

MARKET CONDUCT EXAMINATION REPORT
OF
PRINCIPAL LIFE INSURANCE COMPANY
DES MOINES, IOWA
AS OF DECEMBER 31, 2017

Des Moines, Iowa
June 24, 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 marketing practices 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

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.

The Company's affiliate, Principal National Life Insurance Company, was examined concurrently with this examination.

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, 2013 through December 31, 2017. 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 (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.

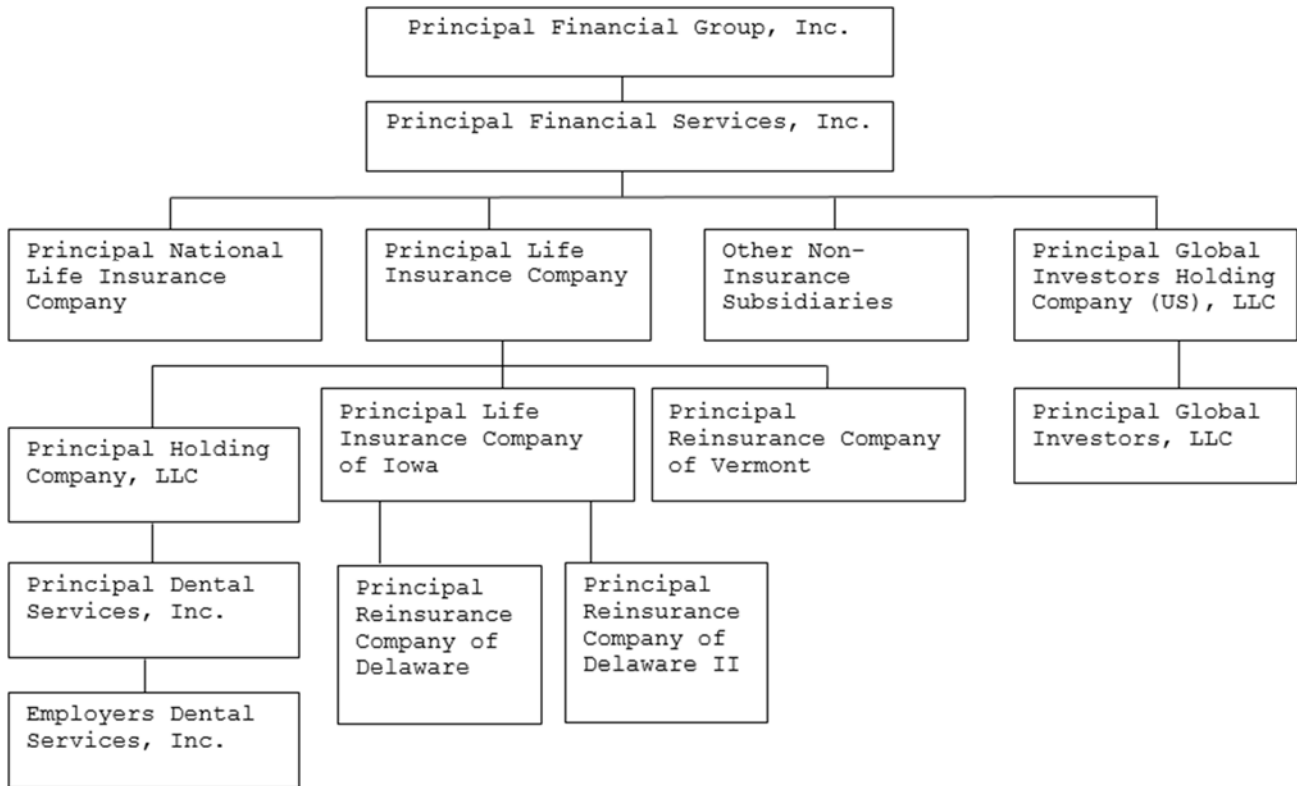
In addition, on October 26, 2001, PFG completed its initial public offering ("IPO") in which it issued 100 million shares of common stock at a price of \$18.50 per share, prior to the underwriters' exercise of the overallotment option. Net proceeds from the IPO were \$1,753.9 million, of which \$64.2 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.

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:



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.

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. It appeared 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 and were determined to be in compliance with applicable statutes, rules and regulations.

TREATMENT OF POLICYHOLDERS

Claim Practices

The Examiners reviewed the Company's claim handling procedures. Examiners reviewed 77 life claims, chosen judgmentally, to ensure their claim handling process is appropriate, they are responding in a timely fashion, and that they have good claim handling notes. The Examiners also reviewed the denied claims processes and testing to ensure appropriate claim handling and timely responses. All procedures were in compliance with applicable statutes and regulations.

Complaints

The Examiners reviewed the Company's complaint register and complaint handling procedures. The design of Company's compliant register was found to be in compliance with applicable statutes and regulations.

The Company uses a third party administrator to administer a long-term care product. The Company's complaint registers did not include three complaints contained in the third party administrator's complaint register.

The Examiners reviewed a sample of 106 complaints for all companies being examined to determine if the Company provides complete responses and takes appropriate actions. All complaints were found to be handled properly and timely.

Underwriting Practices

The Examiners reviewed the Company's procedures relating to underwriting including the Company's audit of the function. Examiners also reviewed the denied application process to ensure the Company was responding timely and handled appropriately according to state rules and regulations.

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, Alex Matovu and Jean Yohnke, examiners for the Iowa Insurance Division, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Jeff Payne
Jeff Payne, CFE
Insurance Examiner Specialist
Iowa Insurance Division
State of Iowa