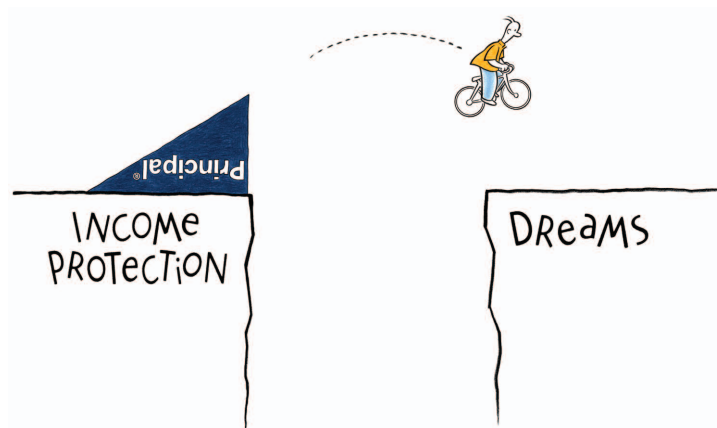


From Here to SecuritySM

Protect Your Dreams Against a Disability



Everyone is looking for an edge.

You work hard to get that edge – for you and your family both today and tomorrow. We know it isn't simple. The road to financial security is long and full of challenges, opportunities and surprises.

But what would happen if you became too sick or too hurt to work? Would you have enough income to maintain your lifestyle and protect your dreams for the future? For many people, the answer is "No."

That's why we wrote this book. It's based on the ideas and experiences of our financial representatives across America, not to mention more than 130 years of Principal Life Insurance Company service to business owners, employees and their families.

It's designed to help simplify and demystify the rules of the road to financial security. Along the way, we'll help you discover how individual disability income insurance can help you achieve your goals and dreams – whatever they might be.

Contents

- 1: Understand the need Page 3**
During a prolonged illness or injury, you could lose your income and everything it provides. What are the odds a disability could happen to you? And what can you do about protecting your ability to work and earn an income?
- 2: Understand individual disability income insurance Page 14**
Discover how individual disability income insurance helps protect your ability to work and earn an income. Then use our worksheet to calculate how much you may need.
- 3: Review your plan regularly Page 23**
Because change is the one great constant in life, you should review your objectives and your plan at least once a year.
- 4: Glossary of insurance terms Page 25**

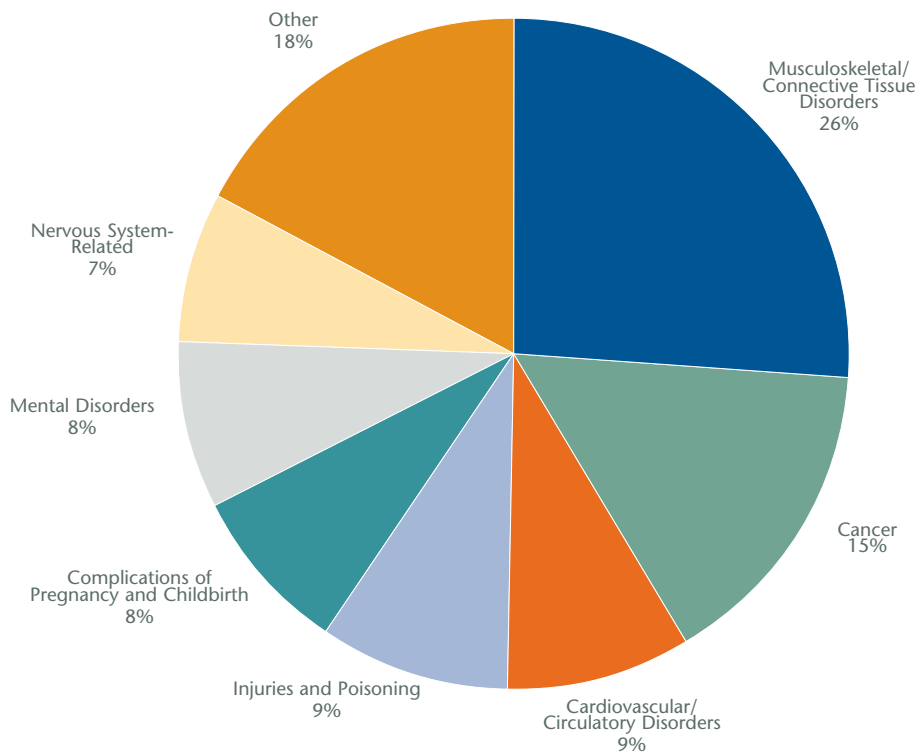
Myth #1

It won't happen to me

In the last 10 minutes, 490 Americans became disabled.

– National Safety Council, *Injury Facts*®, 2010 Edition.

Many people think a disability won't happen to them because they plan to stay healthy, yet insurance industry statistics show that fewer than one in 10 long-term disability claims result from injuries.



