

Market opportunities for business loan protection

Presented by:

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Did you know?

- The U.S. had six million small employers in 2005, representing over 99 percent of the nation's employers.¹
- In 2007, outstanding small business loans (under \$1 million) were valued at over \$684 billion for more than 24 million loans.¹

1 – SBA Office of Advocacy, 2008

The Solution: Business Loan Protection rider

Reimburses a business owner for a covered business-related loan obligation during his or her total disability.

- Additional cost rider available on the Overhead Expense insurance (HH 702) policy¹
- Guaranteed premium rates to the Business Loan Protection Termination Date
- Not be conditionally renewable beyond age 65 policy anniversary.

For state approvals, go to: principal.com/distateapprovals.

1 – If purchasing the rider only (with a zero dollar OE insurance benefit); policy benefits change. Refer to the rider for additional details.

How the rider works

Customer obtains a business-related loan from a financial institution

Risk transfer of loan obligation to Principal Life

Principal Life Insurance Company

Customer pays premiums for business loan protection from Principal Life*

Financial institution receives loan payments

Upon total disability, Principal Life provides reimbursement for the loan obligation

* The Business Loan Protection rider is a cost rider available on the HH 705 Overhead Expense insurance policy.

Types of business loans covered

This coverage is ideal for business-related loan obligations* covering:

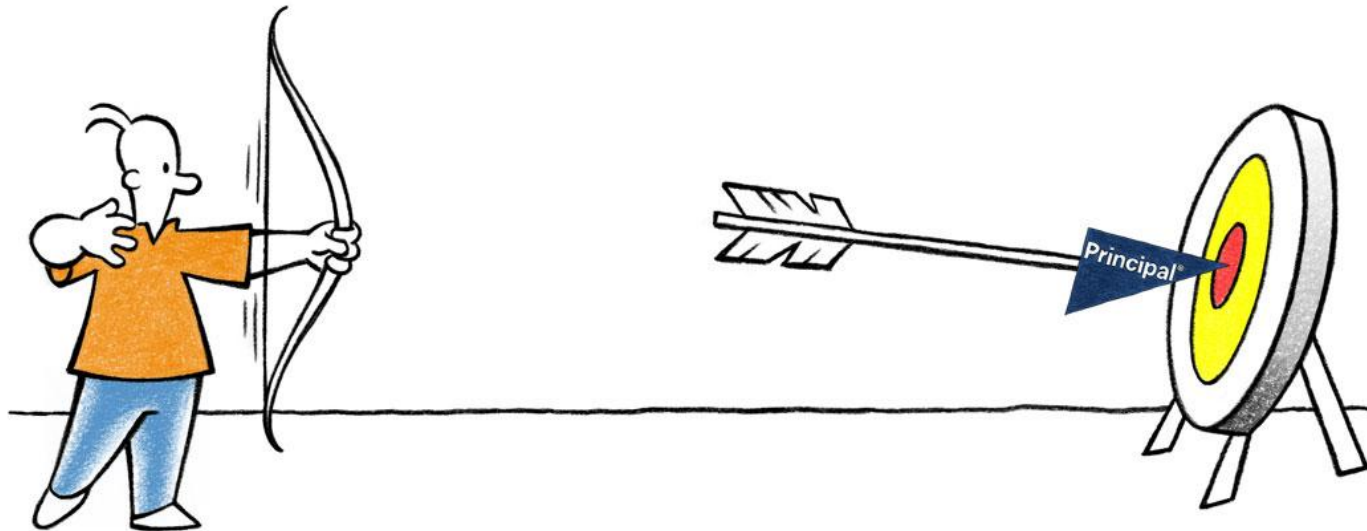
- Purchase of a practice or existing business
- Purchase of a large piece of equipment
- Expansion of the business or practice
- Facility renovations and improvements
- An increase in working capital or build up of inventory
- Purchase of building or land (must be purchased for the sole use of the business)

Consider working with local banks to recommend the Business Loan Protection rider on business-related loans.

* Must be in the form of a term loan, variable rate loan or commercial mortgage loan. Will not consider loans in the form of a line of credit, credit card, revolving line of credit or interest only.

Selling business loan protection

Get to the target market



Target market

Business Loan Protection coverage¹ is ideal for those with:

- **Business-related loan obligations** (up to \$10,000/month maximum benefit is available, not to exceed \$1 million²)
- **Less than four owners** in the business (and do not have other income-producing non-owners who would keep the business afloat and earning money)
- **Fee-for-service professions** – which have eight or less owners in the practice
- **Incomes of at least \$15,000/year** (as indicated on federal tax returns) and are ages 18 to 60
- **Occupations that have classifications of 3A/3A-M or above**

1 – Loan protection offered through the Business Loan Protection rider; available on the Overhead Expense insurance policy (HH702).

2 – If the loan exceeds \$1 million, consider using the protection to enhance your bank's collateral position and cover a portion of the loan.

Reaching the target market

- **Re-approach your business clients that have Overhead Expense insurance**
- **Approach trade associations (dental, medical, small business associations, etc.); ask for a list of members to contact or participate in upcoming meetings**
- **Market through financial institutions/local banks**

Why local banks?

- They accounted for 65 percent of the larger small business loan amounts (\$100,000–\$1 million) in the industry.¹
- There are nearly 8,000 community banks with over 50,000 locations in United States. They make up 96% of all banks.²

1 – *Small Business and Micro Business Lending in the United States, for Data Years 2007-2008*, SBA Office of Advocacy. Information is for Community Reinvestment Act program lending institutions.

