



CASE STUDY

Key Person Replacement insurance

Help business owners protect their business

Most businesses have key employees. They're typically the ones that make the greatest impact—and are difficult, and often costly, to replace. A Key Person Replacement disability insurance policy¹ helps protect the business financially in the event of the loss of a covered owner² or key employee due to disability. Let's look at an example.

The challenge

Stan owns a business that relies heavily on its sales team. Kathy is the top salesperson and brings in more than 35% of the total annual sales revenue. Stan realizes his company could be at risk financially if something happens to Kathy.

A solution

Stan discusses with his financial professional ways to help protect his business if Kathy were to become disabled. They use the [key person calculator](#) from Principal® to help identify coverage options and decide on \$300,000 of Key Person Replacement disability insurance.

HERE'S HOW IT WORKS:

- The business pays the premium and is the owner of a policy insuring Kathy.
- If Kathy becomes totally disabled, the business receives a \$300,000 lump-sum benefit, income tax free³
- The business can then use the benefit to help offset the cost of replacing Kathy. Allocation of the funds might look something like this:

\$50,000	Severance package to Kathy
\$100,000	Covering lost revenue from sales that would have been generated
\$50,000	Executive recruiting services
\$25,000	Costs for onboarding, relocation, etc.
\$75,000	New hire signing bonus and first-year guarantee

This solution offers Stan peace of mind—knowing his business is protected with a \$300,000 tax-free benefit if Kathy becomes disabled. His annual premium is just \$1,890.⁴

Tools to help you succeed

Working in the business market can help you grow your practice. And we offer the tools and support you need for success.

- **Estimate owner/key employee coverage needs** with our key person calculator (principal.com/keypersoncalc). Quotes for life insurance coverage are also available.
- **Get case design and sales support** from our team of experienced wholesalers and Business and Advanced Solutions professionals.
- **Make the underwriting process easy and hassle-free** for busy professionals with our Guaranteed Standard Issue underwriting program.



Let's connect

Contact the National Sales Desk at 800-252-4678, option 2, 2.

¹ Not available in California, Florida, Montana, New York, and Vermont.

² A business owner must own 50% or less of the business to be insured under a Key Person Replacement insurance policy.

³ Based on current tax laws, if Key Person Replacement disability insurance premiums are paid with after-tax dollars, then benefits are received income tax free.

⁴ Assumes a female age 40, non-smoker, 5A occupation class, \$300,000 lump-sum benefit, and \$1,890 of annual premium.



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