

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, 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, 2022

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

INTRODUCTION

Principal Life Insurance Company, hereinafter referred to as the “Company”, was last examined as of December 31, 2017, by the Iowa Insurance Division. The examination reported herein was conducted as an examination of an insurance holding company group by the contracting firms, Risk & Regulatory Consulting, LLC, Insurance Strategies Consulting, and examiners of the Iowa Insurance Division. The Company’s affiliate, Principal National Life Insurance Company (PNLIC), was also examined as part of the holding company group, with a separate examination report prepared for each entity.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2018, to the close of business on December 31, 2022, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition.

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.

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

The Company has authorized 5,000,000 shares of common stock, valued at \$1 par value. As of December 31, 2022, 2,500,000 shares were issued and outstanding, resulting in reporting common capital stock of \$2,500,000, and the Company reported gross paid in and contributed surplus of \$2,174,715,211.

During the examination period the Company paid dividends to Principal Financial Services, Inc. as follows:

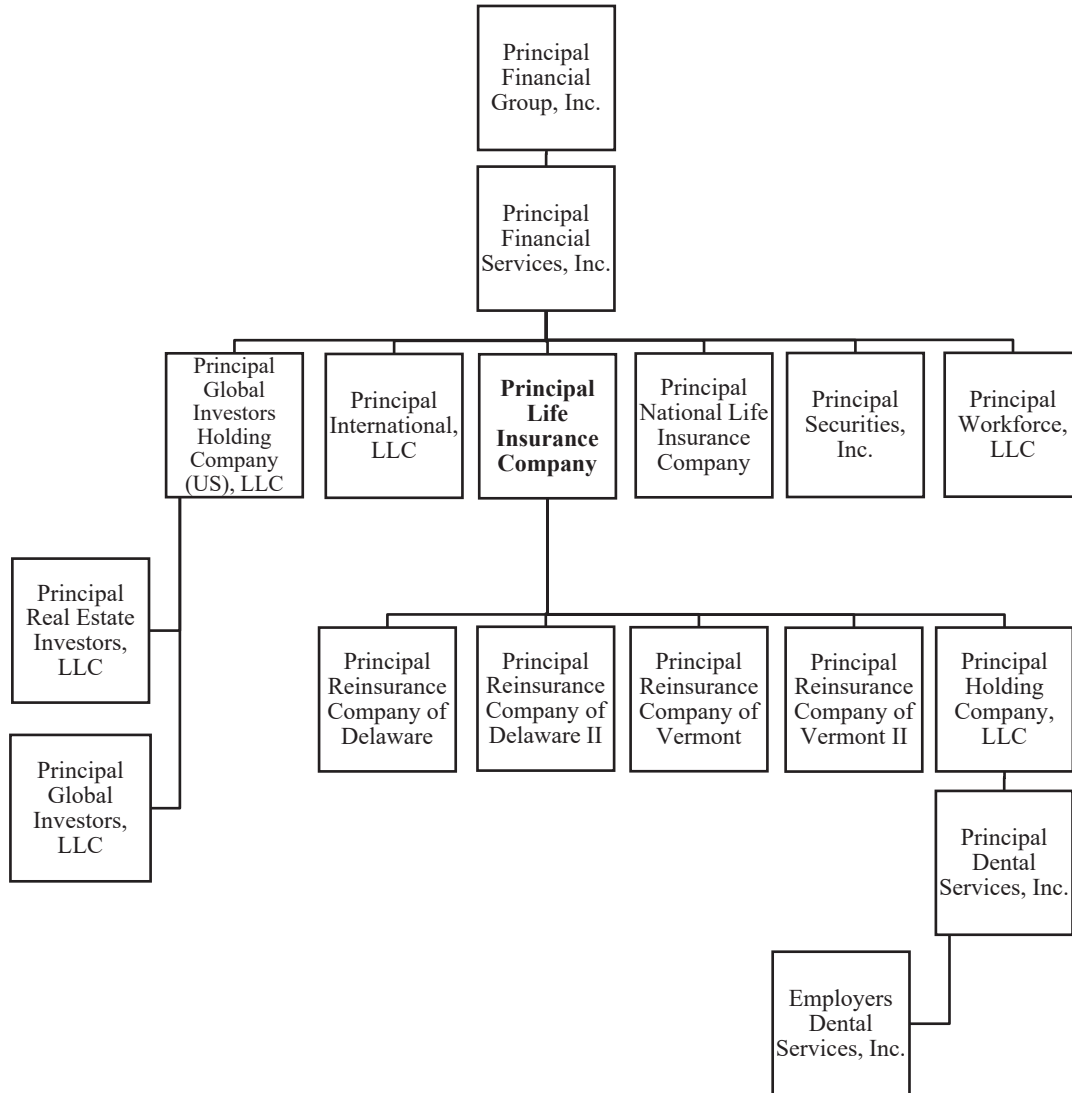
<u>Year</u>	<u>Dividends</u>
2018	\$ 840,000,000
2019	1,145,000,000
2020	650,000,000
2021	1,250,000,000
2022	1,425,000,000

