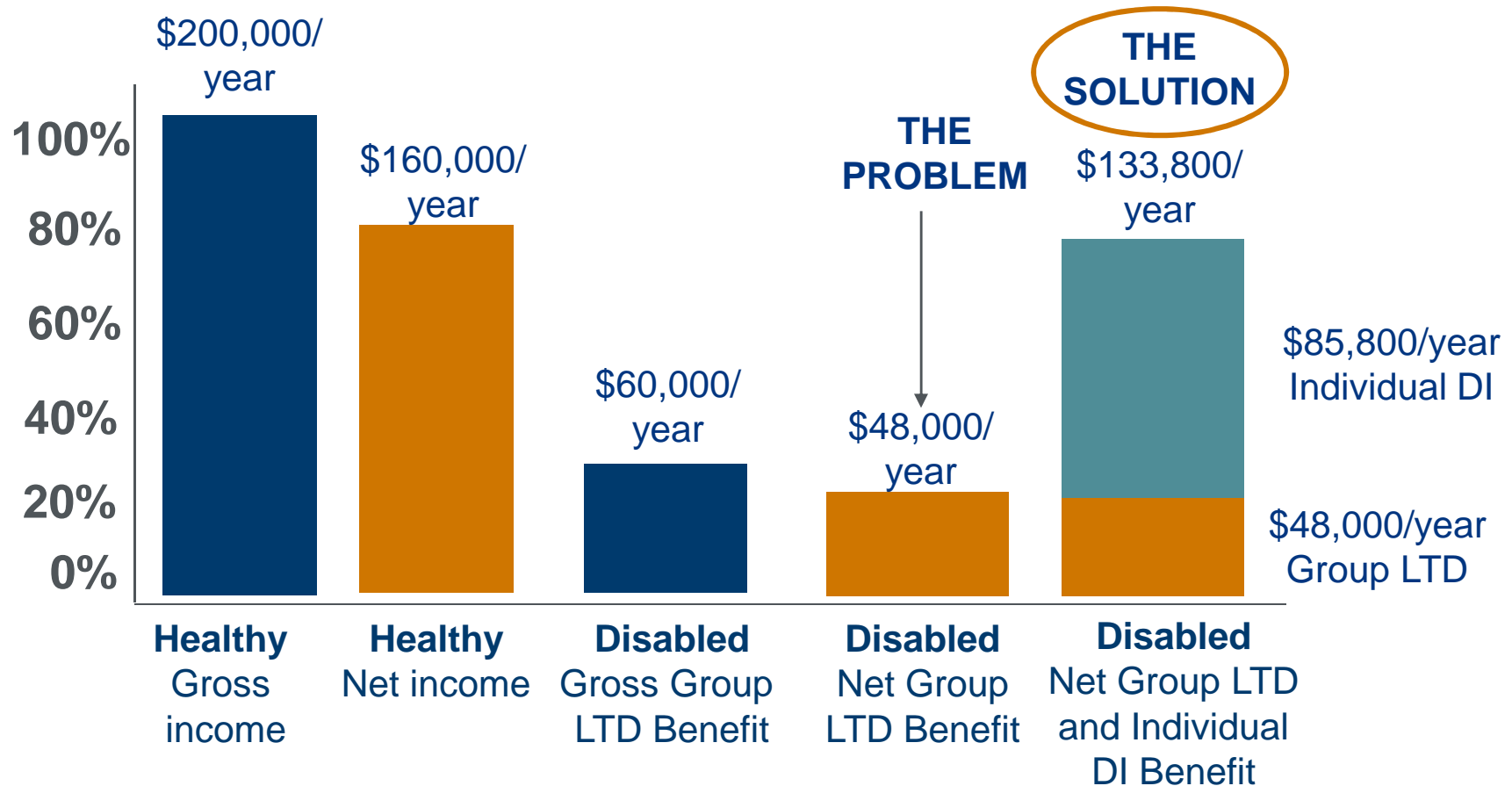
* Based on unisex rates; 20% Multi-life Discount given if three or more lives with a common employer participate.

Getting a discount couldn't be easier!