2 – ICBA, Independent Community Bankers of America, www.icba.org, March 2009

Everyone benefits

Financial Institution

- **Helps transfer the risk of the loan** to in the event of a total disability
- **Staff is seen as experts** by identifying a need and offering a solution
- **No administrative paperwork** for the financial institution

Customer

- Helps keep their **businesses open and operating** in the event the insured is too sick or hurt to work
- Helps **minimize financial hardships**
- **Creates peace of mind** with other owners

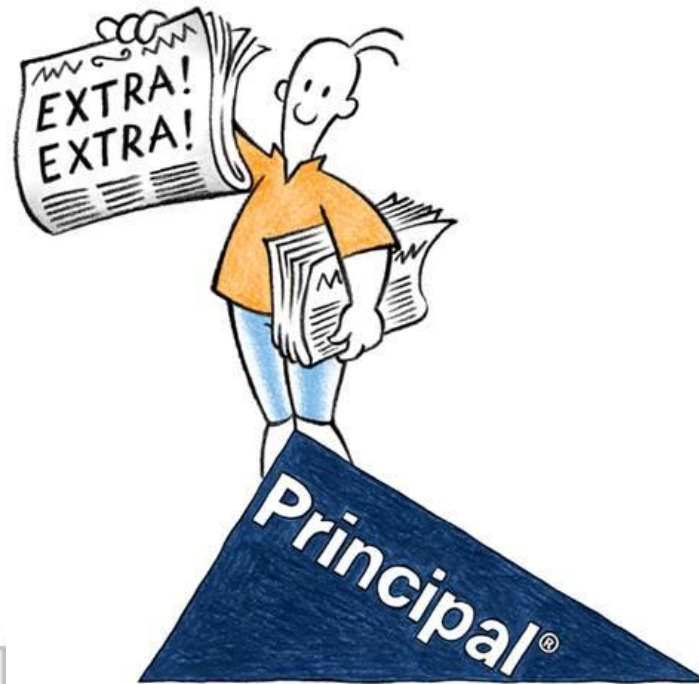
You

- Additional source for **lead generation**
- **Relationship-development** opportunities with bank staff and their customers
- **Cross-selling opportunities** when assisting customers

Resources to find local banks

Organization	Web Site	Directions to Listing
Independent Community Bankers of America	icba.org	Click “Consumer Education & Resources,” “Community Bank Locator” and then use the search function
American Bankers Association State Membership Directories	aba.com	Click “Press,” then “State Bankers Associations” (towards the bottom of the page in the “About ABA” section) and then select the state of interest.
Dex	dexknows.com	On the “Find A Business” tab, use the search function

What we're hearing and seeing



THE PLUS GROUP
America's Premier Disability Marketing Organization



What we're hearing

"It's very easy to talk about the need for loan protection, especially in the young dental market with individuals buying into practices. Another application is on the way."

"The Business Loan Protection rider and Overhead Expense insurance policy are a unique partnership that will help cover all financial gaps in the event of a disability."

"I love the conjunction of loan protection and OE insurance and bring it up to business owners whenever I can."

"The Business Loan Protection rider is valuable protection – helping a client avoid bankruptcy and generally have less to worry about in the event of a disability."

What we're seeing: opening a new practice

Overview

- Three young dentists opening a new practice
- Interested in protection for family and business

Solution

- Additional Individual DI insurance policies
- Overhead Expense insurance
- Business Loan Protection rider
- Disability Buy-Out insurance (cross-purchase plan)
- Multi-Life Discount² applied = \$9,454 savings

1 – Series 700 compensation – 50% FYCs, no annual coverage increases, 100% persistency, renewals based on 5 year projection.

2 – In Ohio, business products do not receive the Multi-Life Discount nor count as a coverage for three plus lives.

Compensation¹

- \$18,241 annual premiums
- \$9,121 FYCs
- \$7,296 renewals

Future sales

- Simple IRA
- Voluntary DI (for 2 employees)

What we're seeing: expanding a new practice

Overview

- Existing client in practice for 25 years+
- Bought another practice to expand into a new location

Solution

- Overhead Expense insurance
- Business Loan Protection rider

Compensation¹

- \$7,692 annual premiums
- \$3,846 FYCs
- \$1,538 renewals

1 – Series 700 compensation – 50% FYCs, no annual coverage increases, 100% persistency, renewals based on 5 year projection.

Multi-life discount¹ sales idea: more coverage, same cost

Client	Monthly Disability Benefit	Annual Premium Cost	
		Scenario A – without discount	Scenario B – with discount
Dentist	DI: \$5,850	\$5,048.57 ²	\$3,181.94 ³
	OE: \$4,350	N/A	\$553.67 ²
Dental Assistant	DI: \$1,250	N/A	\$595.41 ³
Dental Hygienist	DI: \$1,250	N/A	\$716.71 ³
Total Annual Premium		\$5,048.57	\$5,047.73 ³
Cost Difference		\$0.84	

¹ Available if at least three individuals from a common employer purchase Principal Life Individual Disability insurance

² Sex-distinct rates; Multi-Life Discount not available in Ohio for Overhead Expense insurance.

³ Unisex rates



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Attractive compensation

Compensation Offering

- Competitive First Year Commissions
- Up to 22% On Inforce Business*
- Up to 20% First Year Commission Bonus
- 100% ICCs

* Up to 20% on inforce business in California.

Remember to abide by the company's policy on disclosure of compensation. You can obtain more information, as well as a sample disclosure form, at www.principal.com.

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Go to www.plusgroupus.com and click on the agency locator map to find an office near your client or call 800/831-1018.

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