EXAMINATION REPORT OF

PRINCIPAL LIFE INSURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2017

Des Moines, Iowa
May 14, 2019

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

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs and financial condition of

PRINCIPAL LIFE INSURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2017

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

INTRODUCTION

Principal Life Insurance Company, hereinafter referred to as the "Company", was previously examined as of December 31, 2012 by the Iowa Insurance Division.

The Company's wholly owned subsidiary, Principal Life Insurance Company of Iowa ("PLICIA"), along with affiliates, Principal National Life Insurance Company ("PNLIC"), Principal Reinsurance Company of Vermont ("PRCVT"), and Employers Dental Services, Inc. ("EDS") were examined concurrently with this examination.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2013 to the close of business on December 31, 2017, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires the examination to be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company; including corporate governance, identifying and assessing inherent risks within the organization, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The Company's assets were verified and evaluated, and the liabilities determined to reflect herein a statement of its financial condition as of December 31, 2017.

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 (Principal Mutual Holding Company) and converted to a stock life insurance company (Principal Life Insurance Company). All of the shares of Principal Life Insurance Company were issued to Principal Mutual Holding Company and are owned through two newly formed intermediate holding companies, Principal Financial Group, Inc. ("PFG") and Principal Financial Services, Inc. ("PFS"). The reorganization itself did not have a material financial impact on Principal Life Insurance Company (the Company).

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 (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 now is a direct wholly-owned subsidiary of PFS which, in turn, is a direct wholly-owned subsidiary of PFG.

In addition, on October 26, 2001, PFG 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 PFG, 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 ("PGI") to PFS, 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 ("PHC"), and paid an extraordinary dividend of $1,068.4 million to its parent. As the carrying value of PGI prior to the sale was $334.3 million, the Company recognized a $1,034.1 million pre-tax gain on sale. The Company recognized $24.0 million in net investment income associated with dividends received from PGI prior to the sale.

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

Authorized capital consists of 5.0 million shares of common stock, par value of $1 per share. As of December 31, 2017, 2.5 million shares were issued and outstanding, resulting in common capital stock of $2.5 million. The Company is authorized to issue 1.0 million preferred shares. As of December 31, 2017, no preferred shares have been issued. Gross paid in and contributed surplus is $2,151.4 million.

Dividends paid to PFS during the examination period were as follows:

Year	Dividends Paid
2013	$ 80,000,000
2014	850,000,000
2015	504,354,504
2016	1,175,000,000
2017	1,818,400,000

Capital distributions paid to PFS during the examination period were as follows:

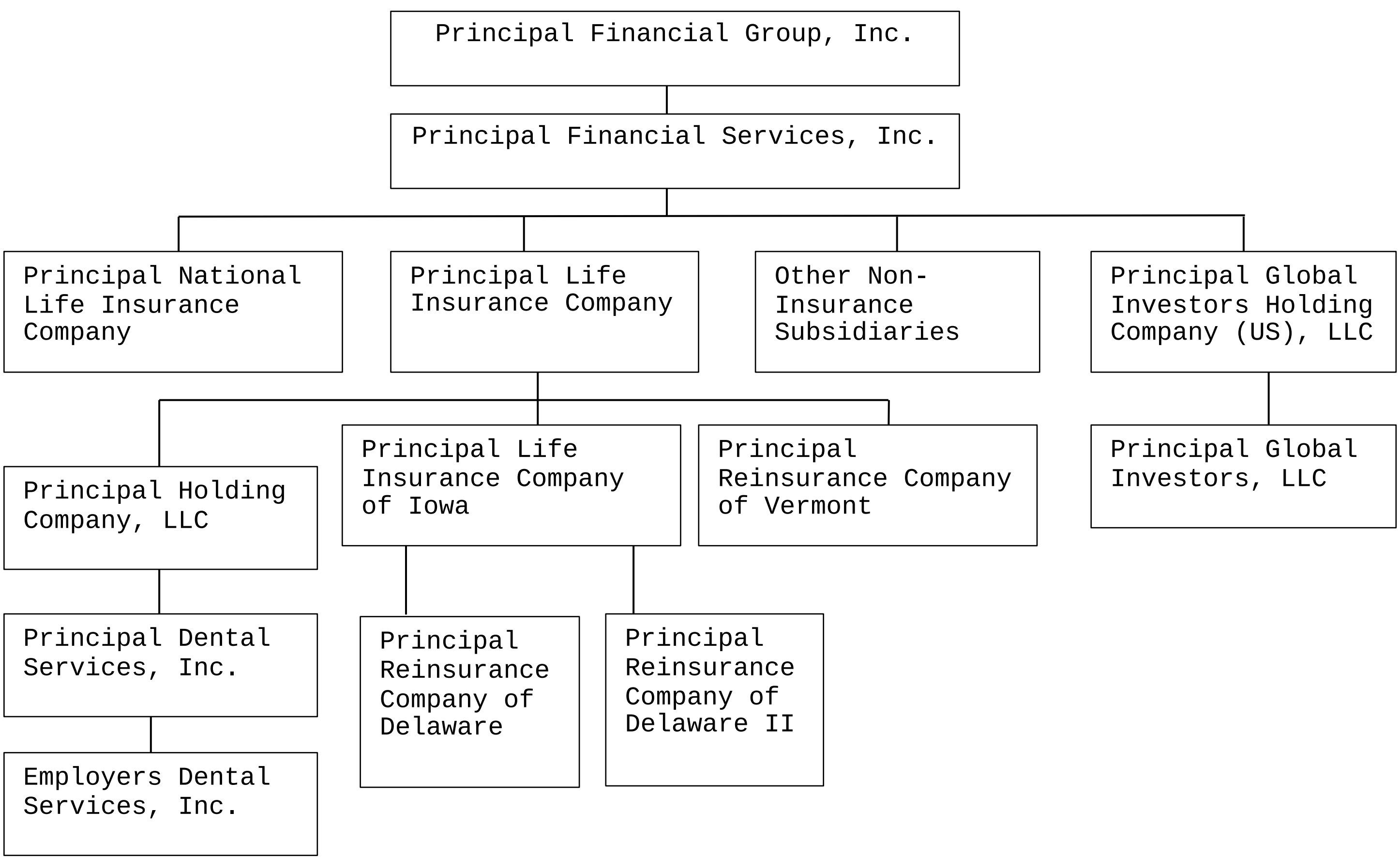
Year	Distributions Paid
2013	$150,000,000
2014	0
2015	0
2016	0
2017	27,500,000