Source: Council for Disability Awareness (CDA) 2010 Long-Term Disability Claims Survey, Disability Claims by Diagnosis.

Understand the need

“I don’t know how we would have paid our bills. The disability benefits are what keep our lives going. Without them, we would not have been able to pay our mortgage, utilities, car expenses and insurance premiums – all the basics of life.”

– Pat Harwood, Principal Life Insurance Company Disability Income insurance claimant*

The road to financial security

Recent years have been tough, but Americans are rebuilding for a brighter future and dreaming about tomorrow.

When it comes to financial security and achieving our goals, we are our own best friends – or our own worst enemies. It seems that Americans are not setting aside enough money to achieve their financial objectives – let alone protect what they already have. The choice, for better or worse, is always ours. Through careful planning and follow-through, achieving financial security and protecting our lifestyle and dreams for the future are within our reach.

Does your lifestyle depend on your income?

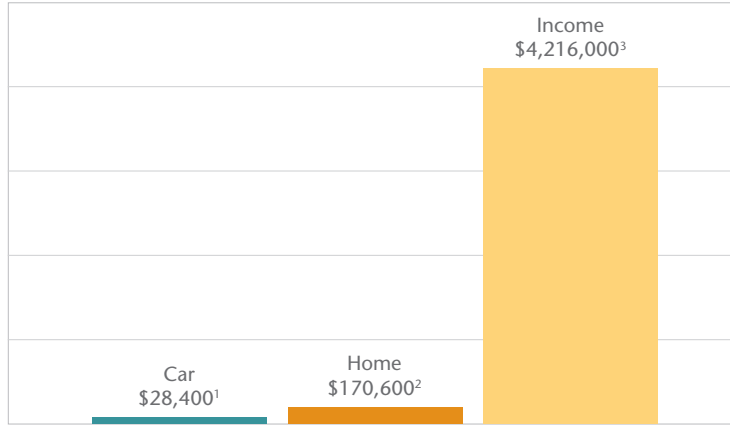
Would you be able to maintain your standard of living if you were too sick or hurt to work and could no longer earn an income? Even if you have a spouse who works, could your spouse’s income alone support the family? And what would happen to your savings? To your retirement plans? To your children’s opportunity for a college education? Your dreams?

Nobody wants to think about it, but you must take steps to protect your family and your dreams for the future from what might happen if you become too sick or hurt to work. The good news is that you can take control of your personal financial situation – starting now.

*Testimonial may not be representative of other clients’ experience. It is not indicative of or a guarantee of future performance. The insured has not been paid for this testimonial.

Protect your most valuable asset

Insuring your income could be the most important thing you ever do. It's natural to insure your home, your car and other valuables. Why not protect the funds that provide those items – your income?



Your home may be your biggest asset, but your ability to work and earn an income is your most valuable asset. Use the chart below to estimate what your earnings potential is between now and age 65. Then consider all the things that your income will buy over that time frame.

Potential Earnings to Age 65 (with 5% annual salary increases)

ANNUAL INCOME	\$50,000	\$100,000	\$150,000
Age 30	\$4,516,000	\$9,032,000	\$13,548,000
Age 35	\$3,322,000	\$6,644,000	\$9,996,000
Age 40	\$2,386,000	\$4,773,000	\$7,159,000
Age 45	\$1,653,000	\$3,307,000	\$4,960,000

¹ National Automobile Dealers Association, 2010.

² National median existing single-family sale, fourth quarter 2010, National Association of Realtors®.

³ Projected cumulative income of a 35-year-old earning \$6,250/month, assuming a 4 percent annual increase to age 65.

Disability impacts

When a disability lasts a long time, the financial loss it creates can significantly affect your family's lifestyle and future security. That's why individual disability income insurance is one of the most important components of any financial plan. The coverage provides peace of mind – knowing that if you become too sick or hurt to work, benefits received could help maintain your current lifestyle.

**When a disability lasts one year –
the probability it will last longer increases**

	AGE 25	AGE 35	AGE 45	AGE 55
1 more year	67%	76%	79%	81%
2 more years	57%	67%	72%	73%
5 more years	47%	57%	62%	62%

Source: Commissioners Individual Disability Tables, CSO.

TOP 5 REASONS NOT TO BUY INCOME PROTECTION

5. Social Security will take care of me.

Fact: Only 35% of the 2.8 million workers who applied for Social Security Disability Insurance benefits in 2009 were approved.¹

4. I expect to stay healthy.

Fact: Statistics show that 13% of individuals ages 16 to 64 will have a disabling illness.²

3. It costs too much.

Fact: The average annual cost is typically 1 to 3% of what you earn.

2. I can always do it later.

Fact: People usually don't get healthier as they grow older, and coverage will cost more.

