

Principal Indexed Universal Life Accumulation II<sup>SM</sup>



# Offer clients protection with growth and income potential.

Product guide



# Put the power of IUL insurance to work for your clients.

Business owners are looking for solutions—ways to retain their top employees, protect their business, and prepare smooth ownership transitions. Principal Indexed Universal Life Accumulation II<sup>SM</sup> (IUL Accumulation II) can help meet these common business needs. Its straightforward and transparent design offers valuable death benefit protection, index-linked cash value growth potential, and features that can help businesses do more.

## CLIENTS GET:

- Greater growth potential than other fixed insurance products provides and without the market risk of variable insurance products
- Features that offer choice and convenience while boosting potential accumulation and distribution of values

## YOU GET:

- A straightforward IUL product that you can feel good about recommending to your clients
- Access to our team of experienced case design and sales support specialists

## In this guide

|  |    |  |    |
|--|----|--|----|
| Ideal prospects.....                             | 3  | Principal UnderRight <sup>SM</sup> ..... | 14 |
| Top strategies.....                              | 3  | Death benefit options (DBO).....         | 14 |
| What sets IUL apart from other products?.....    | 3  | DBO changes.....                         | 15 |
| An opportunity for tax-deferred growth.....      | 4  | Face amount adjustments.....             | 15 |
| Index-linked interest crediting examples.....    | 5  | Grace period.....                        | 16 |
| Understanding how IUL Accumulation II works..... | 7  | Reinstatement.....                       | 16 |
| Moving money between accounts.....               | 8  | Policy and surrender charges.....        | 16 |
| Accessing account values.....                    | 9  | Policy riders.....                       | 17 |
| General policy information.....                  | 10 | Iowa CE requirement.....                 | 21 |
|  |    | Glossary of terms.....                   | 22 |



Call the National Sales Desk today at 800-654-4278.  
Visit us at **[advisors.principal.com](https://advisors.principal.com)**.



## Ideal prospects

- Insured ages 35-55
- Have a need for protection and growth
- Business owners and key employees

## Top strategies

- Personal retirement planning for business owners
- Business protection
- Business succession
- Key employee retention and retirement solutions

## What sets IUL insurance apart from other products?

It's the growth potential and downside protection provided.

IUL insurance offers many of the same benefits as traditional universal life insurance with one primary difference—the way interest is credited to the cash value of the policy. Earnings are based in part on upward movement of an underlying stock market index.

This can be an attractive advantage for accumulating cash value and also helps clients diversify from fixed interest rate accounts they may have.

There are times, though, when the market index has a down year, potentially for multiple years in a row. But unlike assets that invest directly in the market, IUL Accumulation II is guaranteed to never earn an interest rate less than 0%.<sup>1</sup>

## WHAT IUL INSURANCE IS

- A flexible premium adjustable benefit life insurance policy.
- A policy that accumulates cash value based on the opportunity to allocate to three index-linked account options. A traditional declared rate Fixed Account is also available.
- A policy that provides protection today while allowing clients to save for tomorrow.
- A policy that offers flexibility and is designed to meet a variety of personal and business needs.

## WHAT IT'S NOT

- An investment in the stock market and does not participate in any index fund, stock, or equity investment. The indexes referenced are simply measuring tools, used in part, to determine the amount of interest the company will credit to the policy.
- Variable life insurance.

<sup>1</sup> Guarantees based on the claims-paying ability of the issuing insurance company. In an interest crediting period where the reference index performance is negative, 0% would be credited to a policy; however, the policy's accumulated value could decrease as policy charges are still deducted.

# An opportunity for tax-deferred growth

Cash-value growth is driven by the interest-earning account(s) clients direct their policy payments to. They can allocate money to one or more of the accounts—the choice is theirs.

## Index-linked accounts

Interest is earned in part based on the movement of the linked stock market index. We offer three index-linked account options.