The Company did not receive any surplus contributions from PFS during the examination period.

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. (“PFG”), 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 Companies within the Holding Company System follows:



MANAGEMENT AND CONTROL

Shareholders

The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held on the third Monday in May of each year at such place and time as the Board of Directors shall each year fix, or at such other place, time and date as the Board of Directors shall fix.

Special meetings of the shareholders may be called by the Chairman of the Board, the Chief Executive Officer or the Board of Directors, and shall be called by the Board of Directors upon the written demand, signed, dated and delivered to the Secretary, of the holders of at least ten percent of all the votes entitled to be cast on any issue proposed to be considered at the meeting.

Notice of the place, date and time of all meetings of the shareholders and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be communicated not fewer than ten days nor more than 60 days before the date of the meeting to each shareholder entitled to vote at such meeting.

Board of Directors

The business and affairs of the Company shall be managed under the direction of the Board of Directors. The directors shall be elected at the annual meeting and the number to be elected, not less than nine nor more than 21, shall be determined by the shareholder or a majority of the entire Board of Directors. Each director shall serve a term of approximately three years.

Regular meetings of the Board of Directors shall be held without notice once in each calendar quarter on such date and at such hour and place, within or without the State of Iowa, as may be fixed by the Board of Directors, except that the meeting in the second quarter shall be held in the principal office of the Company in Des Moines on the date of the annual meeting of the shareholder of the Company.

Special meetings of the Board of Directors may be called at any time upon two days' written notice given by the Chairman of the Board, if any, the President or a majority of directors then in office, which notice shall state the date, time and place of the special meeting.

A quorum of the Board of Directors consists of a majority of the number of directors prescribed in accordance with the By-Laws. At all meetings of directors where a quorum is present, the act of the majority of the directors present at the meeting shall be the act of the Board of Directors.

The directors duly elected and serving as of December 31, 2017 were as follows:

Name and Address	Principal Business Affiliation	Term Expires
Daniel J. Houston West Des Moines, IA	Chairman, President, & Chief Executive Officer Principal Financial Group, Inc. and Principal Life Insurance Company	2018
Diane C. Nordin Concord, MA	Retired Partner Wellington Management Company, LLP	2018
Roger C. Hochschild Winnetka, IL	President and Chief Operating Officer Discover Financial Services	2018