1. I can rely on my savings.

Fact: Even if you save 10% of your salary, a one-year disability could easily eliminate years of savings.

¹ Social Security Online, disabled worker beneficiary statistics (www.ssa.gov).

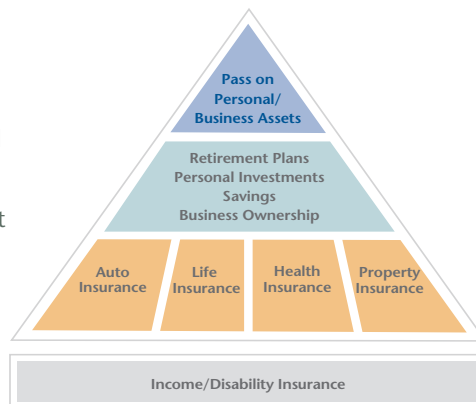
² U.S. Census Bureau, "2007 American Community Survey."

How solid is your financial foundation?

Your income is the foundation of your financial plan. It's what makes everything else possible. Just as you protect yourself against unexpected property damage, medical expenses and loss of life, you should also protect yourself against loss of income due to disability.

Ways to protect your income

There are several methods for replacing income in the event of a disability. Depending on your situation, a combination of methods may be necessary.



Social Security

If you become disabled, you may be eligible for Social Security benefits, though only 35% of the workers who applied for benefits in 2009 were approved.¹ To be considered disabled under Social Security, you must have a physical or mental impairment that prevents you from engaging in any substantially gainful activity. Plus, the disability must last or be expected to last at least 12 months or be expected to result in death. And, if your claim is approved, there is a six-month waiting period before benefits will begin. Benefits typically replace only a fraction of pre-disability income.

Workers' Compensation

If your disability results from a work-related illness or injury on the job, you may be eligible to receive benefits from your employer's workers' compensation insurance. Coverage and benefits vary from state to state.

Savings

Even if you regularly save 10 percent of your income, one year of disability could easily wipe out many years of savings.

Borrowing

What bank would lend you money if you were too sick or hurt and could not work? Would you really want to burden family and/or friends by asking for assistance? Would they even be in a position to assist?

¹Social Security Online, disabled worker beneficiary statistics (www.ssa.gov).



Group long-term disability insurance

If your employer offers a group long-term disability (LTD) insurance program, it may replace a portion of your income should you become too sick or hurt to work. This is a valuable benefit and good safety net, yet because the benefits are often taxed, some people find their group LTD benefits may not be enough.

Individual disability income (DI) insurance

An affordable personal policy that provides a monthly benefit that is income tax free when you pay the premium.

CAN YOU LIVE ON 42% OF YOUR INCOME?

Individual DI insurance helps supplement your group LTD insurance benefits to better meet your income replacement needs.

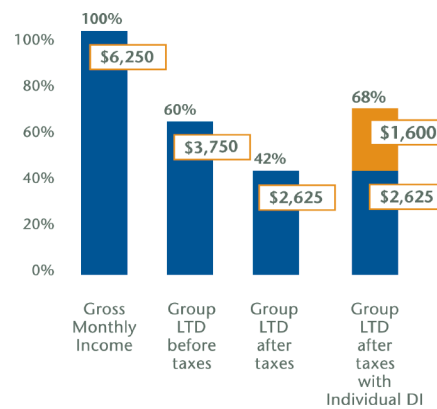


Chart based on \$6,250 gross monthly income (\$75,000 annual), with 60% Group Long-Term Disability program, assuming a 30% tax bracket for Federal, State and FICA.

62% of all personal bankruptcies filed in the United States in 2007 were due to the inability to pay for medical expenses.

– June 24, 2009, *The American Journal of Medicine*, based on a Harvard University Report.



How DI coverage meets many needs

Let's take a look at some hypothetical examples of four typical families – each is at a different stage in life. They have different needs, different incomes, different goals and different opportunities. Yet each family can benefit now by working closely with their financial professional – and by making educated decisions about their income protection needs.

Singles – with no spousal income to fall back on, they may have the greatest need for income protection.

Some people are single by choice. Others have lost a spouse, either through death or divorce. Many are single parents. Some are empty nesters. But all share a common concern. Since they have only one income to rely on, they have an even greater need to protect their income and their ability to save for retirement in the event of a disability.

If you're single, there's no better time than now to make a complete review of your financial situation, including short-term goals, insurance policies, savings and investments. Make sure you're taking full advantage of your benefits at work. Compare your possible resources with current monthly expenses. The worksheet on pages 18-20 will guide you through this process.



The Youngs – they are a new family and think they can't afford to get started.

The Youngs might be surprised to discover how little they need to set aside each month to achieve and protect their long-term financial goals. Premium rates for disability income insurance are usually lower for policies purchased at younger ages. So the Youngs can purchase a small, affordable policy now. Then later, as their income grows, they may be able to adjust their policy to increase coverage.

