

EXAMINATION REPORT OF  
PRINCIPAL LIFE INSURANCE COMPANY OF IOWA  
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 OF IOWA

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

The Company's parent, Principal Life Insurance Company ("PLIC"), and 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 on November 20, 2007 and is domiciled and licensed as a life insurance company in the state of Iowa.

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

Authorized capital consists of five 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. Gross paid in and contributed surplus is \$277.5 million. All outstanding stock is held by PLIC.

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

<u>Year</u>	<u>Dividends Paid</u>
2013	\$ 0
2014	0
2015	100,000,000
2016	50,000,000
2017	0

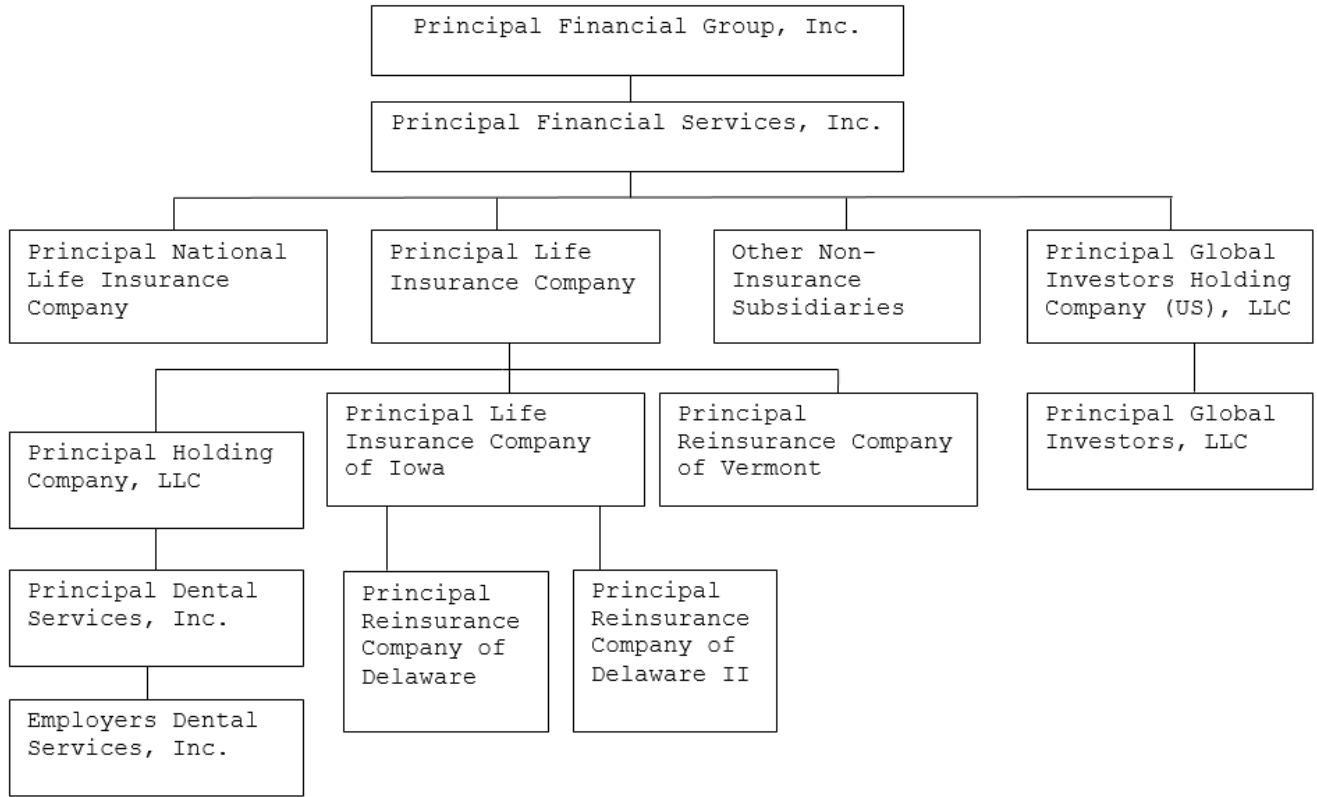
Surplus contributions/(distributions) from/(to) PLIC during the examination period were as follows:

<u>Year</u>	<u>Contributions Received/ (Distributions Paid)</u>
2013	\$ 35,000,000
2014	0
2015	(100,000,000)
2016	120,000,000
2017	0

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

Shareholder

The annual meeting of the shareholder 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 shareholder 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 shareholder 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.