Name and Address	Principal Business Affiliation	Term Expires
Elizabeth E. Tallett Moultonborough, NH	Retired Principal Hunter Partners, LLC	2018
Michael T. Dan Naples, FL	Retired Chairman, President and Chief Executive Officer The Brinks Company	2019
C. Daniel Gelatt, Jr. LaCrosse, WI	President NMT Company	2019
Sandra L. Helton Chicago, IL	Past Executive Vice President and Chief Financial Officer Telephone & Data Systems, Inc.	2019
Blair C. Pickerell The Peak, Hong Kong	Retired Chairman Asia and Head of Asia Nikko Asset Management	2019
Dennis H. Ferro Vero Beach, FL	Retired President and Chief Executive Officer Evergreen Investment Management Company	2020
Betsy J. Bernard Bonita Springs, FL	Past President AT&T	2020
Jocelyn E. Carter-Miller Tamarac, FL	President TechEd Ventures	2020
Scott M. Mills New York, NY	Executive Vice President and Chief Administrative Officer Viacom, Inc.	2020

Dennis Ferro retired from the Board of Directors on May 22, 2018, at which time the Board approved a decrease in size to eleven members.

Principal Financial Group, Inc. compensates directors who are not officers of the Company the following amounts:

1. An annual retainer of $100,000.
2. An annual retainer of $25,000 for service as the Lead Director.
3. An annual retainer of $20,000 for service as chair of the Audit, Human Resources, Finance, or Nominating and Governance Committees of the Board.
4. An annual restricted stock unit retainer not to exceed $165,000.
5. Reimbursement for the expenses of attendance at a Board, Executive Committee, standing committee or ad hoc committee meeting.

Committees

The Board of Directors shall appoint an Executive Committee to serve at the pleasure of the Board of Directors. The Chairman of the Board and the Chief Executive Officer, if different than the Chairman of the Board, shall serve as members. A majority of the members of the Executive Committee shall constitute a quorum. The Executive Committee shall have and may exercise all of the powers of the Board of Directors in the management and affairs of the Company except when the Board of Directors is in session.

The membership of the Executive Committee as of December 31, 2017 was as follows:

Name	Position
Daniel J. Houston	Member, Chair
Betsy J. Bernard	Member
Sandra L. Helton	Member
Elizabeth E. Tallett	Member

The Board of Directors, by resolution adopted by the affirmative vote of a majority of the number of directors then in office, may establish one or more other committees of the Board of Directors, each committee to consist of two or more directors appointed by the Board of Directors. Each such committee shall have the powers and duties delegated to it by the Board of Directors.

The membership of the Audit Committee as of December 31, 2017 was as follows:

Name	Position
Sandra L. Helton	Member, Chair
Betsy J. Bernard	Member
C. Daniel Gelatt, Jr.	Member
Roger C. Hochschild	Member
Scott M. Mills	Member
Diane C. Nordin	Member

Effective May 20, 2018, Scott M. Mills was no longer a member of the Audit Committee.

The membership of the Nominating and Governance Committee as of December 31, 2017 was as follows:

Name	Position
Dennis H. Ferro	Member, Chair
Michael T. Dan	Member
Jocelyn E. Carter-Miller	Member
Blair C. Pickerell	Member
Elizabeth E. Tallett	Member

Effective May 20, 2018 Dennis H. Ferro was no longer a member and Chair of the Nominating and Governance Committee and Scott M. Mills joined the Committee as a member and Chair.

The membership of the Human Resources Committee as of December 31, 2017 was as follows:

Name	Position
Michael T. Dan	Member, Chair
C. Daniel Gelatt, Jr.	Member
Roger C. Hochschild	Member
Scott M. Mills	Member
Diane C. Nordin	Member
Elizabeth E. Tallett	Member

Effective August 20, 2018, Michael T. Dan was no longer Chair of the Human Resources Committee (he is still a member) and Betsy J. Bernard joined the Committee as a member and Chair.

The Board of Directors has appointed a corporate committee to provide oversight of the Company's investments. Any proposed investment transaction in excess of limits established by the Board of Directors must be approved by the Executive Committee.

Officers

The Bylaws provide that the Board of Directors shall elect a President of the Company to serve at the pleasure of the Board of Directors. The Board of Directors shall empower either the Chairman of the Board, if one is elected, or the President to serve as the Chief Executive Officer of the Company. The Board of Directors shall appoint a Secretary to serve at the pleasure of the Board of Directors. At any meeting of the Board of Directors, the Board of Directors may elect such other officers of the Company as the Board of Directors may deem necessary, to serve at the pleasure of the Board of Directors. The Board of Directors may authorize the Company to elect or appoint other officers, each of whom shall serve at the pleasure of the Company.

