



## Principal Life Insurance Company Frequently Asked Questions About Group Life Conversion

### What is Group Life Conversion?

Group Life Conversion allows eligible individuals, previously covered by an employer-sponsored group life insurance contract, to convert to an individual life insurance policy. You may be eligible for a conversion if insurance, or any portion of insurance terminates or is reduced due to termination of employment, retirement, or moving to a different class. Proof of good health is not needed to apply for Group Life Conversion.

If the entire group life insurance contract is terminated by the employer, conversion options may be limited and are determined by the group contract between the policyholder (employer) and Principal Life Insurance Company.

### How do I apply for Group Life Conversion?

Your former employer is responsible for providing you with the Group Life Conversion Application and the Group Life Conversion Application Instructions/Rate Table. On the application, the policyholder (employer) should complete Section 7, "Employer to Complete." You will complete the rest of the application, sign it, and date it. The rate table provides instructions on how to calculate the premium amount needed.

#### **Important Note:**

*The application and a minimum of one quarterly premium must be submitted to Principal Life with a postmark within 31 days after the date your group life coverage ends or is reduced. In light of recent changes in anti-money laundering laws and regulations, we can no longer accept money orders, third party checks, starter checks, or cash. Please submit a personal check or a cashier's check.*

### How long do I have to convert my group life coverage to an individual life insurance policy?

You have 31 days from the date your group life coverage terminated or reduced. A minimum of one quarterly premium is required.

### What type of policy can I convert to?

In most states, our company uses the individual Universal Life Flex III policy for group life conversions.

However for employees of groups with contract states in Louisiana, West Virginia, Montana, and New York; employees can choose to convert their group coverage to either UL Flex III or One Year Term (OYT) insurance. Please note that OYT is non-renewable and expires in one year. Principal Life's UL Flex III policy has flexible premiums, adjustable death benefits, and the policy can accumulate cash value. Current and Guaranteed Cost of Insurance Rates will vary by issue age and use of tobacco.

### How much group life coverage can be converted to an individual life insurance policy?

The amount of coverage you can apply for will vary, depending on the terms in your employer's group life contract with Principal Life. The minimum amount of coverage you can apply for is \$1,000. The maximum face amount of insurance is the amount of coverage you lost under your employer's policy. (In some situations, depending on the terms of the employer's group policy, the maximum amount may be reduced.)

### **Can I convert my dependent life coverage?**

The amount of coverage your dependent spouse can apply for will vary depending on the terms in your employer's group life contract with Principal Life. Dependent child conversion can vary by state and may not always be available.

### **How do I apply for coverage for my spouse and children?**

Each person applying for coverage must submit an application. All applicants age 15 and older must sign their own applications. If a child cannot sign for themselves, the parent or guardian must sign. For example: John Doe, by Sally Doe, mother.

### **How much will an individual life insurance policy cost?**

Typically, individual life insurance coverage is more expensive than the group coverage being converted. This is because the cost of the group coverage is shared by all the individuals in the group program.

The Group Life Conversion Application Instructions/Rate Table explains how to calculate the initial premium for an individual UL Flex III policy. Rates shown **do not** provide guaranteed lifetime coverage. The initial premium you pay will be based on your age and use of tobacco as stated on the Group Life Conversion Application. You may change the amount of premium you pay after your policy is issued. Any change in premium can affect the length of time the policy provides coverage and potential accumulation of net surrender value.

In the states of Louisiana, West Virginia, Montana, and New York, if you elect OYT insurance, we require the full annual premium be paid with application. This will typically be lower than UL Flex III, but the policy will expire in one year. NY and WV will have the ability to obtain UL Flex III at the end of that year. LA and MT do not have that provision.

### **What are the policy provisions?**

The individual policy will provide a life insurance death benefit as long as sufficient premiums are paid to keep the policy in force. However, no riders, such as Waiver Disability, Accidental Death Benefit, or Accelerated Death Benefit, will be included.

### **Can I take a loan out on this policy?**

The UL Flex III product does allow you to borrow a portion of the policy's net surrender value. However, please note that policy loans can reduce the duration of guaranteed coverage provided by the policy; and loans may need to be repaid in order to keep the policy in force.

### **How long will UL FLEX III coverage last?**

Your policy contains a No-Lapse Guarantee (NLG) provision which guarantees coverage for the No Lapse Guarantee Period provided sufficient premiums are paid. The premium rates listed in the Group Life Conversion application not only meet the NLG premium requirement but may also be sufficient to provide lifetime coverage on a non-guaranteed (current rates and charges) basis. These rates are higher than the NLG rates. When we send you your Universal Life Flex III policy, we will also send you an Illustration which will indicate the length of time coverage is guaranteed, based on the premium you plan to pay.