The Company paid extraordinary dividends in 2018; 2019; 2020; 2021; and 2022. The extraordinary dividends were approved by the Iowa Insurance Division.

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:



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 (9) nor more than twenty-one (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 Board of Directors duly elected and serving as of December 31, 2022:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Jonathan S. Auerbach Palo Alto, CA	Executive Vice President, Chief Strategy, Growth and Data Officer PayPal, Inc.	2023
Mary E. Beams Weston, MA	Co-Chief Executive Officer of LTSE Group and Services Long Term Stock Exchange	2023
Jocelyn E. Carter-Miller Tamarac, FL	President TechEd Ventures	2023
Scott M. Mills New York, NY	President and Chief Executive Officer BET Media Group	2023

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Claudio N. Muruzabal Key Biscayne, FL	President of Cloud Success Services SAP	2023
Daniel J. Houston West Des Moines, IA	Chairman, President and Chief Executive Officer Principal Financial Group, Inc.	2024
Roger C. Hochschild Winnetka, IL	Chief Executive Officer and President Discover Financial Services	2024
Diane C. Nordin Concord, MA	Retired Partner Wellington Management Company, LLP	2024
Alfredo Rivera Atlanta, GA	President, North America The Coca-Cola Company	2024
Michael T. Dan* Lyndhurst, VA	Retired Chairman, President and Chief Executive Officer The Brink's Company	2025
H. Elizabeth Mitchell New York, NY	Retired Chief Executive Officer Renaissance Reinsurance U.S. Inc.	2025
Blair C. Pickerell The Peak, Hong Kong	Retired Chairman Asia, Nikko Asset Management	2025
Clare S. Richer Boston, MA	Retired Chief Financial Officer Putnam Investments	2025

*Michael T. Dan retired from the Board of Directors on May 15, 2023, and the Board of Directors formally approved a decrease in the number of directors from 13 to 12.

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 Board of Directors may also 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. Any such committee shall serve at the pleasure of the Board of Directors.

Appointments to the Principal Financial Group, Inc. and Principal Life Insurance Company board committees as of December 31, 2022:

Audit Committee

Diane C. Nordin, Chairperson
Mary E. Beams
Scott M. Mills
H. Elizabeth Mitchell
Clare S. Richer
Alfredo Rivera

Human Resources Committee

Jocelyn Carter-Miller, Chairperson
Michael T. Dan
Scott M. Mills
Claudio N. Muruzabal
Alfredo Rivera

Finance Committee
Clare S. Richer, Chairperson
Jonathan S. Auerbach
Mary E. Beams
Roger C. Hochschild
H. Elizabeth Mitchell
Diane C. Nordin
Blair C. Pickerell

Nominating & Governance Committee
Roger C. Hochschild, Chairperson
Jonathan S. Auerbach
Jocelyn Carter-Miller
Michael T. Dan
Claudio N. Muruzabal
Blair C. Pickerell

Executive Committee
Daniel J. Houston, Chairperson
Jocelyn Carter-Miller
Scott M. Mills
Clare S. Richer

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, 2022:

<u>Name</u>	<u>Title</u>
Daniel J. Houston	Chairman, President and Chief Executive Officer
Natalie Lamarque	Executive Vice President, General Counsel & Secretary
Gina L Graham	Vice President and Treasurer
Dwight N. Soethout	Vice President and Chief Actuary
Amy C. Friedrich	President, U.S. Insurance Solutions
Kenneth A. McCullum	Senior Vice President and Chief Risk Officer
Patrick G. Halter	President and Chief Executive Officer, Principal Asset Management
Joel M. Pitz	Senior Vice President and Controller
Christopher J. Littlefield	President, Retirement and Income Solutions
Deanna D. Strable-Soethout	Executive Vice President and Chief Financial Officer

The total compensation paid during 2022 to the officers serving as of December 31, 2022, is shown in Exhibit A to be found immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company maintains a formal conflict of interest policy statement and has established for procedures for the Board of Directors or committee thereof to receive information on the annual conflict of interest disclosure procedures of any material interest or affiliation on behalf of the Company's directors' officers, and key employees, which is in conflict with their official duties. The examination team reviewed the conflict-of-interest questionnaires completed by the Company's directors and officers for each year of the period covered by this examination.

CORPORATE RECORDS

There were no amendments to the Company's Articles of Incorporation or Bylaws during the examination period.

The minutes from the meetings of the Shareholder, 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 show that the Report of Examination as of December 31, 2017 by the Iowa Insurance Division was received through the Annual Regulated Activities Report presented to the Audit Committee and the Board of Directors on August 19, 2019.

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 \$50,000,000, and an aggregate loss limit of \$100,000,000, with a \$1,000,000 deductible. The insurance coverage meets the NAIC's suggested minimum amount of coverage. The financial institution bond policy as well as other insurance policies under the Principal Financial Group, Inc. insurance program provide adequate coverages and are all with authorized insurers.

RELATED PARTY AGREEMENTS

Administrative Services

The Company and PNLIC entered into an Expense Reimbursement Agreement with Principal Securities, Inc., whereby Principal Securities, Inc. will receive limited reimbursement for expenses associated with the sale of the insurers' products.

The Company entered into an agreement with PNLIC, whereby the Company will provide certain administrative services to PNLIC necessary for the conduct of its business.

The Company and PNLIC entered into a Cost Allocation Agreement with Principal Financial Group, Inc., whereby the Company and PNLIC agreed to an allocation of cost and expense amounts for Principal Financial Group, Inc.'s sponsorship of certain plans that provide benefits to employees of Principal Financial Group, Inc subsidiaries, and, in certain instances, individual field agents.

The Company entered into an Intercompany Trademark Agreement with Principal Financial Services, Inc., whereby the Company wishes to use Principal Financial Services, Inc. trademarks and service marks.

The Company entered into a Personnel Utilization and Administrative Services Agreement with Principal Workforce, LLC, whereby the Company provides payment of compensation, benefits and other expenses to Principal Workforce, LLC.

The Company entered into an Administrative Services Agreement with Principal Global Investors, LLC, whereby Principal Global Investors, LLC will provide certain administrative services to the Company in connection with individual retirement arrangements for which the Company is the designated custodian.

The Company entered into an agreement with Principal Securities, Inc., whereby the Company has designated Principal Securities, Inc. as the principal underwriter of pension builder variable annuity contracts issued with respect to the Company's separate accounts B and C.

The Company entered into an agreement with Principal Securities, Inc., whereby Principal Securities, Inc., will receive and allocate contributions made by individual retirement arrangement participants as a service to the Company which is designated custodian of the arrangements.

The Company entered into a Custody and Account Control Agreement with Principal Bank, whereby, the Company appoints Principal Bank as its agent.

The Company entered into an Affiliate Support and Reimbursement Agreement with its affiliates, whereby the Company's affiliates will reimburse the Company for the affiliates' use of its equipment, facilities, and other resources.

The Company entered into an Affiliate Support and Reimbursement Agreement with Principal Funds Distributor, Inc., whereby Principal Funds Distributor, Inc. will reimburse the Company for the use of its equipment, services, and facilities.

