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Principal Life
Insurance Company

Group Life
Conversion
FAQ Sheet

Principal Life Insurance Company Frequently Asked Questions About Group Life Conversion

What is Group Life Conversion?

Life conversion allows eligible individuals, previously covered by an employer-sponsored group life insurance contract, to convert to an individual life insurance policy. Eligibility for conversion may be a result of termination of employment, retirement, or moving to a class not eligible for group life coverage. 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 should complete Section 6, "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. 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 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. A minimum of one quarter's premium is required.

What type of policy can I convert to?

In most states, group life insurance can be converted to an individual UL Flex (2010 Reprice).

Employees of groups with contract states in West Virginia, Montana, and New York have a choice of either UL Flex (2010 Reprice) or Annual Renewable Term (ART) insurance. Premiums on ART policies will increase each year. Principal Life's UL Flex (2010 Reprice) policy has flexible premiums, adjustable death benefits, and accumulates cash value. Current and Guaranteed Cost of Insurance Rates will vary by issue age and use of tobacco. The balance of any premiums remaining after monthly deductions are paid, is added to the policy's accumulated cash value.

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 had 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 your individual life insurance premium. Rates shown do not provide guaranteed lifetime coverage.

In the states of West Virginia, Montana, and New York, if you elect ART insurance, the premium is typically lower than UL Flex (2010 Reprice), but will increase each year. An annual policy fee of \$75.00 is charged for ART insurance.

What are the policy provisions?

The individual policy will be for life insurance only. No Disability, Waiver or Accelerated Death Benefit will be included. The premium you pay will be at our normal rate for your age and for the risk class to which you belong on the individual policy's date of issue.

How long will UL FLEX (2010 REPRICE) coverage last?

The premium will provide at least 10 years of guaranteed coverage under the policy's No Lapse Guarantee provision. If you need coverage for a longer period of time, it is possible to request a higher premium, after acceptance of the policy.

What is the Ten Year No-Lapse Guarantee Premium?

Rates provide coverage for at least 10 years according to the policy's No Lapse Guarantee provision. The Ten Year No-Lapse Guarantee Premium is the premium amount that keeps your policy in force during the first 10 policy years on a guaranteed basis, even if your accumulated value is less than what's needed to cover policy costs. After the first 10 policy years, when your No-Lapse Guarantee terminates, it may be necessary for you to pay significantly higher premiums in order to continue guaranteed coverage under the policy. While the No-Lapse Guarantee premium keeps your policy in force for a limited time, on going premiums at this amount may not allow you to take full advantage of the potential cash value accumulation.

If you pay the minimum No-Lapse Guarantee premium, your policy will remain in force for the first 10 policy years provided no loans, partial surrenders, or policy changes occur. Guarantees are based on the claims paying ability of Principal Life Insurance Company.

After policy acceptance, you may pay a higher premium if you need coverage to stay in force for a longer period of time.

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

No. For UL Flex (2010 Reprice) 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 ART policies, we will not automatically decrease the face amount, and the face amount cannot be adjusted by the owner once the policy is in force.

Will the premium on an individual life policy increase?

For UL Flex (2010 Reprice) policies, cost of insurance rates will increase as the insured's age increases. However, 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. The owner may adjust the policy premiums at any time after the policy is issued and in force. If premiums are not sufficient to keep the policy in force, you will receive written notice and a request for additional premium.

For ART policies, the premiums will increase each year. (ART insurance is only available in 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 (2010 Reprice) policy is accepted and in force, the owner may request an increase in the face amount subject to our current underwriting requirements.

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

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 Withdraw and/or electronic fund transfers by the Principal Financial Group form. Call 1-800-247-9988 extension 49359.

What is the difference between Owner and Beneficiary?

The Beneficiary and Owner are two separate items:

A beneficiary name and relationship are REQUIRED to issue your policy. The beneficiary is the person who will receive the proceeds of the death benefit. The only information needed for the beneficiary is the name and relationship.

Owner information is OPTIONAL. 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, change the beneficiary, take loans against the policy, etc.)

If no owner is named, the owner will be the proposed insured. You will own your own policy, and we will send the premium billings to the address you provide. You will be responsible for paying the premium and can make any changes to the policy.

What happens if I die 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 will need to ask for a change form by calling 1-800-247-9988 extension 49359. An agent would then go to your home and help you complete the information. This will be underwritten and all of your medical history will be considered in the underwriting decision. You may not be reclassified as a nonsmoker, based on your total medical history.

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 and there is no lapse in coverage.

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 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 1-800-986-3343, 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 -1-800-247-9988 extension 49359.