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Working together



Assumptions: \$200,000 Annual Income; Group LTD benefits of 60% up to \$5,000/month, taxable benefit; 20% tax bracket

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Individual DI underwriting options

PROGRAM	ROUTINE MEDICAL	APS/EKGS	FINANCIALS	BENEFITS	DISCOUNTS*
GSI/SI	No	No	Employee Census	Based on census and participating lives	20%: 15-49 lives 25%: 50-99 lives 30%: 100+ lives 20% maximum in California
Simplified DI Multi-Life	No	No	Employee Census	Up to \$5,000/month	20%: 3 or more lives required
Fully Underwritten	Yes	Yes	Individual W-2 or tax forms required	Maximum amount available based on current underwriting guidelines and issue and participation limits	20%: 3 or more lives required

*The Multi-Life Discount is not available for Key Person Replacement, Overhead Expense and Disability Buy-Out policies written in Ohio. This includes any Multi-Life discount given for fully underwritten, Simplified multi-life and Guaranteed Standard Issue cases. Policies taken on these products will not count towards the three lives qualification for multi-life in Ohio.

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Ideal target market

Employers

- Committed to employees
- Provides comprehensive benefit packages
- Has existing Group LTD
- Employs 1099 employees not eligible for Group LTD
- Average employee age is 50 or younger
- Has 25 or more key employees earning at least \$35,000 or 10 to 12 employees earning at least \$100,000

Employees

- Are ages 30 to 50 (typically available to ages 18 to 60)
- Earn a minimum income of \$40,000/year
- Are interested in protecting their most important asset
- Meet Principal Life's underwriting guidelines for occupation, income, net worth and medical history

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Case study: Dilemma

Current situation

- 2,160 total employees
- 40 executives making \$180,000 or more
- Offers group LTD plan to all employees
 - 60% taxable benefit
 - \$11,000 maximum monthly benefit
- Employer is paying a “load” for the maximum benefit amount which only benefits the 40 executives

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Case study: Solution

Group LTD changes

- Lowered the taxable replacement ratio to 50%
- Decreased maximum monthly benefit to \$9,000 on the executive class only

Result: 8% savings (\$62,000/annually) on the coverage

Added Individual DI insurance

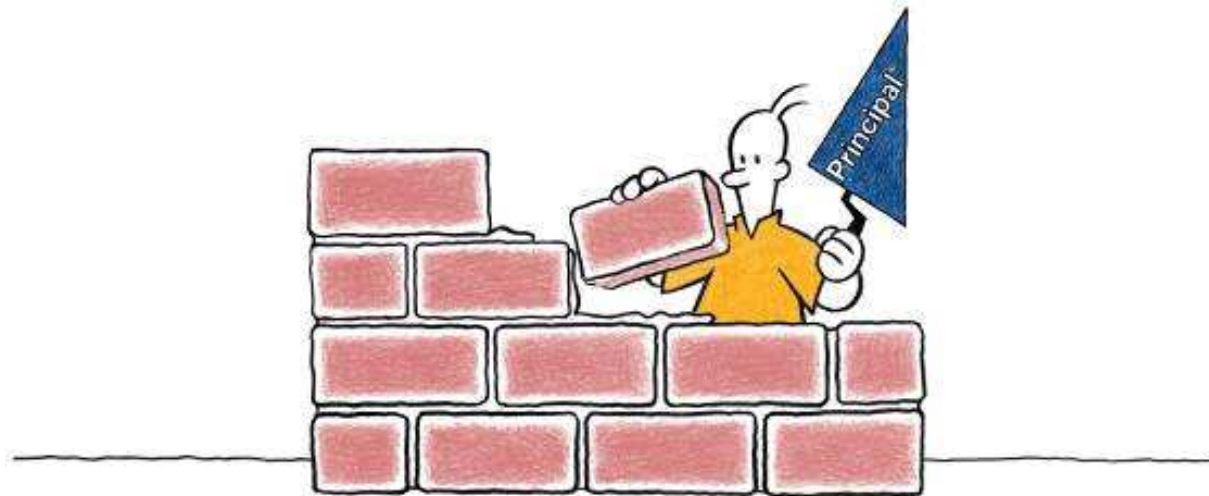
- Used savings to purchase IDI coverage for the executive group
- Combined, Group LTD and Individual DI insurance:
 - Replace 70% of income
 - Replace 100% of income with catastrophic coverage

