



**Proposal**

Business and key person protection

# Protect your business from the loss of top talent

Presented to

Business Name  
Employee Name

Presented by

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# You can be better prepared for the unexpected



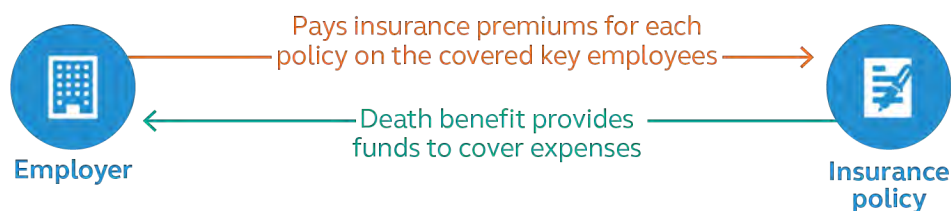
Oftentimes, the most valuable assets of any business are the key people who contribute most to its success.

Have you considered the impact your absence would have on the business if something happens to you? Your contributions as an owner are difficult to measure, and may be more wide-spread than you might think. It's likely that finding a replacement would create a financial challenge that could put the business at risk. That's why it's a good idea to consider protecting it.

One solution to address this risk is a key employee life insurance policy. It can be a critical component to your business protection strategy. It's designed to provide the funds necessary to recover from the loss of top talent, like you and your key employees. It can also create liquidity for business succession funding or pay for key employee benefit programs.

## How it works

Your business is the owner and beneficiary of a life insurance policy on your life. If the unexpected does happen, the business receives funds, generally income tax-free, to help overcome the financial challenge of the loss.



## Determine the right amount of coverage

It's important to carefully assess your situation and a variety of protection options. To help you get started, review the scenarios in this proposal. They show a customized range of coverage options based on your business size, number of key employees and the level of difficulty to replace your position.

# Employee Name, CEO

## Estimated business protection needs

	Coverage type		
	Base-level (Scenario A)	Moderate-level (Scenario B)	High-level (Scenario C)
<b>Key characteristics</b>			
Number of total employees	51+ Employees	51+ Employees	51+ Employees
Number of key employees	1-5 Key employees	1-5 Key employees	1-5 Key employees
Difficulty to replace	Very difficult	Very difficult	Very difficult
<b>Base protection</b>			
Total compensation	\$560,000	\$560,000	\$560,000
Multiply by factor*	x 2.5	x 4.5	x 7.5
Base protection needs	\$1,400,000	\$2,520,000	\$4,200,000
<b>Business succession needs</b>			
Estimated business value	\$1,000,000	\$1,000,000	\$1,000,000
Percentage owned	100%	100%	100%
Business succession needs	\$1,000,000	\$1,000,000	\$1,000,000
<b>Additional coverage</b>			
Long-term business debt	\$0	\$0	\$0
Debt coverage percentage	56%	56%	56%
Debt coverage needs	\$0	\$0	\$0
Key employee benefits	\$0	\$0	\$0
Total other needs	\$0	\$0	\$0
<b>Range of coverage</b>	<b>\$2,400,000</b>	<b>\$3,520,000</b>	<b>\$5,200,000</b>

This business protection and key employee proposal is intended to provide a range of coverage for your consideration based on several factors. The policy owner and financial professional understand that amounts applied for are subject to underwriting approval.

### Coverage type

**Base-level** (1 - 5 times salary) provides proposed coverage based on a projected base-level multiple of salary.

**Moderate-level** (2 - 7.5 times salary) provides proposed coverage based on a projected moderate-level multiple of salary.

**High-level** (3 - 10 times salary) provides proposed coverage based on a projected high-level multiple of salary.

Any coverage needed for business succession funding and other debt protection and/or benefits financing will be added to the base protection.

\* This factor is determined by the size of the organization, number of key employees and level of difficulty to replace.

**Employee retention strategy** — 96% of businesses indicate they have at least one key employee.\*\* Do you have benefit plans in place to retain your key employees in the event something happens to you?

\*\*2019 Principal Business Owner Market Study, conducted by the Harris Poll Panel.

## Key person term coverage



The affordable, limited duration of term insurance may be a great fit to protect your business. And Principal® offers multiple coverage durations to meet your specific needs. You may also be able to use our online application or TeleApp interview process to get your key person protection put in place quickly and efficiently.

Outlined below are the projected premium amounts for the three coverage scenarios shown on the previous page, using our 10-, 15-, 20- and 30-year term products.

Key person term insurance coverage for:

**Employee Name, Age 54\*, Female, Preferred, Non-Tobacco**

Scenario	Death benefit	Annual premium			
		10-year	15-year	20-year	30-year
A: <b>Base-level</b>	\$2,400,000	\$2,907	\$3,627	\$4,840	\$9,378
B: <b>Moderate-level</b>	\$3,520,000	\$4,229	\$5,285	\$7,064	\$13,719
C: <b>High-level</b>	\$5,200,000	\$6,212	\$7,771	\$10,400	\$20,231

Rates provided are an estimate and are not guaranteed; state variations and restrictions may apply that are not represented, here.

\*Principal product quotations utilize an insured's age nearest birthday.

Our base conversion feature is included with the Term product options displayed in the above table. The Conversion Extension Rider has not been included. If a longer conversion period is desired, Term products can be quoted to include the Conversion Extension Rider.

# Properly funding your business protection plan

## Advantages

**Immediate funds** - Offset the cost of finding a replacement and loss of revenue.

**Cost efficiency** - Both term and permanent policies can provide attractive death benefit amounts relative to premiums paid.

**Cash value potential with permanent policy option** - Potential cash values remain an asset on your balance sheet or can be used for other expenses, such as a key employee benefit program.

## Considerations

**What's right for you** - There are several insurance and funding options. Carefully decide what's best for your unique situation.

**Impact on your assets** - Understand how life insurance policy holdings will affect your capital and liquidity.



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