### **What is the No-Lapse Guarantee Premium?**

The No-Lapse Guarantee Premium is the minimum amount of premium required to guarantee your policy will stay in force during the No Lapse Guarantee Period, even if your accumulated value is zero, or is less than what is needed to pay the monthly policy charges. Any policy loans or partial surrenders of cash value from the policy will have a negative impact on the NLG provision and may require higher premiums to be paid to maintain the guarantee provided by the NLG provision.

### **Will the face amount of an individual life policy decrease with age?**

No. For UL Flex III policies, we will not automatically decrease the face amount. However, the owner may decrease the face amount, subject to the policy provisions, any time after the end of the first policy year.

For OYT policies, the face amount cannot be increased or decreased by us or the owner once the policy is in force.

### **Will the premium on an individual life policy increase?**

For UL Flex III policies, premiums will not automatically increase as long as there is sufficient net surrender value in the policy to pay for the monthly policy charges as they are deducted. However, it is important to note that the cost of insurance will increase as the insured's age increases, which may require an increase in premium to keep the policy in force. If the amount of premium being paid is not sufficient to keep the policy in force, you will receive written notice and a request for additional premium. The owner may adjust the policy premiums at any time after the policy is issued and in force.

One Year Term policies are non-renewable. (OYT insurance is only available in Louisiana, West Virginia, Montana and New York.)

### **Can I increase the face amount of my individual life policy?**

At the time of your group life conversion, the face amount of the individual policy cannot exceed the amount provided by your group life insurance coverage.

Once a UL Flex III policy is issued and in force, the owner may request an increase in the face amount subject to providing proof of insurability based on our current underwriting requirements.

For OYT policies, the face amount cannot be increased once the policy is issued.

### **Can I change the amount of my premiums?**

With the UL Flex III product, after the policy is issued, you may change the amount of premium you pay by calling our Customer Service Center at 800-247-9988.

### **Is it possible to pay premiums on a monthly basis?**

Once the individual policy is in force, and the owner has accepted the policy, the owner may request to have premiums deducted on a monthly basis directly from a bank account via electronic funds transfer. You will need to request an Authorization for Withdrawal and/or Electronic Fund Transfers form from the Principal Financial Group form. You may call us toll-free at 800-247-9988 for assistance.

### **What is the difference between Owner and Beneficiary?**

The owner will be the proposed insured unless another owner is named on the application. The owner is the person who will get the premium billings and be responsible for paying the premium. The owner is the only person authorized to make changes to the policy. (adjust the policy face amount and/or premium amount, change the beneficiary, request policy transactions, etc.)

The beneficiary is the person who will receive the proceeds of the death benefit. The only information needed on the application for the beneficiary is the name and relationship to the insured.

### **What happens if I die after submitting the application but before the new individual life policy becomes effective?**

If you die within the 31-day purchase period, your beneficiary will be paid the life insurance amount, if any; you had the right to buy. This payment will be made whether or not you have applied for an individual policy. This means continuous coverage is provided and there is no lapse in coverage.

### **Can I change to a nonsmoker status after the new individual life policy becomes effective?**

You may call 800-247-9988 and request an application to apply for a nonsmoker (or nontobacco) premium classification. This will be underwritten by our company and all of your medical history will be considered in the underwriting decision. There is no guarantee that you will be reclassified as a nonsmoker, as that is based on your total medical history and subject to our underwriting guidelines in affect at the time the request is received.

### **When will the new individual life policy be effective?**

If the application is approved, the individual policy will be in force on the 32nd day. This means continuous coverage is provided. There is no lapse in coverage between the end of the group insurance and beginning of the individual insurance.

### **Will I receive an individual policy?**

Yes, the owner will receive a complete policy and a cover letter that explains the action steps needed to accept or decline the individual policy.

### **Do I receive regular updates on an individual policy?**

Yes, the owner will receive Life Insurance Policy Annual Statements each year, which will provide a current status of the policy's values and benefits.

### **What if I do not want the new individual policy after it is received?**

The new policy provides a "free-look" period. The length of this period varies by state. If the owner decides he/she does not want the policy during this "free-look" period, the owner may write the words "Not Taken" on the policy, then sign his/her name to it and return the policy to Principal Life in the postage-paid envelope provided. Any premium submitted with the Group Life Conversion Application will be refunded to the owner.

### **What happens if I convert my coverage and am rehired by my former employer at a later date?**

You can keep your converted policy in effect by continuing to pay the premium due. If you are eligible, you may also re-qualify for life coverage under the group plan.

### **Who do I contact if I have questions?**

- For Group Conversion questions 800-843-1371, select directory assistance ext. 76398
- For questions on specific policy values on your in force life insurance policy, please contact our Customer Service Center at 800-247-9988.