The officers duly elected and serving as of December 31, 2017, were as follows:

Name	Title
Daniel J. Houston	Chairman, President and Chief Executive Officer
Karen E. Shaff	EVP, General Counsel and Secretary
Deanna D. Strable-Soethout	Executive Vice President and Chief Financial Officer
Gina L. Graham	Vice President and Treasurer
Kenneth A. McCullum	Vice President and Chief Actuary
James P. McCaughan	President – Global Asset Management
Luis E. Valdes	President – International Asset Management and Accumulation
Timothy M. Dunbar	Executive Vice President and Chief Investment Officer
Julia M. Lawler	Senior Executive Director - Investments
Amy C. Friedrich	President – U.S. Insurance Solutions
Nora M. Everett	President – Retirement and Income Solutions
Gregory B. Elming	Senior Vice President and Chief Risk Officer
Gary P. Scholten	Executive Vice President, Chief Information Officer and Chief Digital Officer
E. Betsy Happe	Vice President and Chief Compliance Officer

On January 1, 2018, Julia M. Lawler was appointed Senior Vice President and Chief Risk Officer, replacing Gregory B. Elming who was appointed Senior Vice President.

On September 4, 2018, Srinivas D. Reddy was hired by PFG and appointed Senior Vice President – Retirement and Income Solutions, filling the role of Gerald W. Patterson following his March 3, 2018 change in responsibilities.

On September 10, 2018, Timothy M. Dunbar was appointed President – Principal Global Asset Management, replacing James P. McCaughan, who resigned from PFG. On the same day, Julia M. Lawler was appointed Executive Vice President and Chief Risk Officer.

On March 1, 2019, Renee Schaaf was appointed President – Retirement and Income Solutions, replacing Nora M. Everett who retired from the Company on March 31, 2019.

The total compensation paid during 2017 to the officers serving at December 31, 2017 is shown in Exhibit A to be found immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company has an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation on the part of its officers, directors, or key employees which is in, or likely to, conflict with the official duties of such person. The Company requires its officers and directors to complete conflict-of-interest statements and disclose any known or potential conflict of interest as part of the annual disclosure process.

The examiners requested to review the conflict of interest statements completed by the Company's officers and directors for each year of the period covered by this examination. No exceptions were noted in review of conflict of interest statements completed by directors. The Company was not able to produce evidence from its automated process that conflict of interest statements were completed by all of its officers for the years 2013 through 2016. In 2017, the Company enhanced its conflict of interest process and recordkeeping. Review of evidence from the process in 2017 indicated no exceptions.

CORPORATE RECORDS

Neither the Articles of Incorporation nor the Bylaws were amended during the examination period.

The minutes of the meetings of the stockholders, the Board of Directors and the committees of the Board were reviewed for the examination period. All minutes provided were signed and properly attested.

The minutes of the Board meetings did not show that the Report of Examination as of December 31, 2012 by the Iowa Insurance Division was received by the Board.

FIDELITY BONDS AND OTHER INSURANCE

The Company is protected by a Financial Institution Bond with Computer Crime Endorsement up to a single loss limit of $15,000,000. This policy as well as the other various policies of insurance under the insurance program of PFG are all with authorized insurers.

RELATED PARTY AGREEMENTS

The Company has an investment management agreement with PGI, under which PGI provides certain investment advisory and management services to the Company.

The Company provides certain administrative services to PNLIC necessary for the conduct of its business, pursuant to a Services Agreement dated as of February 20, 2008.

The Company and its affiliates, PNLIC and PLICIA, agreed to the allocation of cost and expense amounts for PFG's sponsorship of certain plans that provide benefits to employees of PFG, subsidiaries, and, in certain instances, individual field agents, pursuant to a Cost Allocation Agreement dated as of December 10, 2014.

PFG agreed to guarantee the payment obligations of the Company up to $5,000.0 million on funding agreements under a program that was originally established in 2011 to support the prospective issuance of medium-term notes by an unaffiliated special purpose entity in both domestic and international markets. In June 2015, the program was amended to authorize issuance of up to an additional $4,000.0 million in recognition of the use of nearly all $5,000.0 million of existing issuance authorization. In November 2017, the program was amended to authorize issuance of up to an additional $4,000.0 million. As of December 31, 2017, $4,300.0 million of liabilities were being held with respect to issuances outstanding under this program.

PFG and PFS have guaranteed the obligations of the Company under revolving credit agreements established by the Company in 2015. The arrangement was amended and restated in March 2017.

EMPLOYEES' AND AGENTS' WELFARE

The Company provides access to retirement benefits, group life, AD&D, medical, dental, vision, disability insurance, a salary savings program, educational assistance, an adoption expense reimbursement program, flexible reimbursement accounts and a stock purchase plan for its employees who qualify.

Prior to November 30, 2014, the Company had defined benefit pension plans covering substantially all of its employees and certain agents, including employees of other companies affiliated with PFG. Effective November 30, 2014, PFG became the sponsor of the defined benefit pension plans.