Contrary to popular belief, the Youngs shouldn't have to give up something to protect their income. Quite often, extra cash can be created simply by reviewing and improving personal money management habits. Are they paying too much for their mortgage or their home and auto insurance, dining out too often? Are they paying the lowest possible rate on their credit cards? Think about it. How much extra money could you create, each month, if you were able to find simple expense-saving opportunities?

In 2009, the average American household spent \$3,436 on dining out.

– U.S. Department of Labor Consumer Expenditure Survey.



The Up-and-comers – the kids are growing fast (and so are their careers).

As your family and careers grow, so should your plan for financial security. Ask yourself the following questions!

- Are you taking full advantage of your benefits at work?
- Are you setting aside a portion of your growing income to help protect your future income?
- As you buy larger homes, accumulate greater assets and dream bigger dreams, are you taking steps to protect your family and assets should you or your spouse become too sick or hurt to work?
- Are the policies you bought years ago still adequate?
- Have you thought about how a disability could impact your ability to save for retirement?

Use the children's preschool and grade school years to build your financial security foundation. Ask your representative how to create affordable base levels of protection.

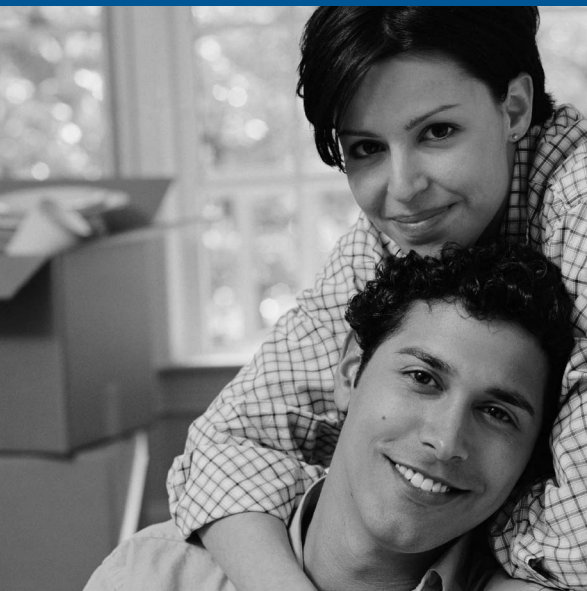
As children grow older (and you begin to enter your peak earning years), the thoughts of most parents turn to empty-nesting and retirement. This is a time when income protection is often essential to help ensure you will not have to spend your retirement savings because of a disability.



The 40-somethings – the kids are teenagers and peak earning years lie just ahead.

The next 20-some years are likely to be the most busy and exciting years of your lives. They are the years when your income is likely to be highest. You'll be able to afford traveling with your family to the places you've always wanted to see. It's when you'll want to take up new hobbies, start thinking about grandkids and more. The next 20 years will also be critical years for building your retirement savings.

That's why it's even more important to protect your income now. By doing that, you'll be protecting the lifestyle you've worked so hard to achieve. You'll be helping to make sure your dreams come true no matter what life brings.



Myth #2

Insurance is too expensive

While the need is apparent, the majority of Americans have not purchased individual DI insurance – which is unfortunate. If they only knew there are simple, affordable solutions to fit just about every need and budget.

A healthy 35-year-old male making \$75,000 a year can buy a policy that would pay an after-tax benefit of \$4,000¹ per month to age 65, should he ever become too sick or hurt to work. The best part is he could buy that coverage for less than two percent of his annual income.

Whether your goal is maximum income protection, safeguarding specific expenses (mortgage), or budget-based coverage – an individual DI insurance policy can be designed to meet your needs.

Think waiting to buy makes sense?

Most people save nothing by waiting to buy individual DI insurance – yet they risk becoming disabled before they do buy.

SAMPLE DISABILITY INSURANCE PREMIUMS ¹					
	AGE 30	AGE 35	AGE 40	AGE 45	AGE 50
Monthly Premium	\$28.21	\$32.51	\$43.34	\$53.92	\$65.51

Assumptions: \$1,000 monthly benefit, Colorado resident, male, occupation class 4A, non-smoker, 90-day elimination period, To age 65 Benefit Period, To Age 65 Your Occupation Period and Residual Disability and Recovery Benefit rider. See glossary of insurance terms for more information. Policy form HH 750. Rider form HH 784.

¹ Disability income insurance calculations are based on a variety of factors. Disability income insurance also has limitations and exclusions. For specific costs and complete details of coverage, contact your financial representative.

Understand individual disability income insurance

This chapter helps demystify individual DI insurance. It includes an easy-to-use calculator tool for determining how much coverage you may need.

What to look for in a policy

Is the policy non-cancelable and guaranteed renewable?

