



Individual Disability Insurance – California

How Does the Policy Pay?

Your Occupation Protection

Principal Life Insurance Company's Individual Disability Income (DI) Insurance (HH 750) policy provides benefits when the insured becomes Totally Disabled. The core policy has a built-in 2-year Your Occupation Period. A summary of the definition of Total Disability is: during the Your Occupation Period, the insured is unable to perform with reasonable continuity the substantial and material acts necessary to perform his or her occupation in the usual and customary way and chooses not to work in any occupation.

After the Your Occupation Period, the insured must be unable to engage with reasonable continuity in any occupation he or she could reasonably be expected to perform satisfactorily in light of his or her age, education, training, experience, station in life and mental and physical capacity. If eligible, the insured may purchase up to a 5 year, To Age 65, To Age 67 or To Age 70 Your Occupation Period coverage to protect him or her in his or her occupation.

Cannot Work in Your Occupation

The key to the strength of the policy is Your Occupation: as long as the insured, solely due to injury or sickness, is unable to perform the substantial and material acts of his or her regular occupation, and is not working in another occupation, he or she is considered disabled during the Your Occupation Period.

Restricted Ability to Work in Your Occupation

If the insured has the **Residual Disability Benefit rider** added to the policy (for additional premium), the insured may be eligible to receive residual disability benefits. The rider provides benefits in the event the insured is not Totally Disabled, and while actually working in an occupation, as a result of injury or sickness, the insured is unable to earn 80% or more of his or her prior earnings. During the first 12 months of Residual Disability, any other disability insurance coverage the insured has in force would also be factored into the determination of the benefits payable. After 12 months, other disability coverage is not factored in.

Insured Working in a New Occupation by Choice

Residual Disability Benefit rider¹

When the Residual Disability Benefit rider is added to the policy (for an additional premium), the insured may be eligible to receive benefits if the conditions of the rider are met. The key is that during the Your Occupation Period there is nothing in the policy that requires the insured to return to work in a new occupation. If the insured chooses to work in another occupation, then during the first 12 months of Residual Disability, any other disability insurance coverage the insured has in force would also be factored into the determination of the benefits payable. After 12 months, other disability coverage is not factored in.

Transitional Occupation rider^{1,2}

When the Transitional Occupation Benefit rider is added to the policy (for an additional premium), the insured may be eligible to receive benefits based on replacement of his or her pre-disability earnings up to 100 percent of his or her pre-disability earnings, but not more than the Maximum Monthly Benefit, if he or she is unable to perform the substantial and material acts of his or her Your Occupation, but is working in another occupation. Benefits are payable until the end of the Transitional Occupation Period only.

Regular Occupation rider^{2,3}

If the insured has the Regular Occupation rider added to the policy (for additional premium), the insured may continue to receive 100% of his or her monthly benefit if he or she is unable to perform with reasonable continuity the substantial and material acts of his or her Your Occupation, but is working in another occupation.

Example Scenario

Assumptions:

- The insured is a veterinarian who, prior to becoming disabled, earns \$10,000 per month
- The insured does not have any other disability coverage
- The maximum monthly benefit amount on the policy is \$5,250

Totally Disabled: The insured is unable to return to her occupation and is not working in a new occupation. During the Your Occupation Period, she will receive the full monthly benefit of **\$5,250** and will not be required to work in another occupation.

Residual Disability Benefit Rider: Assume the insured works as a sales representative by choice earning \$3,500 per month, but still has restrictions from performing her Your Occupation due to disability. For the first 12 months, we will pay a monthly benefit of **\$5,250** because the benefit provided is equal to the loss of earnings (minus any other disability policy coverage), up to the maximum monthly benefit amount. For subsequent months, we will pay 65% (the loss of earnings) of the monthly benefit, or **\$3,413** per month. The loss of earnings is calculated on a monthly basis to adjust the benefits to keep up with any changes in the insured's current earnings.

Transitional Occupation Rider: Assume the insured returns to work as a sales representative where she earns \$3,500 per month. The monthly benefit will be equal to the lesser of her prior earnings minus her current earnings (\$6,500) or the maximum monthly benefit (\$5,250). For this example, the maximum monthly benefit of **\$5,250** will be paid until the end of the Transitional Occupation period.

Regular Occupation Rider: Assume the insured has chosen to work in another occupation the policy does not have any restriction on the amount of income she is earning. The maximum monthly benefit of **\$5,250** would be paid.

Catastrophic Disability Coverage

If the insured chooses to add the Catastrophic Disability Benefit rider, this will provide a monthly benefit in addition to the monthly disability benefit (and social insurance substitute benefit is on the policy) in the event the insured becomes catastrophically disabled solely due to an injury or sickness and loses the ability to perform two or more Activities of Daily Living without Assistance; or becomes Cognitively Impaired; or becomes Presumptively Disabled.

Disability Coverage Beyond Age 65

To extend disability coverage beyond age 65, the insured can select a To Age 67 or To Age 70 benefit period on his or her policy. If the insured becomes disabled before the age 65 policy anniversary, then the benefit period will extend benefit payments, after age 65, to the benefit period selected.

FOR MORE INFORMATION

Contact your Principal Life representative for more information.

¹If the policy has both the Residual Disability Benefit rider and the Transitional Occupation rider, benefits will not be paid out under both riders at the same time. If the insured meets the definitions and terms of both riders, the insured will receive the greater of the two benefit amounts available. | ²The Regular Occupation rider and the Transitional Occupation rider are not available on the same policy. | ³Only available on 5A and 5A-M occupation classes in California.



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Principal Life Insurance Company, Des Moines, Iowa 50392, www.principal.com

Disability Income Insurance (HH 750) has certain limitations and exclusions. For costs and complete details of coverage, contact your Principal Life financial representative.

Policy and rider descriptions are not intended to cover all restrictions, conditions or limitations. Refer to policies and riders for full details. Policies and riders are subject to state availability. Some riders are subject to an additional premium.