Cash Management Agreements

The Company and its affiliates entered into an agreement with Principal Financial Services, Inc., to implement a cash management program whereby available short-term investment monies are pooled. Each party to the agreement may either advance or receive funds from the other party. All advances are evidenced by an interest-bearing master note. The amounts advanced are payable upon demand or upon termination of the agreement. Interest is payable on or before the 10th day of each month, so long as an advance is outstanding, with no provision for accrual or deferral of interest.

Federal Income Tax Allocation

The Company and its affiliates entered into a Consolidated Federal Income Tax Allocation Agreement with Principal Financial Group, Inc., whereby Principal Financial Group and its subsidiary companies that are eligible for inclusion agree to file a consolidated federal income tax return pursuant to federal income tax law. This agreement provides for a method of allocation among parties to the agreement based on a pro rata contribution of taxable income or operating losses.

Investment Management

The Company entered into an Investment Management Agreement with Principal Global Investors, LLC, whereby Principal Global Investors, LLC will provide certain investment advisory and management services to the Company.

The Company entered into an Investment Management Agreement with Principal Global Investors, LLC, whereby Principal Global Investors, LLC manages certain separate account portfolios.

The Company entered into an Investment Management Agreement with Principal Global Investors, LLC, whereby Principal Global Investors, LLC will manage and direct a portion of the assets of the Company related to a separate funds withheld account. This agreement is related to the closed block funds withheld coinsurance reinsurance agreement with Principal Reinsurance Company of Vermont II.

The Company entered into an Investment Management Agreement with Sutton Cayman, Ltd., and Principal Global Investors, LLC, whereby Principal Global Investors, LLC will provide asset management services. This agreement is related to the Company's coinsurance with funds withheld reinsurance transaction with Talcott Life & Annuity Re, Ltd.

The Company entered into an Investment Management Agreement with Sutton Cayman, Ltd., and Principal Real Estate Investors, LLC, whereby Principal Real Estate Investors, LLC will provide asset management services. This agreement is related to the Company's coinsurance with funds withheld reinsurance transaction with Talcott Life & Annuity Re, Ltd.

EMPLOYEES' AND AGENTS' WELFARE

The Company does not have any direct employees. All of the Company's employees and personnel resources are provided through Principal Workforce, LLC.

Principal Financial Group, Inc. offers employee benefits to all eligible employees. Such benefits include access to retirement benefits, group life insurance, supplemental term life insurance, accidental death and dismemberment insurance,

business travel accident insurance, comprehensive medical coverage, dental coverage, vision coverage, short-term disability coverage, long-term disability insurance, educational assistance, an adoption expense reimbursement program, flexible reimbursement accounts, severance pay, personal time-off and flex time-off, a stock purchase plan for its employees who qualify, and other forms of compensation.

Principal Financial Group, Inc. sponsors 401(k) select savings and select savings excess plans with matching contributions for all eligible employees.

Principal Financial Group, Inc. also sponsors a defined benefit pension. The Principal Pension Plan (the Plan) is a non-contributory defined benefit plan that covers substantially all home office employees (other than certain specified investment professionals), field managers, and agents holding a Career Agent Contract from Principal Financial Group, Inc., or its adopting affiliates. The Plan provides for retirement and death benefits. While virtually all employees continue to have access to the post-retirement retirement and death benefits, only those that were hired prior to January 1, 2002, and retired prior to January 1, 2011, (post-65 medical) or January 1, 2022, (life insurance and pre-65 medical) were eligible to receive subsidized benefits. All others pay the full cost of coverage. The long-term care plan was subsidized only for those who retired prior to January 1, 2000, and is no longer accessible. The subsidy level for all benefits varies by plan, age, service, and retirement date.

REINSURANCE

Certain reinsurance contracts of the Company were reviewed, and no contract provisions were found to be outside the custom of the industry. All contracts reviewed 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, 2022, the reserves assumed were \$9,406.2 million and the modified coinsurance reserve was \$671.7 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, and one to two unauthorized reinsurers. These arrangements depend on the product, using the yearly renewable term basis, depending on the product 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, and one to two unauthorized reinsurers, using the yearly renewable term basis for the net amount at risk. The Company retains 10% up to the above retention.