A non-cancelable and guaranteed renewable policy provides considerable security, since the insurance company can't raise your premium or cancel the policy for as long as you pay the premiums. A policy that is only "guaranteed renewable" can increase premiums under certain circumstances.

Definition of disability

When you buy disability coverage, you're essentially buying the insurance company's definition of disability. There are three basic definitions that typically include "own occupation" and "any occupation," as well as "partial" or "residual" disability.

Own Occupation. This refers to the occupation you were working in just prior to your disability. If your "own occupation" is protected, the policy will not require you to work in another occupation. This is sometimes referred to as "regular occupation" or "your occupation."

Any Occupation. Some policies will not pay benefits if you can perform "any" occupation you are suited to, based on your education, training and experience.

Look for a policy that considers you disabled if you cannot perform the substantial and material duties of your own regular occupation. You can further enhance your policy with coverage that provides benefits in the event of a partial disability.



Changing jobs?

Make sure you understand your new benefits package and how it fits with your personal financial plans. And, if possible, take advantage of every opportunity for employer-provided benefits. If you lose your group LTD insurance or if you're getting a raise, consider purchasing individual DI insurance.

Partial, Residual and Loss of Income Disability. Some policies will pay a proportional benefit if you become partially/residually disabled and experience a loss of earnings. Most companies use a "percent of income" formula to determine benefits for a residual disability. Some policies will cover you if you can work part-time due to your disability and still do all your regular duties – or if you can work full-time but do only part of your regular duties due to your disability. Benefits usually begin when there has been a 20 percent loss of income due to disability. In most cases, if you lose 75 percent or more of your income, you are considered totally disabled.

How long is the waiting period?

The waiting period (also known as the elimination period) is the length of time you must wait before benefits begin to be paid. It can be as short as 30 days or as long as a year. As a rule, the shorter the waiting period, the more expensive a policy will be. It's important to know that benefits are typically not paid until the end of the month following the waiting period. (If you have a 180-day waiting period, you'd receive your first benefit check after 210 days – or more.) Most people choose either a 90-day or a 180-day waiting period. Consider your available savings and assets when making this choice.

What about guaranteed future insurability?

This means that while you are working, you can increase your policy's monthly disability income benefit as your salary grows – without providing evidence of medical insurability. This feature can usually be added to the policy at no cost through a rider.



Getting married or buying a home?

In addition to combining their incomes, the Givens sold one house, remodeled and moved into the other, drafted their first wills, and began laying the foundation for their new family's financial future. Selling one home resulted in savings of \$1,100 per month (mortgage, taxes, utilities and insurance). The Givens budgeted a portion of this money for their insurance program, an additional portion goes to their 401(k) plans and the remainder goes into a savings account. It's important to build a budget for financial protection into a home purchase.

How long will benefits last?

The benefit period is the length of time benefits are paid. The shortest benefit period is usually two years. A five-year benefit period is fairly common. Most people purchase coverage that lasts until age 65, or longer if available. You should buy the longest benefit period you can afford. If you remain in good health, most companies will allow you to upgrade your coverage at a later time.

Is there inflation protection?

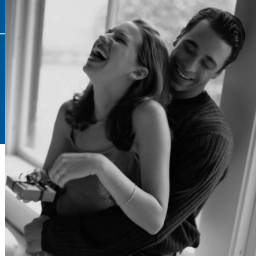
Most disability insurance companies offer "cost of living" riders that help benefits keep pace with inflation while an insured is disabled and collecting benefits.

Are premiums waived during disability?

Many policies will automatically waive your premiums during a qualified disability. They are typically waived after the lesser of 90 days or the elimination period.

Is there a rehabilitation clause?

Since most insurance companies want to help you resume an active lifestyle and get back to work as soon as possible, they will often offer assistance in your rehabilitation. Some policies are based on a mutual agreement between the policy owner and the company. Other policies limit the amount paid for rehabilitation. Make sure to review the policy, so you have a clear understanding of the insurance company's responsibilities – and yours.



Having a baby?

This changes everything! Or at least it did for the Martins. David took on a second job so Stacey could be a stay-at-home mom for the first few years. That made everything a little tighter. But David could still afford to buy additional life insurance for his growing family's protection – as well as individual DI insurance – since his paychecks were even more important than before. Their financial professional was able to customize a program for David with both life and disability insurance that was within their budget.

Qualifying factors for underwriting

When determining your eligibility for individual DI insurance, insurance companies consider your medical history, your occupational duties and your overall earned income.

	Medical history
	Occupational duties
	Financial history and earned income

How much disability insurance do you need?

Answer the following questions to determine your current need for income protection. Individual DI insurance can help replace the gap between your current resources and your financial goals. Sample answers are provided in the second column.