Combined maximum monthly benefit = \$13,000

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Build comprehensive employee benefit packages; everyone benefits



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Count on Principal Life: Comprehensive IDI Solutions



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FREE value-added services

Open doors to IDI sales

- Financial Prioritization Tools for Business Owners
 - IDI Checklist (JJ 1640)
 - Business Priorities (comprehensive survey and software): www.principal.com/businesspriorities
- Buy-Sell Agreement Review
- Informal Business Valuation

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Tools for Approaching Clients

- Sales presentations
- Customized proposal system
- Marketing brochures and flyers
- Video presentations (great for adding websites)
- E-mails, letters and newsletter copy
- Enrollment support
- Industry statistics
- Needs-based calculator (web and mobile web versions available)



Disability
INSURANCE
AWARENESS MONTH

www.principal.com/financialprofessional

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Questions?



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Pro Plus Specialty Risk Insurance Benefits



Presented By:
Claude Gibson
VP Sales, ProFinancial Services



Pro Financial Services, LLC

- Acquired by NFP on October 1, 2007
- Managing General Underwriter (“Core Carrier”):
 - We Are the Decision Makers (Underwriters) for Our Coverages
- Concentrates in:
 - High-Limit Disability Income Protection for All Professions
 - Specialty Underwriting in Virtually All Classes
- Founded in 1980
- We Have Underwritten Disability Income Policies for as High as \$90 Million on One Individual
- Benefits and Terms Are Custom Designed for Each Case





Primary Carriers

- ACE American Insurance Company*
 - Standard and Poor's: A+
 - A.M. Best: A+
 - Fitch Ratings: AA-
- Lloyd's of London**
 - Standard and Poor's: A+
 - Fitch Ratings: A+
 - A.M. Best: A

*www.aceusa.com/About/Pages/About.aspx, February 17, 2009

**www.lloyds.com/Lloyds_Market/Ratings/, February 17, 2009





Distribution Model

Our distribution model is unique to the industry, therefore in order to best describe our role, we use one of the following scenarios below:

- A core carrier that does not retain any insurance risk, or
- A wholesaler with full underwriting authority.

Client → Agent or Financial Planner → **PROFINANCIALSERVICES** ← Insurance Carrier
High-Limit Disability Underwriters





Traditional Market

Personal Income Protection

- Typically Ranges from \$10,000 to \$15,000 Per Month on an Individual Basis
- Typically Ranges from \$10,000 to \$25,000 Per Month on a Group Basis
- Own-Occupation Restrictions
- Many Professions Are Ineligible for Coverage
- Inflexible Financial Underwriting





Pro Plus Disability Income **Benefits**

Individual and Voluntary Group Coverages

- Monthly Payments Ranging from \$10,000 to in excess of \$250,000
- Lump Sum Payments Ranging from \$250,000 to in excess of \$25,000,000
- Customized Programs Created with a Combination of Monthly and Lump Sum Payments
- Product Can Be Restructured As Client 's Insurance Needs Change
- The Policy Can Supplement Existing Individual and Group Coverages





Pro Plus Disability Income Benefits

Guaranteed Issue Group Coverages

- Available for Groups as Small as 5 Insureds
- Up to \$50,000 in Monthly Benefits
- Up to \$2,000,000 in Lump Sum Benefits
- Benefits Payable for Up to 5 Years
- No Medical or Paramedical Exam Required
- No Blood or Urine Samples Taken
- Designed to be in Excess of and in Addition to Existing Disability Income Base Plan





Pro Plus Disability Income Benefits

Policy Wording

Coverage Includes:

- Recurrent Disability
- Residual Benefits
- Presumptive Disability
- Transplant Benefits
- Waiver of Premium





