



Business Loan Protection Coverage

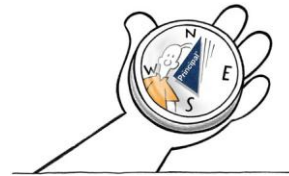
TIPS FOR APPROACHING FINANCIAL INSTITUTIONS

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Agenda

We'll review:

- **The basics** of the Business Loan Protection (BLP) rider
 - How it works
 - Ideal characteristics of customers
- How BLP **benefits customers and financial institutions**
- **Steps to approach** financial institutions
- The advantages of setting up a **referral relationship**



Did you know?



The **23.5 million** outstanding **small business loans** in the U.S. are valued at **\$587.8 billion**.¹

58%

More than half of small businesses that apply for a loan are denied or only receive a portion of the requested amount.²

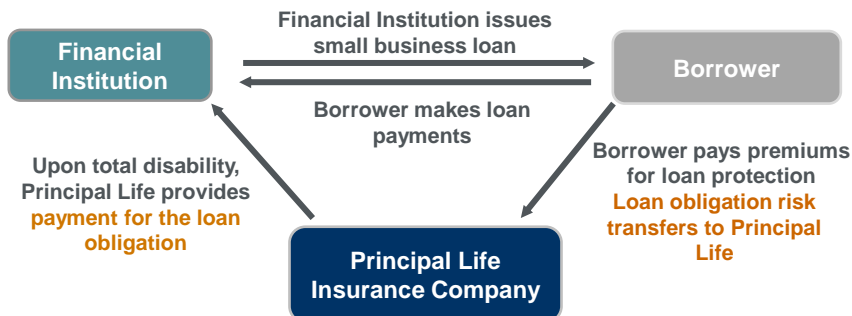


1 in 4 of today's 20-year olds will become disabled before retiring.³

¹ U.S. Small Business Administration Office of Advocacy, *Small Business Lending in the United States 2012*, July 2013 | ² National Federation of Independent Business, *Small Business, Credit Access, and a Lingering Recession*, Jan. 2012 | ³ Social Security Administration Fact Sheet, Feb. 2013

Business Loan Protection

- Available as a rider on Principal Life's Overhead Expense policy¹ for an additional cost.
- Provides payment to the financial institution for a business-related loan obligation in the event of a disability.



¹ Available on the HH702 and HH789 Overhead Expense insurance policy for an additional cost. Not approved in California or Maryland.

Ideal Borrower Characteristics

Business Loan Protection coverage is ideal for those with:

- **Business-related loan obligations** of up to \$20,000/month maximum benefit is available, not to exceed \$2 million¹ with a minimum three year term length
- **Less than four owners** in the business (without other income-producing non-owners who would keep the business afloat)
- **Fee-for-service professions** with eight or fewer owners in the practice
- **Incomes of at least \$15,000/year** (as indicated on federal tax returns) and are ages 18 to 60

Sample rates:

Sample monthly premiums: \$250,000 loan payable over 15 years

AGE	MALE	
	No Discount	20% Multi-Life Discount ⁶
35	\$24.40	\$19.52
40	\$35.10	\$28.08
45	\$51.24	\$40.99
50	\$75.17	\$60.14

AGE	FEMALE	
	No Discount	20% Multi-Life Discount ⁶
35	\$65.29	\$52.23
40	\$84.25	\$67.40
45	\$99.56	\$79.65
50	\$113.27	\$90.62

Assumptions: Colorado resident, \$0 Overhead Expense insurance benefit, 30-day Elimination Period, 5A occupation class, nonsmoker, \$1,389 monthly benefit

1 – If the loan exceeds \$2 million, this protection can help enhance the financial institution's collateral position and cover a portion of the loan.

Benefits of BLP

Financial Institution

- It **transfers the risk** of the loan to Principal Life
- It's **ideal for local community banks/credit unions** that do not have the capital to withstand losses
- They **save on resources** they would utilize trying to recover loan losses

Borrower

- It may help them **secure a loan** because they have a contingency plan if they become disabled
- If totally disabled:
 - Helps them **continue making loan payments**
 - May help **maintain their credit rating** which is important to small business owners

Share JJ1911 with financial institutions



Share JJ1368 with borrowers



Advantages of a Referral Relationship

- This can be a great resource for **ongoing lead generation and customer referrals**
- **Cross-selling opportunities** with borrowers when explaining the benefits of BLP – they may have other unmet risk protection needs
- Opportunity to **provide additional solutions to financial institution staff** that may not be adequately protected
 - Potential for **multi-life sales** if three or more employees purchase IDI from you
 - Possible **business and personal protection needs**, depending on the ownership of the financial institution
 - Executives earning more than \$60,000/year for the past two years qualify for the **Select Occupation discount**.

Steps to Approach Financial Institutions

1. Find financial institutions to contact
 - Visit websites of organizations that work with small businesses like the U.S. Small Business Administration
 - Network with friends, clients, and LinkedIn contacts who may have connections to local financial institutions
 - Participate in community events and organizations like the Chamber of Commerce
2. Contact the executive or officer at the financial institution
 - The “About Us” page of financial institution websites may have organizational charts or annual reports with officers’ names
3. During the meeting:
 - Explain the benefits of transferring some of the loan risk from the financial institution to Principal
 - Offer to train the financial institution staff and provide training materials
 - Provide examples of clients who have benefited from this protection

Tip: Ask about existing financial requirements; some may already require borrowers have life insurance to reduce their risk.

Visit www.principal.com/businessloanprotection for lead sources, additional tools and marketing materials

Questions?



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