Prior to December 31, 2016, the Company had defined contribution plans that were generally available to all employees and agents. Effective January 1, 2016, the Company made several changes to the retirement programs. In general, the pension and supplemental executive retirement plan benefit formulas were reduced, and the 401(k) matching contribution was increased.

Prior to December 31, 2016, the Company also had non-qualified deferred compensation plans available to select employees and agents that allowed them to defer compensation amounts in excess of limits imposed by federal tax law with respect to the qualified plans. Effective December 31, 2016, PFG became the sponsor of the non-qualified deferred compensation plans.

The Company provides certain health care, life insurance and long-term care benefits for retired employees. Subsidized retiree health benefits are provided for employees hired prior to January 1, 2002, and who retire prior to January 1, 2020. Employees hired on or after January 1, 2002, or hired prior to January 1, 2002, and retire on or after January 1, 2020, have access to retiree health benefits but it is intended that they pay for the full cost of the coverage.

REINSURANCE

The reinsurance contracts of the Company were reviewed, and no contract provisions were found to be outside the custom of the industry. All contracts had acceptable insolvency clauses and transfer of risk.

LIFE

Individual Assumed

During 2009, the Company began assuming reinsurance from PNLIC on a coinsurance basis for all non-variable life policies. In 2011, the Company entered into a modified coinsurance agreement for all variable life policies. As of December 31, 2017, the reserves assumed were $4,847.7 million and the modified coinsurance reserve was $120.8 million.

Individual Ceded

The Company's life retention limit varies up to a maximum of $5.0 million for single life and $7.5 million for joint lives, dependent upon age and risk classification.

Universal life products ("UL") have two arrangements, depending on the product and version: 1) automatically ceded first dollar quota share or 2) automatically on an excess basis where Principal keeps 100% of the first $1.0 million and 10% of the excess. Variable universal life products ("VUL") and indexed universal life products ("IUL") are automatically ceded first dollar quota share. The UL, VUL, and IUL products are ceded to four to six authorized reinsurers. These arrangements depend on the product, using the yearly renewable term basis, depending on the product, using the yearly renewable term basis for the net amount at risk.

Survivorship universal life and survivorship variable universal life products are automatically ceded using one of these arrangements: 1) 100% of the first $2.0 million and 10% of the excess or 2) automatically using first dollar quota share utilizing four to five authorized reinsurers using the yearly renewable term basis for the net amount at risk. The Company retains 10% up to the above retention.

Term plans are automatically ceded on a first dollar quota share and on an excess basis, with Principal keeping 100% of the first $1.0 million and 10% of the excess to three to seven authorized reinsurers using the yearly renewable term basis for the net amount at risk.

The Company may submit coverage that does not qualify for automatic reinsurance for facultative evaluation. Additionally, the Company has the option to submit any policies for facultative evaluation.

On September 30, 2013, the Company amended and restated its reinsurance agreement with Principal Reinsurance Company of Delaware, an authorized U.S. affiliate, pursuant to which Principal Reinsurance Company of Delaware reinsures certain term and universal life with secondary guarantee policies of the Company. The Company took reserve credit of $4,057.7 million associated with the agreement at December 31, 2017.

On June 29, 2017, the Company amended and restated its reinsurance agreement with PRCVT, an authorized U.S. affiliate, to reinsure the covered term losses and covered universal life losses with respect to certain term life insurance policies and universal life policies with secondary guarantees. The Company took reserve credit of $1,251.3 million associated with the agreement at December 31, 2017.

On June 21, 2017, the Company amended and restated its reinsurance agreement with Principal Reinsurance Company of Delaware II, an unauthorized U.S. affiliate, pursuant to which Principal Reinsurance Company of Delaware II reinsures certain term life policies and universal life policies with secondary guarantees of the Company. The original agreement was effective as of December 29, 2016. The Company took reserve credit of $668.2 million associated with the agreement at December 31, 2017.

The Company has several inactive agreements with several companies that continue to be relevant to existing blocks of business.

Group Ceded

Cumulative group life and accidental death and dismemberment claims per individual in excess of $700,000 are automatically ceded to an authorized reinsurer. The reinsurer’s limit is $2.0 million for life and $2.0 million for accidental death and dismemberment. There is also a closed class of individuals with amounts in excess of standard under the current treaty.

Group Life Catastrophic Excess of Loss is for amounts between $10.0 and $50.0 million combined. There is a Facultative Placement for four specific insured groups for amounts between $50.0 and $120.0 million. There is also a Facultative Excess Treaty on the largest case with employees concentrated in one location that covers the retained amounts that involve multiple deaths and provides $135.0 million in excess of $15.0 million.

ACCIDENT AND HEALTH

Group Assumed

The Company is a participant in two separate pools covering special risks in accident and health type coverages.