Pro Plus Disability Income

Classes of Occupation

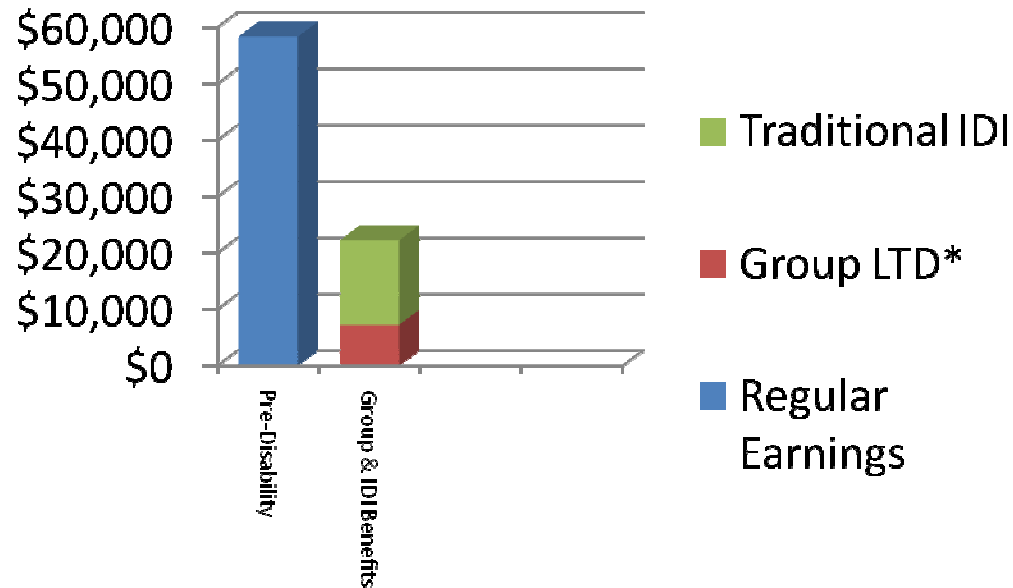
- Executives and Business Owners
- Attorneys and Law Firms
- Doctors
 - Medical Doctor
 - Specialized Medical Doctor (Anesthesiologist, Cardiologist, etc.)
 - Specialized Surgeon (Neurosurgeon, Plastic Surgeon, etc.)
- Entertainers
- Athletes
- All Professions



The Income Protection "GAP"

Client Profile:

Age: 42
Occupation: Chief Financial Officer of ABC Co.
Income: \$700,000 Per Annum/58K per mo
Existing Benefit in Force: \$25,000 Per Month



Assumes employer paid GLTD at a 28% tax rate on the benefits





The Pro Financial Solution

Client Profile:

Age: 42
Occupation: Chief Financial Officer of ABC Co.
Income: \$700,000 Per Annum

Client qualifies for additional \$12,800 per month. In addition qualifies for a lump sum benefit totaling \$2,700,000.

Monthly Benefit	\$12,800
Elimination Period	90 Days
Benefit Period	60 Months
Lump Sum Benefit	\$2,700,000
Waiting Period	63 Months
Total Maximum Benefits	\$3,468,000
Policy Term	5 Years

This example is based on a hypothetical scenario. Your scenario may be different.





Pro Plus Disability Income Uses

- Personal Income Protection
- Buy/Sell Agreements
- Key Person Insurance
- Loan Indemnification
- Business Overhead Coverage
- Contractual Obligations
- Voluntary and Mandatory Group Plans
- Employee Stock Ownership Plans
- Defined Benefit Plan Contributions
- 412i Plan Contributions





Pro Plus Disability Income Advantages

- Policies are Specific Own-Occupation
- Willing to Consider All Professions
- Up to 5 Year Policy Terms for Individual Cases
- Up to 3 Year Policy Terms for Group Cases
- Up to 5 Year Benefit Periods
- Customized on a Case-by-Case Basis
- Broad Compensation Underwriting
- Acceptance of Other Life/Disability Applications





PROFINANCIALSERVICES

High-Limit Disability Underwriters

Pro Plus Specialty Risk Insurance Benefits

Claude D. Gibson

Vice President of Sales

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800-832-8000

WWW.PFSINS.COM

This presentation highlights some important features of the proposed disability income insurance plan. This presentation does not include every benefit, limitation, adjustment, or exclusion provision of the actual contract. The policy determines the complete terms of insurance coverage.



NFP Disability Business Center

- Core Carriers
- GAP calculator
- DI Fact Finder
- Automated quote request and inquiry system
- U-Connect for DI
- DI Brochure for Executives
- Multi- Life Sales Center
- Monday Mentoring & Thursday Update
- DI Business Center tours via Webex or firm visit
- Point of Sale assistance

[NFP DI Business Center](#)

NFP DI Resources

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We are your backroom without the cost!