At any meeting of the shareholder, a majority of the votes entitled to be cast on the matter by a voting group constitutes a quorum of that voting group for action on that matter, unless the representation of a different number is required by law, and in that case, the representation of the number so required shall constitute a quorum.

Every shareholder entitled to vote may vote in person or by proxy. Unless otherwise provided by law, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of the shareholder. Directors shall

be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. If a quorum exists, action on a matter other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless a greater number is required by law.

Any action required or permitted by law to be taken at a meeting of the shareholder of the Company may be taken without a meeting or vote, and without notice, if one or more consents in writing setting forth the action taken shall be signed and dated by the holder of outstanding shares having not less than 90% of the votes entitled to be cast at a meeting at which all shares entitled to vote on the action were present and voted, and are delivered to the Company for inclusion in the minutes or filing with the corporate records of the Company.

#### 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 five nor more than 21, shall be determined by the shareholder or a majority of the entire Board of Directors.

Each director (whenever elected) shall hold office until his or her death, resignation or removal, except that each director who attains retirement age, as set forth in the Articles of Incorporation of the Company or as determined by the Board of Directors, during the term for which elected shall hold office only until the next annual meeting of the shareholder following attainment of retirement age, at which time a person may be elected as director to complete the unexpired term of office, if any, for which the director attaining retirement age had been elected.

Any director may be removed, but only for cause, at a meeting of the shareholder called for that purpose in the manner prescribed by law, upon the affirmative vote of the holders of a majority of the combined voting power of the then outstanding stock of the Company entitled to vote generally in the election of directors. Any director of the Company may resign at any time by delivering written notice to the Chairman of the Board, the Board of Directors, or the Company.

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:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Gregory B. Elming West Des Moines, IA	Senior Vice President and Chief Risk Officer Principal Financial Group, Inc. and Principal Life Insurance Company	2018
Nathan P. Schelhaas Urbandale, IA	VP and Actuary - Individual Life Principal Financial Group, Inc. and Principal Life Insurance Company	2018
Gregory A. Linde* Waukee, IA	Senior Vice President - Individual Life Principal Financial Group, Inc. and Principal Life Insurance Company	2018
Kenneth A. McCullum West Des Moines, IA	Vice President and Chief Actuary Principal Financial Group, Inc. and Principal Life Insurance Company	2018
Richard W. Von Fumetti, Jr. Urbandale, IA	Chief Financial Officer - Individual Life Principal Financial Group, Inc. and Principal Life Insurance Company	2018

\*Chair

On July 19, 2018 Julia M. Lawler was appointed Director, replacing Gregory B. Elming, who retired from the Company effective March 31, 2018.

#### Committees

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 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 Board of Directors has not established any committees.

#### 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:

<u>Name</u>	<u>Title</u>
Gregory A. Linde	President
Timothy M. Dunbar	Executive Vice President and Chief Investment Officer

<u>Name</u>	<u>Title</u>
Gregory B. Elming	Senior Vice President and Chief Risk Officer
Karen E. Shaff	Executive Vice President, General Counsel & Secretary
Gina L. Graham	Vice President and Treasurer
Kenneth A. McCullum	Vice President and Chief Actuary

Timothy M. Dunbar's title was changed to President - Principal Global Asset Management effective September 20, 2018.

On September 20, 2018 Julia M. Lawler was appointed as an officer of the Company with the title of Executive Vice President and Chief Risk Officer, replacing Gregory B. Elming, who retired from the Company on March 31, 2018.