MONTHLY DISABILITY BENEFITS AND ADDITIONAL INCOME	Yours	Sample
Group Disability Insurance Benefit How much would you receive each month from your company's group disability insurance coverage? Be sure to deduct any income taxes that will be paid on the benefits you receive under this coverage.	\$ _____	\$2,625 net ¹
Individual Disability Income Insurance Benefit Enter your monthly benefit amount. Proceeds from individual disability income policies are typically not taxable if premiums are paid by you. Consult your tax advisor for details.	\$ _____	\$0
Monthly Social Security Disability Benefit In most cases, this answer will be zero. For an exact figure, call 800-772-1213 toll-free, or visit the Social Security Administration website. Do not enter an amount here if you have group disability insurance, since those benefits would be integrated with any Social Security disability benefits you might receive.	\$ _____	\$0
Additional Household Income Add the monthly net (take-home) value of rental income, your spouse's income, investment returns, early IRA or pension distributions and other income sources.	\$ _____	\$0
Total Monthly Disability Benefits and Additional Income	(A) \$ _____	\$2,625

¹ Sample assumptions: Based on a \$75,000 annual income, 60% Group LTD coverage and a 30% tax bracket for federal, state and FICA.

MONTHLY EXPENSES	Yours	Sample
Mortgage/Rent \$ _____ Even if your mortgage is paid off, be sure to consider the monthly cost of property taxes, association fees and any other homeowner expenses.		\$1,200
Utilities and Household Expenses \$ _____ Total what you pay each month for electricity, gas, water, telephone, cable, Internet, trash collection and other monthly expenses.		\$350
Groceries and Household Supplies \$ _____ Add up your typical monthly expenses for food and supplies. Be sure to include dining out.		\$500
Auto Payments and Expenses \$ _____ Include monthly auto payments, fuel, licensing fees and maintenance costs, as well as a contingency fund for repairs.		\$300
Loans, Credit Cards and Charge Accounts \$ _____ Total the amount you typically pay each month on your loans and credit cards. Include equity loans, college loans and loans from your life insurance policies. (Car loans and mortgage loans are included elsewhere.)		\$200
Insurance Premiums \$ _____ Add up your current monthly premiums for medical, dental, life, auto, homeowner's and other types of insurance. (Do not count homeowner's insurance if it's included in your mortgage payment.)		\$300

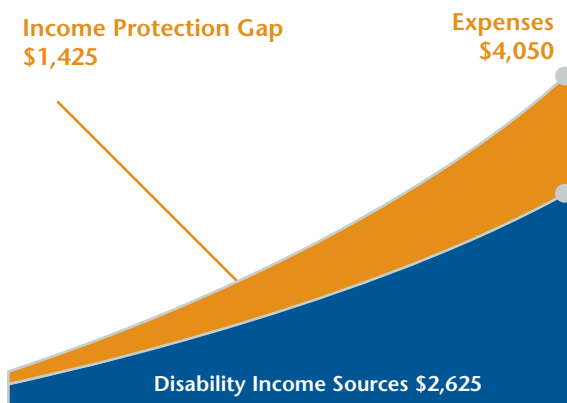
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For an easy-to-use, self-completing version of this calculator, visit www.principal.com/disabilitysecure or scan the code to the right with your smart phone.

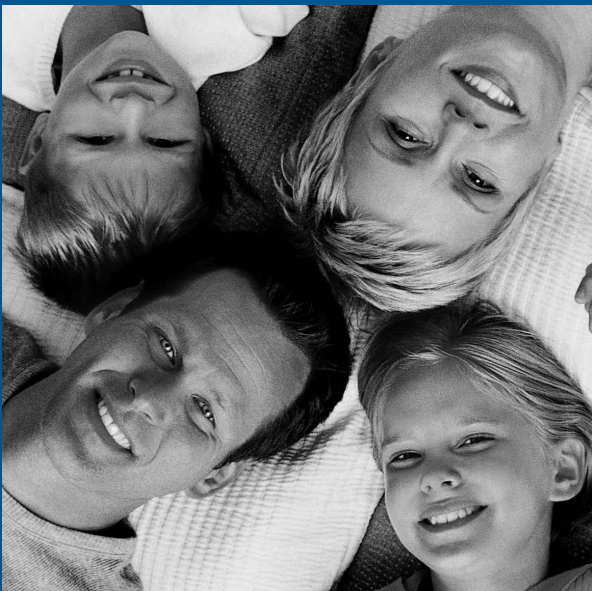


	Yours	Sample
Childcare	\$ _____	\$500
Add the monthly costs of childcare, school lunches, special interests or events, etc.		
Saving and Investing	\$ _____	\$500
Total your monthly savings for retirement, college expenses or an emergency fund.		
Other Monthly Expenses	\$ _____	\$200
How much do you spend for clothes, entertainment and other monthly expenses?		
Total Monthly Expenses	(B) \$ _____	\$4,050
Your Monthly Disability Income Protection Gap	(A-B) \$ _____	\$1,425
Keep in mind, individual DI insurance does not cover 100% of your income. Your financial professional can illustrate the amount you're eligible for, based on current underwriting guidelines.		