Group Ceded

The Company is ceding the gross primary monthly benefit in excess of $10,000 to an authorized reinsurer. Cessations are automatic on a surplus share basis up to a maximum monthly contractual benefit of $20,000.

The Company cedes 100% of its group and individual long-term care coverage to an authorized reinsurer.

The Company participated in small employer reinsurance pools set up by various states until their exit of the medical market in 2010. The last cases active in the reinsurance pools ended in 2012 and are currently in run off mode.

STATUTORY DEPOSIT

The Company had securities on deposit with the Iowa Insurance Division in excess of the minimum statutory requirement.

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.

The Company offers businesses, individuals and institutional clients a wide range of financial products and services, including retirement and insurance in the United States. The Company primarily receives revenues from premiums and fee income from individual and 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, mutual funds, affiliated financial representatives, non-affiliated brokers, independent advisors, and agents.

Subsidiaries and affiliates of the Company operate in Brazil, Chile, China, Hong Kong, Thailand, Singapore, India, Malaysia and Mexico.

GROWTH OF COMPANY

The growth of the Company is reflected by the following data taken from the Company's copies of the filed annual statements for the years indicated.

(000's Omitted)

Year	Admitted Assets*	Capital and Surplus	Premium Income Life	Premium Income Annuity	Premium Income A & H	Insurance In Force Ordinary	Insurance In Force Group
2013	$143,741,936	$4,142,230	$1,415,032	$2,723,030	$1,128,985	$197,185,351	$117,645,288
2014	154,073,617	4,202,121	1,338,524	2,981,355	1,213,328	231,539,859	121,291,357
2015	157,774,713	4,496,654	1,399,767	4,948,610	1,345,049	260,425,773	128,334,135
2016	171,337,718	4,643,791	1,355,487	5,016,486	1,436,481	295,623,547	143,229,389
2017	189,004,020	4,946,776	1,363,433	5,394,594	1,581,591	340,547,037	144,405,462

*Includes Separate Accounts

ACCOUNTS AND RECORDS

The Company uses electronic data processing equipment and related software for processing and maintaining its accounts, records and files. In certain areas, an imaging system is used to maintain documents on the computer system rather than maintaining the original documents (paper) or other media (microfilm, microfiche etc.). The Information Systems controls were reviewed by this examination. No material exceptions were noted to accepted control practices and procedures.

Trial balances of the Company's general ledger accounts were prepared for each year under examination and were found to be in agreement with the office copies of the filed annual statements for those years. Cash receipts and disbursements were tested to the extent deemed necessary.

The records in the Company's policy master file were sampled and tested by comparing data contained in supporting documents to data contained in the computer records. No material discrepancies were noted.

During the course of the examination, no material aggregate surplus difference was identified from the amount reflected in the financial statements, as presented in the annual statement of December 31, 2017.

No statutory compliance issues were discovered during the course of the examination.

SUBSEQUENT EVENTS

The Company paid dividends to PFS of $840.0 million in 2018 and $170.0 million year-to-date in 2019.

F I N A N C I A L   S T A T E M E N T S

A N D   C O M M E N T S   T H E R E O N

NOTE: Except as otherwise stated, the financial statements immediately following reflect only the transactions for the period ending December 31, 2017, and the assets and liabilities as of that date. The schedules may not add or tie precisely due to rounding.

