



Guaranteed Issue and Simplified Issue

The Business Underwriting Opportunity

Lean on the Principal Financial Group® for underwriting that's fast, easy and just right. Guaranteed Issue (GI) is available for cases with a minimum of 10 lives. If there are fewer than 10 lives or if higher face amounts are desired, Simplified Issue (SI) may be a viable option. The following are some scenarios where GI/SI could benefit your clients.

Executive Bonus

In an executive bonus plan, a company can make contributions to an insurance policy specially designed and administered for the purpose of generating supplemental retirement income. Characteristics of companies who may be interested in such a plan would include:

- Any size company with five or more key employees making over \$75,000 per year
- Most attractive for employees between the ages of 35 and 55
- Target firms might include:
 - Law firms
 - Engineering firms
 - Manufacturing companies
 - Construction companies
 - Logistics companies
 - Dentists
 - CPAs
 - Not-for-profit universities and hospitals

Since these policies are individually owned and lower GI multiples apply, we often find employees are very willing to go through the minor additional steps for Simplified Underwriting.

Key Person

In a key person plan, a company may purchase insurance on the lives of a group of key employees who are critical to the company's success. In many cases, the death benefit may be shared with the key employee or transferred (either through a bonus or sale) to the key employee when he or she leaves the company. Here are some key considerations for how GI/SI can benefit key person cases:

- Since the policies are corporate owned, the highest GI multiples are available.
- Policies with high early cash value are available where minimal balance sheet impact is important, and/or there may be a supplemental retirement income funding goal.
- Policies with minimal premiums may be available where cash flow is a primary concern.
- Generally, key person plans will be most attractive to medium or large companies with 10+ key employees earning over \$75,000 per year. Usually, they will be seeking between \$250,000 and \$2 million in coverage per person.

Entity Purchase Buy-Sell

An entity purchase buy-sell agreement is an agreement between the business and its owners where the business is both owner and beneficiary of the insurance placed on each of the owners. Upon a triggering event, the business purchases the interest of the departing owners. This agreement helps ensure that a business can continue after an owner departs, dies, or becomes disabled. When funded by life insurance, the agreement provides both the mechanism and the financing to ensure that control of the business will remain with the current owners and that the heirs will receive a fair price. Here are some key considerations for how GI/SI can benefit entity purchase buy-sell cases:

- Highest GI multipliers with corporate ownership
- Ease of issue – minimal paperwork (master application and consent to be insured)
- Availability of a no-lapse secondary guarantee product
- Law, medical, dental and accounting firms with 10+ partners/owners
- Niche market is \$100,000 to \$750,000 in buy-sell funding

Simplified Qualification Checklist

- Average age of benefitting group is not in excess of 55.
- Group size is at least five key employees for SI and at least 10 key employees for GI.
- Policies are employer owned or employer sponsored.
- Policies have an employer pay component.
- There is 100 percent participation by group for GI, or at least 75 percent participation for SI.
- Premium financing is not involved.
- Individuals within group do not have any known significant impairments.

Note: The above simplified checklist does not comprise the entire GI/SI inquiry, but is a good starting point. Refer to our [Multi-Life Business Underwriting Guidelines](#) for complete qualifications.

FOR MORE INFORMATION

Contact the National Sales Desk at 800-654-4278.



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