Term products have two arrangements, depending on the product and version: 1) automatically ceded on a first dollar quota share or 2) automatically on an excess basis where the Company keeps 100% of the first \$1.0 million and 10% of the excess. The Term products are ceded to three to seven authorized reinsurers, and one to two unauthorized 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 January 1, 2022, 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 policies of the Company. The Company took reserve credit of \$1,904.0 million associated with the agreement on December 31, 2022.

On January 1, 2022, the Company amended and restated its reinsurance agreement with Principal Reinsurance Company of Vermont, an authorized U.S. affiliate, to reinsure certain universal life policies with secondary guarantees. Principal Reinsurance Company of Vermont has retroceded all the business assumed from PLIC to Talcott Life & Annuity Re, Ltd, a limited liability company organized under the laws of the Cayman Islands. The Company took reserve credit of \$9,956.9 million associated with the agreement on December 31, 2022.

On January 1, 2022, the Company amended and restated its reinsurance agreement with Principal Reinsurance Company of Delaware II, an authorized U.S. affiliate, pursuant to which Principal Reinsurance Company of Delaware II reinsures certain term policies of the Company. The Company took reserve credit of \$2,700.6 million associated with the agreement on December 31, 2022.

On August 1, 2022, the Company entered into a reinsurance agreement with Principal Reinsurance Company of Vermont II, an authorized U.S. affiliate, pursuant to which Principal Reinsurance Company of Vermont II reinsures the regulatory closed block of policies of the Company. The Company took reserve credit of \$3,253.6 million associated with the agreement on December 31, 2022.

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 \$1,000,000 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 used for one large group with employees concentrated in one location. This treaty covers the retained amounts that involve multiple deaths and provides \$150.0 million of coverage in excess of a \$20.0 million deductible.

ANNUITY

Individual Ceded

On January 1, 2022, the Company entered into a reinsurance agreement with Talcott Life & Annuity Re, Ltd, a limited liability company organized under the laws of the Cayman Islands, to reinsure certain individual fixed annuity contracts. The Company took reserve credit of \$13,204.3 million associated with the agreement on December 31, 2022.

ACCIDENT AND HEALTH

Individual Ceded

Regarding Individual Disability coverage, for new sales in 2023, the Company has a coinsurance agreement with an authorized reinsurer for Disability Insurance (DI) policies where monthly benefits in excess of \$10,000 are ceded. For policies issued between 2017 and 2023, a policy/rider may fall under one of the following arrangements: 1) monthly benefits for DI policies in excess of \$10,000 or for Overhead Expense (OE) policies in excess of \$25,000 are ceded, or 2) monthly benefits are reinsured on a quota share basis from first dollar for benefits issued for the Catastrophic Disability Benefit Rider and policies sold on a Guaranteed Standard Issue basis. Regarding inforce policies issued prior to 2017, there are other coinsurance treaties where the risk is shared with an authorized reinsurer at attachment points that have varied over the

years. In addition, a small amount of inforce business remains on a yearly renewable term treaty with less than \$15 million in annual premium remaining.

Group Assumed

The Company is a participant in two separate pools with AARG covering special risks in accident and health type coverages. Both pools are currently in run-off mode.

Group Ceded

For Group Long-Term Disability coverage, the Company cedes the gross primary monthly benefit on each claim 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 with facultative coverage up to \$25,000 on select groups.

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 book/adjusted carrying value of securities held in a custodial account and vested in the Iowa Commissioner of Insurance for the benefit of all policyholders as of December 31, 2022, totaled \$51,351,172,825, which met 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. 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. 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.

GROWTH OF COMPANY

The financial information was obtained from the Annual Statements filed with the Iowa Insurance Division during the examination period.

