

MARKET CONDUCT EXAMINATION REPORT OF
PRINCIPAL LIFE INSURANCE COMPANY
DES MOINES, IOWA
AS OF DECEMBER 31, 2022

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a market conduct examination has been made of the records, business affairs and marketing practices of

PRINCIPAL LIFE INSURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2022

at its home office located at 711 High Street, Des Moines, Iowa.

INTRODUCTION

This examination report, containing applicable comments, explanations and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during the examination have been omitted from the report if no improprieties were found. All unacceptable or non-complying practices may not have been identified. The failure to identify specific company practices does not constitute acceptance of these practices.

SCOPE OF EXAMINATION

This risk-focused, market conduct examination of Principal Life Insurance Company, hereinafter referred to as the "Company", covers the period from January 1, 2018, through December 31, 2022. Principal Life Insurance Company was previously examined as of December 31, 2017. Principal Life Insurance Company's affiliate, Principal National Life Insurance Company, was examined concurrently with this examination with separate reports prepared for each entity.

The risk-focused examination reviews the Company's internal policies, procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The examination then focuses on the Company's compliance with those policies, procedures, and control structures.

This Report of Examination reflects the examination of the Company's activities with Iowa consumers.

HISTORY

The Company was incorporated in June 1879, as an assessment life insurance company under the name of Bankers Life Association and commenced business on September 2 of that year. On October 27, 1911, the Company was transformed into a mutual legal reserve life insurance company and the name was changed to Bankers Life Company. The life of the Company was extended for a period of 50 years in 1929 and its existence was made perpetual in 1969. The name of the Company was changed from Bankers Life Company to Principal Mutual Life Insurance Company in 1986.

Effective July 1, 1998, Principal Mutual Life Insurance Company formed a mutual holding company named, Principal Mutual Holding Company, and converted to a stock life insurance company named, Principal Life Insurance Company. All of the shares of Principal Life Insurance Company were issued to Principal Mutual Holding Company and were owned through two newly formed intermediate holding companies, Principal Financial Group, Inc. and Principal Financial Services, Inc.

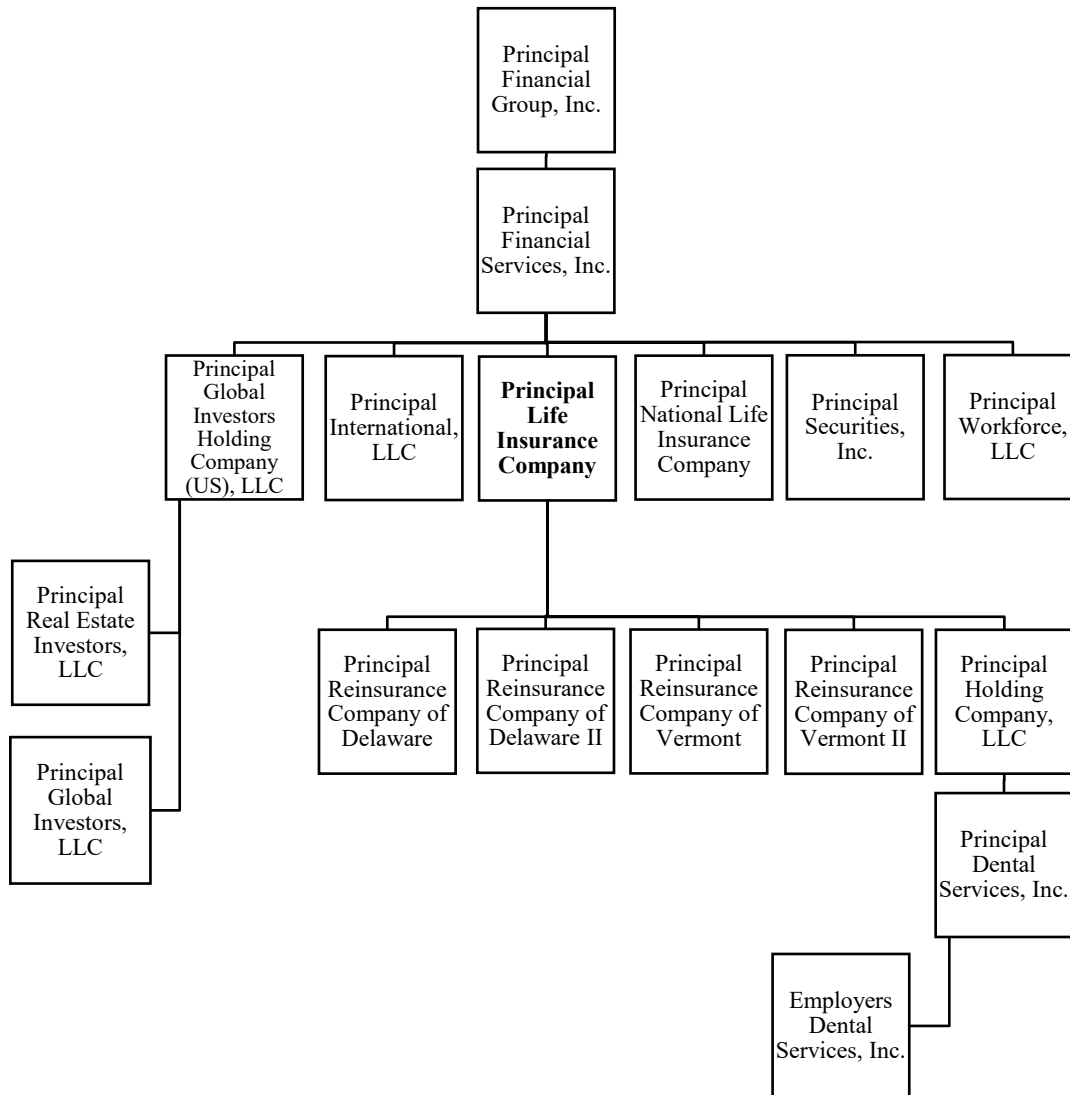
Effective October 26, 2001, under the terms of the Principal Mutual Holding Company's plan of conversion, Principal Life Insurance Company's ultimate parent, Principal Mutual Holding Company, converted from a mutual insurance holding company to a stock company and subsidiary of Principal Financial Group, Inc., a Delaware business corporation. All membership interests in Principal Mutual Holding Company were extinguished on that date and eligible policyholders received in aggregate, 260.8 million shares of common stock, \$1,177.5 million of cash and \$472.6 million of policy credits as compensation. After giving effect to the reorganization resulting from the demutualization, Principal Life Insurance Company is a direct wholly owned subsidiary of Principal Financial Services, Inc. which, in turn, is a direct wholly owned subsidiary of Principal Financial Group, Inc. Principal Financial Group, Inc. also completed its initial public offering (IPO) in which it issued 100 million shares of common stock at a price of \$18.50 per share, prior to the underwriters' exercise of the overallotment option. Net proceeds from the IPO were \$1,753.9 million, of which \$64.2 million was retained by Principal Financial Group, Inc., and \$1,689.7 million was contributed to the Company to reimburse for fees, cash and policy credits.