ASSETS

	Assets	Not Admitted	Admitted
Bonds	$ 49,529,172,547	$	$ 49,529,172,547
Preferred stocks	78,620,337		78,620,337
Common stocks	804,057,028		804,057,028
Mortgage loans on real estate:			
First liens	12,635,345,814		12,635,345,814
Other than first liens	437,701,006		437,701,006
Real estate:			
Properties occupied by the company	504,952,352		504,952,352
Properties held for production of income	2,084,216		2,084,216
Properties held for sale	964,650		964,650
Cash, cash equivalents and short-term investments	405,059,813		405,059,813
Contract loans	783,460,854	1,973,342	781,487,512
Derivatives	725,590,903		725,590,903
Other invested assets	3,449,935,323	30,965,866	3,418,969,458
Receivables for securities	18,353,585		18,353,585
Interest rate swaps adjustment per permitted practice	(211,810,786)		(211,810,786)
Miscellaneous invested assets	(117,605,227)		(117,605,227)
Investment income due and accrued	546,827,749		546,827,749
Uncollected premiums and agents' balances in the course of collection	60,429,272	468,945	59,960,327
Deferred premiums, agents' balances and installments booked but not yet due	231,950,600		231,950,600
Amounts recoverable from reinsurers	20,478,961		20,478,961
Other amounts receivable under reinsurance contracts	257,473		257,473
Amounts receivable relating to uninsured plans	800,000	800,000	
Current federal and foreign income tax recoverable and interest thereon	483,033,647		483,033,647
Net deferred tax asset	387,900,138		387,900,138
Guaranty funds receivable or on deposit	24,090,622		24,090,622
Electronic data processing equipment and software	50,746,325	22,420,883	28,325,441
Furniture and equipment	68,098,770	68,098,770	
Receivables from parent, subsidiaries and affiliates	56,997,292		56,997,292
Health care and other amounts receivable	9,094,613	7,995,752	1,098,860
Miscellaneous accounts receivable	62,589,575	7,898,379	54,691,196
Service fee income, due and unpaid	44,052,812	767,033	43,285,778
Interest rate swaps adjustment per permitted practice deferred tax asset	32,940,433		32,940,433
Postretirement benefits asset	578,290,058	578,290,058	
Interest maintenance reserve asset	176,098,458	176,098,458	
Miscellaneous assets	58,517,394	58,517,394	
Other identifiable intangibles	21,641,737	21,641,737	
Total assets excluding separate accounts	$ 71,960,718,343	$ 975,936,617	$ 70,984,781,726
From Separate Accounts	118,019,237,813		118,019,237,813
Total Assets	$ 189,979,956,156	$ 975,936,617	$ 189,004,019,539

LIABILITIES, SURPLUS and OTHER FUNDS

Aggregate reserve for life contracts	$ 38,885,960,379
Aggregate reserve for accident and health contracts	1,727,219,915
Liability for deposit-type contracts	19,223,629,324
Contract claims - Life	87,253,735
Contract claims - Accident and health	166,879,911
Policyholders' dividends	269,354
Dividends apportioned for payment	121,384,592
Premiums and annuity considerations for life and accident and health contracts received in advance less discount	33,450,343
Provision for experience rating refunds	33,581,161
Other amounts payable on reinsurance	112,090,318
Commissions to agents due or accrued	53,709,510
Commissions and expense allowances payable on reinsurance assumed	1,522,840
General expenses due or accrued	295,876,108
Transfers to Separate Accounts due or accrued (net)	(385,138,584)
Taxes, licenses and fees due or accrued, excluding federal income taxes	46,620,852
Unearned investment income	405,915
Amounts withheld or retained by company as agent or trustee	25,754,828
Amounts held for agents' accounts	14,929,894
Remittances and items not allocated	200,405,674
Asset valuation reserve	890,680,581
Funds held under reinsurance treaties	244,243,751
Payable to parent, subsidiaries and affiliates	155,551,315
Funds held under coinsurance	3,317,439,109
Derivatives	311,510,215
Payable for securities	4,018,855
Cash collateral on derivatives	519,120,538
Uncashed checks/drafts pending escheatment	14,640,200
Welfare benefit liability	1,780,282
Miscellaneous liabilities	139,339
Interest rate swaps adjustment per permitted practice	(54,951,579)
Total liabilities excluding Separate Accounts business	$ 66,049,978,673
From Separate Accounts	118,007,264,973
Total Liabilities	$ 184,057,243,646
Common capital stock	2,500,000
Gross paid in and contributed surplus	2,151,409,691
Special surplus funds	
Interest rate swaps adjustment per permitted practice	(123,918,773)
Affordable care act assessment	14,065,000
Deferred gain sale leaseback	5,021,723
Unassigned funds (surplus)	2,897,698,253
Total Surplus and Other Funds	$ 4,946,775,893
Total Liabilities, Surplus and Other Funds	$ 189,004,019,539

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and A&H contracts	$ 8,339,618,528
Considerations for supplementary contracts with life contingencies	39,851,144
Net investment income	2,844,767,432
Amortization of Interest Maintenance Reserve	(67,204,753)
Commissions and expense allowances on reinsurance ceded	42,960,045
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	768,932,383
Charges and fees for deposit-type contracts	(90,243,893)
Service fee income	819,132,202
Miscellaneous income	4,565,510
Total Income	$ 12,702,378,598
Death benefits	675,167,560
Matured endowments	482,505
Annuity benefits	2,004,844,669
Disability benefits and benefits under accident and health contracts	868,839,905
Surrender benefits and withdrawals for life contracts	1,737,968,071
Interest and adjustments on contract or deposit-type contract funds	370,654,461
Payments on supplementary contracts with life contingencies	34,720,323
Increase in aggregate reserves for life and A&H contracts	3,444,148,361
Total Policy Benefits	$ 9,136,825,856
Commissions on premiums, annuity considerations and deposit-type contract funds	573,844,268
Commissions and expense allowances on reinsurance assumed	289,331,607
General insurance expenses	1,416,584,240
Insurance taxes, licenses and fees, excluding federal income taxes	123,496,705
Increase in loading on deferred and uncollected premiums	(24,462,484)
Net transfers to or (from) Separate Accounts net of reinsurance	(263,016,270)
Miscellaneous deductions	157,580,046
Regulatory fines and penalties	(3,761,281)
Total Policy Benefits and Expenses	$ 11,406,422,688
Net gain from operations before dividends to policyholders and federal income taxes	$ 1,295,955,910
Dividends to policyholders	125,301,884
Net gain from operations after dividends to policyholders and before federal income taxes	$ 1,170,654,026
Federal and foreign income taxes incurred	48,189,986
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	$ 1,122,464,040
Net realized capital gains(excluding gains(losses) transferred to IMR)	854,284,758
Net income	$ 1,976,748,798