ILLUSTRATED INCOME PROTECTION GAP



Graph based on a \$75,000 annual income (\$4,375 after-tax monthly income), 60% group LTD insurance coverage, 30% tax bracket for federal, state and FICA and assumptions from the sample scenario.



Myth #3

I can do it myself

Truth is, it makes sense to work with a financial professional.

Here's why.

- Financial professionals are trained to help you assess your insurance needs, your overall financial situation, your tolerance for risk and the type (or types) of insurance that would be most appropriate for your personal situation.
- He or she will help you understand the complexities of individual DI insurance policies and riders – and will help you select the features and benefits that are right for you.
- A financial professional may be a catalyst in the planning process – bringing together any other advisors you may have, such as your attorney or accountant – then helping form a coordinated planning team.
- He or she will complete the forms necessary to start the underwriting process – and will arrange for any follow-up information that may be required. Then he or she will follow up with the underwriters to facilitate the process.
- When the policy is issued, your financial professional will usually deliver it in person, explain the coverage and answer any questions you might have.
- He or she will continue to review your changing needs and will be available to help with any service needs that may arise over time.
- In the event of a disability, your financial professional will be a great resource to you and your family – helping you file a claim.

The time to take action is now. Contact a financial professional to discover how much income protection you need.

Review your plan regularly

Did your job or income change? Did you get married or have a baby? Did someone in your family die? Change is the one great constant in life. That's why it's important to regularly review your objectives, your plan and financial protection strategy – at least once a year.

Now that you've taken the time to create a plan for financial security, you need to make sure your plan, as well as the protections you've put in place, remain in line with your changing goals and your changing life.

Pick a day you'll remember

Pick a day – each year – to trigger a call to your financial professional to set up an appointment. It could be your birthday, your anniversary, a child's birthday, April 15th – any date that you will easily remember. Take a moment, now, to mark that date on the calendar. You can also ask your financial representative to call you every year on that date.

Some things demand immediate attention

Whenever a major life-changing event occurs, you should contact your financial professional for a review.

- Marriage or divorce
- Birth or adoption of a child
- Children graduating from college or leaving home
- Inheritance or other windfall
- Major increase in debt, including the purchase of a new home
- Paying off the mortgage
- New job or promotion
- Death of a spouse
- Changing a beneficiary

What your review may discover:

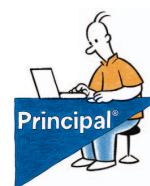
- 1. You're well protected.** Your income protection strategy is working as planned. There have been no major changes since the last review.
- 2. Your situation has changed and your coverage can be adjusted to reflect the change.** For example, some individual DI insurance policies allow you to increase coverage at predetermined times, without having to provide proof of insurability. You can usually apply for an increase in coverage at any time with full underwriting.

What now?

- 1.** Collect all the documents related to your financial plan and insurance protection and store them in a safe place (like a safe deposit box).
- 2.** If you haven't already done so, contact your attorney and draw up a will.
- 3.** Next, establish a regular schedule for reviewing your plan, your investments and your financial protection strategy with your financial professional.

FOR MORE INFORMATION

Contact your local financial professional or visit
www.principal.com/disabilitysecure.



Glossary of insurance terms

Age Limits

Most policies have limits on the age of the insured. Most have maximum issue ages. Some have minimum ages. And some have a combination of maximum and minimum issue ages.

Agent

An authorized representative of an insurance company who sells and services insurance policies.

Application

A series of questions that give the insurer the information necessary to effectively assess the risk. By signing the application, the proposed insured certifies the accuracy of the information. The application becomes a part of the policy at issue and may be used to determine the validity of a claim in the case of misrepresentation or misstatement of fact.

Any Occupation

Definition of disability whereby the insured will receive benefits only if, due to a qualifying disability, he/she is unable to engage in any occupation which he/she is reasonably qualified for based on education, training or experience.

Benefit Period

The length of time benefits are paid if disabled according to the policy.

CERTIFIED FINANCIAL PLANNER™ (CFP®)

A professional credential awarded by CFP Board of Standards for successfully completing a curriculum of insurance and financial planning concepts.

Chartered Financial Consultant (ChFC®)

A professional designation for successfully completing a curriculum of insurance and financial planning concepts through The American College.

Chartered Life Underwriter (CLU®)

A professional designation for successfully completing a curriculum of life insurance-related concepts through The American College.

Cost of Living Rider

Also called the “Cost of Living Adjustment Rider” – can be added to a policy to help benefits keep pace with inflation, when the insured is disabled and receiving disability benefits for more than a year.

Disability

An illness or injury that prevents a person from working and earning an income.