On May 1, 2017, the Company sold its ownership in Principal Global Investors, LLC to Principal Financial Services, Inc., in connection with a corporate reorganization designed to better utilize and allocate capital internally. The Company received \$1,368.4 million in consideration for the sale, which was comprised of a \$300.0 million note receivable and a \$1,068.4 million intercompany receivable. The Company subsequently contributed the note receivable to a subsidiary, Principal Holding Company, LLC, and paid an extraordinary dividend of \$1,068.4 million to its Principal Financial Services, Inc.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. Principal Financial Group, Inc., a Delaware corporation, is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed with the Iowa Insurance Division for each year of the examination period.

An abbreviated organizational chart identifying the Company within the Holding Company System as follows:



TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact the business of insurance in all fifty states, the District of Columbia, and Puerto Rico. During the examination period, the Company offered businesses, individuals and institutional clients a wide range of financial products and services, including retirement and insurance in the U.S. The Company primarily receives revenues from premiums and fee income from group annuities, life insurance, and disability insurance, as well as group dental and vision insurance. Products and services are provided through a variety of distribution channels including banks, affiliated financial representatives, non-affiliated broker-dealers, independent advisors, and agents. On June 28, 2021, insurers within the Principal Financial Group, Inc. announced they would discontinue new sales of U.S. retail fixed annuities and consumer life-insurance products.

PRODUCER LICENSING AND APPOINTMENTS

The Examiners reviewed the Company's onboarding, training, licensing, and termination procedures. These procedures were found to be in compliance with state statutes and regulations.

MARKETING AND SALES

The Examiners reviewed the Company's advertising policies and procedures, producer education and training requirements, and social media policies, procedures and controls. All procedures were in compliance with applicable statutes and regulations.

Annuity Suitability

The Examiners reviewed the Company's annuity suitability policies, procedures, and supporting documentation to evaluate the adequacy of Company's suitability practices and standards. The Examiners performed examination procedures on a sample of 10 annuity sales, 40 annuity surrenders, and 20 annuity replacements from the examination period and determined all to be in compliance with applicable statutes, rules and regulations.

TREATMENT OF POLICYHOLDERS

Claim Practices

The Examiners reviewed the Company's claim handling policies, procedures and supporting documentation to evaluate the adequacy of the Company's claim handling practices and standards. The Examiners also reviewed the Company's denied claims process to ensure that appropriate claim handling and timely responses. The Examiners performed examination procedures on a sample of 40 individual life claims, 10 group life claims, and 30 annuity claims from the examination period. The Examiners evaluated if the Company's claim handling process was appropriate, ensured that the Company was responding in a timely fashion, and verified that reported claims were adequately supported by claim handling notes and other documentation. All of the sampled claims from our testing were determined to follow the Company's claim handling guidelines and were in compliance with applicable statutes and regulations.

Complaints

The Examiners reviewed the Company's complaint handling policies and procedures. The Company's compliant register was determined to be in compliance with applicable statutes and regulations. The Examiners performed examination procedures on a sample of 48 complaints from the examination period and determined all were handled in accordance with Company standards and applicable regulations.

Underwriting Practices

The Examiners reviewed the underwriting procedures, guidelines, and rating practices for reasonableness and to ensure adherence to underwriting standards. The Examiners performed examination procedures on a sample of 15 individual life new business applications from the examination period and determined all to be issued in a timely manner and in accordance with Company standards and applicable.

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company is hereby acknowledged.

In addition to the undersigned, Alex Matovu and Randy Guzman, Financial Examiners for the Iowa Insurance Division participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Joshua J. Johnson
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Examiner in Charge
Risk & Regulatory Consulting, LLC
On behalf of the Iowa Insurance Division

/s/ Amanda Theisen
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