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 stockholder, 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 and are adequate for its operations.

#### 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, its parent, PLIC, and its affiliate, PNLIC, 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.

EMPLOYEES' AND AGENTS' WELFARE

The Company did not have any employees or facilities as of December 31, 2017.

REINSURANCE

During 2007, the Company began assuming reinsurance from PLIC. As of December 31, 2017, the Company had assumed 71 policies at 50% net amount at risk with reserves totaling \$18,557.

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 the state of Iowa. The Company currently does not write any business.

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)

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Life Premium Income</u>	<u>Life Insurance In Force</u>
2013	\$231,688	\$231,661	\$7	\$2,457
2014	405,858	405,828	7	2,349
2015	331,354	331,323	8	2,334
2016	496,601	496,571	9	2,269
2017	544,494	544,444	9	2,201

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.

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 received a surplus contribution from PLIC of \$80.0 million on June 15, 2018.

The Company paid dividends to PLIC of \$100.0 million in 2018 and \$100.0 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

	<u>Assets</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$ 5,568,403	\$	\$ 5,568,403
Common stocks	538,362,145		538,362,145
Cash, cash equivalents and short-term investments	275,404		275,404
Investment income due and accrued	19,719		19,719
Current federal and foreign income tax recoverable and interest thereon	2,138		2,138
Receivables from parent, subsidiaries and affiliates	265,976		265,976
	<hr/>		<hr/>
Total Assets	\$ 544,493,784	\$	\$ 544,493,784

LIABILITIES, SURPLUS and OTHER FUNDS

Aggregate reserve for life contracts	\$ 18,557
Net deferred tax liability	639
Payable to parent, subsidiaries and affiliates	<hr/> 30,434
	<hr/>
Total Liabilities	\$ 49,630
	<hr/>
Common capital stock	\$ 2,500,000
Gross paid in and contributed surplus	277,476,409
Unassigned funds (surplus)	<hr/> 264,467,745
	<hr/>
Total Surplus and Other Funds	\$ 544,444,154
	<hr/>
Total Liabilities, Surplus and Other Funds	\$ 544,493,784

SUMMARY OF OPERATIONS

Premiums for life contracts	\$ 9,244
Net investment income	145,806
Total Income	<u>\$ 155,050</u>
Increase in aggregate reserves for life contracts	861
Total Policy Benefits	<u>\$ 861</u>
General insurance expenses	75,648
Insurance taxes, licenses and fees, excluding federal income taxes	2,231
Total Policy Benefits and Expenses	<u>\$ 78,740</u>
Net gain from operations before federal income taxes	<u>\$ 76,309</u>
Federal and foreign income taxes incurred	26,172
Net gain from operations after federal income taxes and before realized capital gains or (losses)	<u>\$ 50,137</u>
Realized capital gains (losses)	
Net income	<u>\$ 50,137</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and Surplus, December 31, 2016	<u>\$ 496,570,966</u>
Net income	\$ 50,137
Change in net unrealized capital gains (losses)	47,822,616
Change in net deferred income tax	(10)
Surplus adjustment:	
Paid in	549
Miscellaneous surplus adjustment	<u>(104)</u>
Net change in capital and surplus for the year	<u>\$ 47,873,188</u>
Capital and Surplus, December 31, 2017	<u>\$ 544,444,154</u>

CASH FLOW

CASH FROM OPERATIONS

Premiums collected net of reinsurance	\$ 9,244	
Net investment income	146,451	
Total		\$ 155,694
Commissions, expenses paid and other deductions	77,434	
Federal and foreign income taxes paid, net	32,928	
Total		\$ 110,362
Net cash from operations		\$ 45,333

CASH FROM FINANCING AND MISCELLANEOUS SOURCES

Cash provided (applied):		
Other cash provided	(231,027)	
Net cash from financing and miscellaneous sources		\$ (231,027)

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments		\$ (185,694)
Cash and short-term investments:		
Beginning of year		\$ 461,099
End of year		\$ 275,404

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