Disability Benefit

Monthly benefit for a qualifying disability.

Disability Income Associate (DIA)

A Health Insurance Association of America (HIAA) designation acquired upon satisfactory completion of specific coursework. Recipients demonstrate a fundamental understanding of the role disability income insurance plays within the health care continuum – as well as in retirement, estate and long-term care planning – in protecting individuals from the financial losses often associated with disabling injuries or illnesses that prevent them from working.

Disability Income Insurance

Insurance that provides monthly benefits when you are unable to work due to a disabling illness or injury.

Elimination Period

Also known as the “waiting period” – the length of time during a qualifying disability you must wait before benefits are paid.

Evidence of Insurability

A requirement for potential insureds to provide proof of medical, occupational and financial insurability before purchasing a disability income insurance policy.

Grace Period

A period (usually 30 or 31 days) following each insurance premium due date, other than the first due date, during which an overdue premium may be paid. All provisions of the policy remain in force throughout this period.

Guaranteed Future Insurability

Policy provisions and/or riders that allow the insured to increase coverage amounts at specified intervals, ages or as income increases, without additional medical underwriting or proof of insurability. Such provisions are typically available for an additional premium.

Guaranteed Renewable Policy

A policy in which coverage is guaranteed to a specified age as long as premiums are paid. The premium could be changed by an insurer for a certain class of individuals.

Incontestable Clause

A clause that generally allows the insurance company to contest the payment of a benefit for up to two years from issue for misstatements in the application. Fraud and misrepresentation are generally not protected by an incontestable clause and may be contested even after the two-year period has expired.

Insured

Individual who is covered by the insurance policy.

Insurer

The insurance company issuing the insurance policy.

Lapsed Policy

An insurance policy terminated at the end of the grace period because of nonpayment of premiums.

Level Premium

A premium that is guaranteed not to increase for a stipulated period of time.

Long-Term Disability (LTD) Insurance

Group disability coverage provided by an employer for employees, which typically provides benefits for two years or longer.

National Association of Insurance Commissioners (NAIC)

An association of the various state insurance commissioners, who collaborate to codify certain insurance laws and regulations.

Non-Cancelable and Guaranteed Renewable Policy

A policy that cannot be changed or canceled except for nonpayment of premiums – nor can the policy premiums be increased before age 65, regardless of changes in income, occupation or health.

Own Occupation

Definition of disability that typically means the insured will receive benefits if he/she is unable to perform the duties of his/her regular (or “own”) occupation due to a qualifying disability. Also known as “regular occupation.”

Partial Disability

The insured is unable to perform some of the duties of his or her occupation.

Policy

The printed document issued to the policy owner by a company stating the terms of the insurance coverage.

Policy Illustration

A policy illustration generally illustrates premiums, benefits and other information about the policy.

Premium

The payment, or one of regular periodic payments, that a policy owner makes to own an insurance policy.

Rated Policy

A policy that has been issued with additional premiums as the result of unfavorable underwriting characteristics of the insured. For example, the proposed insured may have a medical condition not serious enough to decline the policy, but which creates additional risk for the insurer.

Regular Occupation

Definition of disability that typically means the insured will receive benefits if he/she is unable to perform the duties of his/her regular (or “own”) occupation due to a qualifying disability. Also known as “own occupation.”

Rehabilitation Benefit

A provision in a disability income insurance policy that typically allows for additional benefits if the insured takes part in a rehabilitation program.

Reinstatement

The restoration of a lapsed insurance policy. The company requires evidence of insurability and payment of past-due premiums.

Residual Disability

The insured is able to perform some, but not all, of the duties of his or her job or the insured's ability to work is restricted and, as a result, has a loss of earnings.

Rider

An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.

Short-Term Disability Income Insurance

Group disability coverage provided by an employer for employees. It provides benefits for a short period of time, typically three to six months.

Social Security

A federal program that provides retirement, disability and survivor benefits to qualified individuals.

Standard Risk

A category of risk which meets the underwriter's definition of standard or favorable risk.

Substandard Rating

See "Rated Policy."

Supplemental Disability Coverage

Individual disability income insurance is sometimes referred to as "supplemental disability coverage" when it is wrapped around group long-term disability insurance.

Total Disability

Solely due to a disabling illness or injury, an insured is unable to perform the duties of his or her occupation or any other occupation he or she is qualified to do based on education, training or experience.

Underwriting

The process of classifying applicants for insurance by identifying characteristics such as age, gender, health, occupation and hobbies.

Waiver of Premium

Under this provision, premiums are typically waived after the lesser of 90 days or the elimination period for the duration of disability coverage in the event of a qualifying disability. This is typically a provision included in the policy at no additional premium.

Workers' Compensation

State and federal law mandating that employers compensate employees for the financial loss of a disability due to occupational injury or illness. (Applies to most jobs; some exclusions in certain states.)



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