<u>Year</u>	<u>Admitted Assets</u>	<u>Separate Accounts</u>		<u>Separate</u>	<u>Capital &</u>
		<u>Assets</u>	<u>Liabilities</u>	<u>Accounts</u>	<u>Surplus</u>
				<u>Liabilities</u>	
2018	\$76,631,538,690	\$107,991,082,486	\$71,329,468,194	\$107,973,562,578	\$5,319,590,403
2019	81,455,724,518	128,229,236,860	76,327,498,821	128,164,092,065	5,193,370,492
2020	86,544,732,237	137,821,072,223	80,893,831,550	137,789,610,212	5,682,362,698
2021	87,622,734,294	151,734,714,635	82,282,911,313	151,699,352,454	5,375,185,162
2022	88,825,287,968	125,252,456,877	84,558,271,131	125,215,044,976	4,304,428,739

<u>Year</u>	<u>Aggregate Life</u>	<u>Aggregate A&H</u>	<u>Deposit-type</u>	<u>Premium and</u>	<u>Life Insurance</u>
	<u>Reserves</u>	<u>Reserves</u>	<u>Contract Funds</u>	<u>Annuity</u>	<u>Inforce</u>
				<u>Considerations</u>	
2018	\$43,392,786,129	\$1,792,159,170	\$19,322,410,222	\$ 9,702,895,989	\$529,175,482,000
2019	45,749,911,400	1,908,512,524	20,471,938,434	10,407,105,248	579,045,782,000
2020	45,378,605,614	2,111,302,484	22,917,248,402	7,376,404,584	624,688,117,000
2021	43,403,086,113	2,213,010,955	25,582,257,647	5,946,361,174	674,032,087,000
2022	21,768,253,227	2,400,930,699	26,948,212,019	(16,358,455,583)	690,856,846,000

ACCOUNTS AND RECORDS

Trial balances were prepared for all years of the examination period. Amounts from the general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income or disbursements.

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, 2022.

SUBSEQUENT EVENTS

The Company paid extraordinary dividends of \$150,000,000 on March 30, 2023; \$175,000,000 on June 29, 2023; \$400,000,000 on September 29, 2023; and \$475,000,000 million on December 28, 2023 to Principal Financial Services, Inc. The extraordinary dividends were approved by the Iowa Insurance Division.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

