



## **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
2. The maximum issue and participation (I&P) limit is \$10,000/month (\$15,000/month with group insurance)<sup>1</sup> 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)<sup>2</sup> 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.