CAPITAL AND SURPLUS ACCOUNT

Capital and Surplus, December 31, 2016	$ 4,643,790,731
Net income	$ 1,976,748,798
Change in net unrealized capital gains less capital gains tax	587,983,888
Change in net unrealized foreign exchange capital gain (loss)	963,377
Change in net deferred income tax	(591,572,998)
Change in nonadmitted assets	245,530,722
Change in liability for reinsurance in unauthorized and certified companies	988,932
Change in asset valuation reserve	(137,739,367)
Other changes in surplus in Separate Accounts during period	6,796,445
Surplus adjustment:	
Paid in	2,829,452
Change in surplus as a result of reinsurance	(1,312,840)
Dividends to stockholders	(1,818,400,000)
Interest rate swaps adjustment per permitted practice	56,588,583
Other postretirement benefits adjustment	8,051,902
Transfer of undistributed equity to parent	(31,021,595)
Miscellaneous surplus adjustment	(2,732,627)
Deferred gain sale leaseback	(717,510)
Net change in capital and surplus for the year	$ 302,985,162
Capital and Surplus, December 31, 2017	$ 4,946,775,893

CASH FLOW

CASH FROM OPERATIONS		
Premiums collected net of reinsurance	$ 8,303,933,441	
Net investment income	3,168,183,686	
Miscellaneous income	1,540,916,676	
Total		$ 13,013,033,804
Benefit and loss related payments	$ 5,740,358,687	
Net transfers to separate accounts	150,012,137	
Commissions, expenses paid and other deductions	2,403,400,636	
Dividends to policyholders	139,706,488	
Federal and foreign income taxes paid, net	(8,421,750)	
Total		$ 8,425,056,198
Net cash from operations		$ 4,587,977,606
CASH FROM INVESTMENTS		
Proceeds from investments sold, matured or repaid:		
Bonds	$ 8,837,681,863	
Stocks	185,881,259	
Mortgage loans	1,638,503,534	
Real estate	298,149	
Other invested assets	1,353,438,047	
Net gains on cash, cash equivalents and short-term investments	12,390	
Miscellaneous proceeds	(334,817,308)	
Total investment proceeds		$ 11,680,997,934
Cost of investments acquired (long-term only):		
Bonds	$ 11,863,151,336	
Stocks	198,602,944	
Mortgage loans	2,614,706,643	
Real estate	68,819,602	
Other invested assets	363,658,387	
Miscellaneous applications	104,132,158	
Total investments acquired		$ 15,213,071,070
Net decrease in contract loans and premium notes		(17,350,831)
Net cash used for investments		$ (3,514,722,305)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
Cash provided (applied):		
Capital and paid in surplus, less treasury stock	$ (27,193,919)	
Net deposits on deposit-type contracts and other insurance liabilities	(459,864,265)	
Dividends to stockholders	1,818,400,000	
Other cash provided	940,268,573	
Net cash from financing and miscellaneous sources		$ (1,365,189,610)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
Net change in cash and short-term investments		$ (291,934,310)
Cash and short-term investments:		
Beginning of year		$ 696,994,122
End of year		$ 405,059,813

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, examiners from the Iowa Insurance Division, Assurity Resources, Inc., Risk & Regulatory Consulting, LLC, information systems specialists, JP Consulting, investment specialists, and Insurance Strategies Consulting, LLC, actuarial specialists, participated in the examination and the preparation of this report.

Respectfully submitted,

_/s/ Thomas Allen____________________
Thomas Allen, CFE
Examiner-in-Charge
Assurity Resources, Inc. on behalf of the
Iowa Insurance Division

_/s/ Daniel Mathis____________________
Daniel Mathis, CFE
Supervisor and Assistant Chief Examiner
Iowa Insurance Division