



Principal Individual Disability Insurance

Frequently asked questions

Compensation changes effective Jan. 1, 2023

How does this position us for the future?

One clear outcome of the strategic review is that Principal® continues to have a long-term commitment to the individual disability insurance product line. This includes a desire to continue to grow in the individual Disability Income (DI) M & D occupation classes under age 40 segment. In 2023, we're introducing a new product, web-based illustration system, and a new administration platform. We believe these major investments position us for long-term growth and stability.

Will our pricing/product in the market space remain competitive?

We believe we'll remain as the best solution in many markets including DI M & D occupation classes under age 40. Our new product and pricing will be a compelling value proposition especially for the small to midsize business market.

Producer commission

What are the major differences in producer commission for 2023?

- We'll have three producer commission schedules:
 - DI for occupation classes A to 6A+, DI for M & D occupation classes age 40 and above, and business products for all occupation classes.
 - DI for M & D occupation classes under age 40.
 - Policies with a policy date prior to Jan. 1, 2023 (includes adjustments on those policies).
- Renewal commission tier is measured by annualized premium rather than annualized first-year commissions.
- Premium requirements for higher tier payouts increased.

What is the renewal producer commission for new policies sold Jan. 1, 2023, and after?

- Renewal commission rates will be based on 2023 production and the 2023 commission schedules.
- Premium from the business segment included in the DI for occupation classes A to 6A+, DI for M & D occupation classes age 40 and above, and business products for all occupation classes schedule will include premium from policies with a policy date prior to Jan. 1, 2023, to determine your renewal tier.

- Premium from the business segment included in the DI M & D occupation classes under age 40 schedule will include premium from policies with a policy date prior to Jan. 1, 2023, to determine your renewal tier.
- Premium from all business segments will be used to determine your renewal tier for policies with a policy date prior to Jan. 1, 2023.

What is the first-year and renewal producer commission for adjustments to policies with a policy date prior to Jan. 1, 2023?

- First-year commissions for adjustments made in 2023 will follow the 2022 commission schedule. Renewals on those adjustments will be based on 2023 production and the 2022 commission schedule.

Producer bonus structure

What are the changes to the Quality Producer Bonus (QPB)?

- The existing Quality Producer Bonus will sunset on Dec. 31, 2022. It will be replaced by the **New Business Bonus** starting on Jan. 1, 2023. Bonuses earned under the Quality Producer Bonus for 2022 will be paid based on the 2022 program. The production requirements to qualify for the New Business Bonus can be found in the 2023 producer flyer. Premium from both new business in 2023 and from adjustments to policies with a policy date prior to 2023 will be included for the New Business Bonus.

Are firms eligible for the New Business Bonus?

- The New Business Bonus is for individuals and not for firms.

What are the changes to the Quality Business Bonus?

- The existing Quality Business Bonus will sunset on Dec. 31, 2022. It will be replaced by the **In-force Bonus**. We'll continue to pay the Quality Producer Bonus on all business with a qualification year prior to 2023 for the payment years remaining based on the 2022 commissions/compensation schedules.
- Premium from both new business in 2023 and adjustments to policies with a policy date prior to 2023 will be included for the In-force Bonus. The first In-force Bonus will be paid based on 2023 premium in force at the end of 2024 with the bonus payable in 2025.
- For 2024, the In-force Bonus will be paid on both 2023 and 2024 premium in force at the end of 2025 with the bonus payable in 2026.
- Subsequent bonuses will be based on premium from years 2023 and after in force at the end of each respective year, with any bonus paid in the year following.
- The In-force Bonus requires both a minimum new premium during each calendar year and a minimum overall in-force premium amount.
- See the 2023 producer flyer (JJ2340) for more details.



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