NOTE: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division and present the financial condition of the Company for the period ending December 31, 2022.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$ 57,416,449,951	\$ -	\$ 57,416,449,951
Stocks:			
Preferred stocks	147,181,713	-	147,181,713
Common stocks	861,062,847	-	861,062,847
Mortgage loans on real estate:			
First liens	16,290,205,393	-	16,290,205,393
Other than first liens	265,855,242	-	265,855,242
Real estate:			
Properties occupied by the company	449,578,114	-	449,578,114
Properties held for production of income	3,560,174	-	3,560,174
Cash and short-term investments	2,884,414,181	-	2,884,414,181
Contract loans	324,434,556	6,493,738	317,940,818
Derivatives	3,466,935,274	-	3,466,935,274
Other invested assets	3,537,170,622	53,271,282	3,483,899,340
Receivable for securities	9,510,392	-	9,510,392
Aggregate write-ins for invested assets	(15,213,525)	-	(15,213,525)
Investment income due and accrued	621,035,574	1,717,657	619,317,916
Premiums and considerations:			
Uncollected premiums in course of collection	52,600,741	515,489	52,085,252
Deferred premiums booked and not yet due	296,279,428	-	296,279,428
Reinsurance:			
Amounts recoverable from reinsurers	47,280,882	-	47,280,882
Other amounts receivable	27,447,892	-	27,447,892
Amounts receivable for uninsured plans	3,550,000	3,550,000	-
Current federal and foreign income tax recoverable	219,275,252	-	219,275,252
Net deferred tax asset	247,176,952	-	247,176,952
Guaranty funds receivable	15,210,549	-	15,210,549
Electronic data processing equipment and software	63,110,791	26,470,270	36,640,521
Furniture and equipment	66,975,724	66,975,724	-
Receivables from parent, and affiliates	71,694,365	-	71,694,365
Health care and other amounts receivable	10,314,493	7,315,900	2,998,593
Aggregate write-ins for other-than-invested assets:			
Company owned life insurance	1,115,636,947	-	1,115,636,947
Variable annuity hedge	338,170,426	-	338,170,426
Miscellaneous accounts receivable	124,505,054	3,027,395	121,477,659
Summary of write-ins from overflow page	<u>691,562,294</u>	<u>658,346,874</u>	<u>33,215,420</u>
Total assets excluding separate accounts	\$ 89,652,972,298	\$827,684,330	\$ 88,825,287,968
Total assets from separate accounts	<u>\$125,252,456,877</u>	<u>\$ -</u>	<u>\$125,252,456,877</u>
Total assets	<u>\$214,905,429,175</u>	<u>\$827,684,330</u>	<u>\$214,077,744,845</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 21,768,253,227
Aggregate reserve for accident and health contracts	2,400,930,699
Liability for deposit-type contracts	26,948,212,019
Contract claims:	
Life	100,673,544
Accident and health	289,781,832
Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year -estimated:	
Policyholders' dividends and refunds to members	2,138,288
Premiums and annuity considerations for life and accident and health contracts received in advance	107,338,817
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	23,083,032
Other amounts payable on reinsurance	18,084,517
Commissions to agents due or accrued-life and annuity and accident and health contracts	47,035,437
Commissions and expense allowances payable on reinsurance assumed	8,616,587
General expenses due or accrued	370,860,021
Transfers to Separate Accounts due to accrued allowances recognized in reserves, net of reinsured allowances	(17,475)
Taxes, licenses, and fees due or accrued, excluding federal income taxes	52,695,627
Unearned investment income	4,714,104
Amounts withheld or retained by reporting entity as agent or trustee	23,031,909
Amounts held for agents' account	12,622,081
Remittances and items not allocated	163,094,950
Miscellaneous liabilities:	
Asset valuation reserve	1,003,144,783
Funds held under reinsurance treaties with unauthorized and certified reinsurers	13,203,118,165
Payable to parent, subsidiaries and affiliates	90,408,774
Funds held under coinsurance	13,736,089,077
Derivatives	2,386,894,409
Payable for securities	243,076,111
Aggregate write-ins for liabilities	<u>1,554,390,584</u>
 Total liabilities excluding separate accounts	 \$ 84,558,271,131
 Total liabilities from separate accounts statement	 <u>\$125,215,044,976</u>
 Total liabilities	 <u>\$209,773,316,106</u>
 Common capital stock	 2,500,000
Gross pain-in and contributed surplus	2,174,715,211
Aggregate write-ins for special surplus funds	355,701,320
Unassigned funds (surplus)	<u>1,771,512,209</u>
 Total surplus	 \$ 4,301,928,739
 Total capital and surplus	 <u>\$ 4,304,428,739</u>
 Total liabilities and surplus	 <u>\$214,077,744,845</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$(16,358,455,583)
Consideration for supplementary contracts with life contingences	(319,613,986)
Net investment income	3,914,458,374
Amortization of interest maintenance reserve	(43,706,543)
Commissions and expense allowances on reinsurance ceded	24,711,677
Reserve adjustments on reinsurance ceded	(2,206,847,802)
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from separate accounts	710,462,827
Charges and fees for deposit-type contracts	(58,032,209)
Aggregate write-ins from miscellaneous income	<u>1,137,674,403</u>
 Total	 \$(13,199,348,842)
 Death benefits	 \$ 627,187,972
Matured endowments	154,491
Annuity benefits	1,995,287,358
Disability benefits and benefits under accident and health contracts	1,247,001,510
Surrender benefits and withdrawals for life contracts	889,512,606
Interest and adjustments on contract or deposit-type contract funds	524,320,831
Payments on supplementary contracts with life contingencies	515,158
Increase in aggregate reserves for life and accident and health contracts	<u>(21,474,746,504)</u>
 Total	 \$(16,190,766,578)
 Commissions on premiums, annuity considerations, and deposit-type contract funds	 \$ 608,934,129
Commission and expense allowances on reinsurance assumed	242,059,333
General insurance expenses and fraternal expenses	2,023,643,908
Insurance taxes, licenses, and fees, excluding federal income taxes	138,970,212
Increase in loading on deferred and uncollected premiums	(12,859,566)
Net transfers to or (from) separate accounts net of reinsurance	553,793,755
Aggregate write-ins for deductions	<u>1,124,317,102</u>
 Total	 <u>\$(11,511,907,704)</u>
 Net gain from operations before dividends to policyholders, refunds to members and before federal income taxes	 \$ (1,687,441,138)
Dividends to policyholders and refunds to members	<u>(31,501,241)</u>
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	\$ (1,655,939,897)
Federal and foreign income taxes incurred	<u>(220,129,167)</u>
Net loss from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	\$ (1,435,810,730)
Net realized capital (losses)	<u>(127,287,037)</u>
 Net income (loss)	 <u>\$ (1,563,097,767)</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, 2021	\$5,375,185,162
Net income (loss)	(1,563,097,767)
Change in net unrealized capital (losses)	(731,008,734)
Change in net unrealized foreign exchange capital (loss)	(2,158,962)
Change in net deferred income tax	(88,594,913)
Change in nonadmitted assets	264,610,710
Change in liability for reinsurance in unauthorized and certified companies	514,473
Change in reserve on account of change in valuation basis (increase)	(12,273,725)
Change in asset valuation reserve	203,247,100
Other changes in surplus in separate accounts statement	(22,661,957)
Surplus adjustment:	
Paid in	(6,001,906)
Change in surplus as a result of reinsurance	2,319,776,255
Dividends to stockholders	(1,425,000,000)
Aggregate write-ins for gains and losses in surplus	<u>(8,106,996)</u>
Net change in capital and surplus for the year	<u>\$(1,070,756,423)</u>
Capital and surplus, December 31, 2022	<u>\$ 4,304,428,739</u>

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$ 6,042,331,215	
Net investment income	3,905,875,736	
Miscellaneous income	<u>1,511,822,491</u>	
Total		\$11,460,029,442
Benefit and loss related payments	\$ 6,718,727,281	
Net transfers to separate accounts	331,505,637	
Commissions, expenses paid and aggregate write-ins	3,282,228,757	
Dividends to policyholders	75,311,080	
Federal income taxes (paid) recovered	<u>(49,855,836)</u>	
Total		<u>\$10,357,916,919</u>
Net cash from operations		\$ 1,102,112,523

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$17,830,457,920	
Stocks	172,896,670	
Mortgage loans	1,566,703,956	
Other invested assets	635,626,379	
Net (losses) on cash, cash equivalents, short-term investments	(1,448,724)	
Miscellaneous proceeds	<u>82,303,323</u>	
Total		\$20,286,539,524
Cost of investments acquired (long-term only):		
Bonds	\$15,433,720,103	
Stocks	51,000,000	
Mortgage loans	2,230,354,285	
Real estate	12,914,975	
Other invested assets	628,930,967	
Miscellaneous applications	<u>85,649,319</u>	
Total		\$18,442,569,648
Net (decrease) in contract loans and premium notes		<u>\$ (12,098,897)</u>
Net cash from investments		\$ 1,856,068,773

Cash from Financing and Miscellaneous Sources

Cash provided (applied):		
Capital and paid-in surplus, less treasury stock	\$ (30,328,226)	
Net deposits on deposit-type contracts, other insurance liabilities	1,878,873,825	
Dividends to stockholders	1,425,000,000	
Other cash provided (applied)	<u>(999,382,252)</u>	
Net cash from financing and miscellaneous sources		<u>\$ (575,836,653)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 2,382,344,643
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>502,069,538</u>
End of period	<u>\$ 2,884,414,181</u>

CONCLUSION

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

In addition to the undersigned, Jan Moenck, CFE, and Rhonda Ball, CFE of Risk & Regulatory Consulting, LLC; Alex Matovu and Randy Guzman; Financial Examiners for the Iowa Insurance Division; Robert Panah, CFE of Assurity Resources, Inc.; and Carl Harris, FSA, MAAA, and actuarial specialists of Insurance Strategies Consulting, Inc. 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
Amanda Theisen, CFE
Supervisor and Assistant Chief Examiner
Iowa Insurance Division