- **S&P 500® Price Return Index** (excludes dividends). During a 12-month period, the beginning index value is compared to the ending index value, and the percentage change (subject to a cap and floor) is credited to the policy. This account can produce competitive interest in many types of positive index movements.
- **S&P 500® Price Return High Cap Index** (excludes dividends). During a 12-month period, the beginning index value is compared to the ending index value, and the percentage change (subject to a cap and floor) is credited to your policy. A stated percentage is also deducted from your account value at the beginning of each 12-month period. In exchange for the charge, this account offers a higher cap than the S&P 500 Price Return index-linked account.
- **S&P 500® Total Return Index** (includes the value of reinvested dividends). During a 12-month period, the beginning index value is compared to the average of the ensuing 12 monthly index values, and the percentage change (subject to a cap and floor) is credited to the policy. This account can help smooth the impact of index volatility through monthly averaging combined with the value of reinvested dividends.

Clients should consider indexed-linked accounts if they want the opportunity for more growth than a fixed rate provides—and are okay with an interest rate that will likely vary more than a fixed rate.

## Fixed Account

Values held in this account earn a fixed rate of interest set by Principal®. This rate can change occasionally but is guaranteed to never go below a minimum level.

Clients should consider the Fixed Account if they like the security of having some portion of their cash value in an account earning a consistent, predictable rate of return.

### **Accumulated Value Enhancement**

The Accumulated Value Enhancement credits a guaranteed rate of 0.75% to net accumulated value in years 11+ as long as the Fixed Account is crediting more than 1.00%. The Accumulated Value Enhancement is applied on top of any interest earned by the clients' allocated accounts, regardless of performance.

# Index-linked interest crediting examples

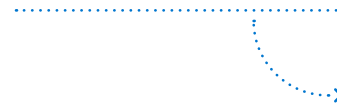
As premium is paid to an IUL Accumulation II policy, it has the potential to accumulate cash value. Index-linked interest is calculated and credited at the segment maturity date.

Here are some hypothetical examples to show how index-linked interest would be credited in different market environments. Index-linked interest is calculated and credited at the segment maturity date.

*Note:* Values and rates used in the following examples are hypothetical and do not attempt to predict or reflect actual figures. They are used for illustrative purposes only. The participation rate and cap rate used in the examples may be more or less than the actual rates for any given index segment.

|  |  |                                    |  |                                    |
|--|--|------------------------------------|--|------------------------------------|
| Account details                                | Reference index                        | S&P 500® Price Return (S&P 500 PR) | S&P 500® Price Return High Cap (S&P 500 PR HC) | S&P 500® Total Return (S&P 500 TR) |
|  | Crediting methodology                  | Point-to-point                     | Point-to-point                                 | Monthly average                    |
| Index-linked account                           | Segment duration                       | 1 year                             | 1 year   | 1 year                             |
| Segment modifiers and adjusted segment balance | Cap rate                               | 8.5%                               | 11%  | 11%                                |
|  | Participation rate                     | 100%                               | 100%   | 100%                               |
|  | Floor rate                             | 0%                                 | 0%   | 0%                                 |
|  | Segment charge rate                    | N/A                                | 1%   | N/A                                |
|  | Assumed adjusted segment balance (ASB) | \$1,000                            | \$990  | \$1,000                            |

See how indexed-linked interest would be credited in three different scenarios.





### Three indexed-linked interest crediting scenarios

|  |                          | Beginning index value | Avg. of 12 month values | Ending index value | Reference index return rate | Reference index return x par rate | Index-linked interest rate | Ending segment value |
|--|--------------------------|-----------------------|-------------------------|--------------------|-----------------------------|-----------------------------------|----------------------------|----------------------|
| <b>SCENARIO 1: Index growth exceeds cap</b><br>(Actual index values for 2/12/16 – 2/12/17 used)                | <b>S&amp;P 500 PR</b>    | \$1,864.8             | N/A                     | \$2,316.1          | 24.2%                       | 24.2%                             | 8.5%                       | \$1,085              |
|  | <b>S&amp;P 500 PR HC</b> | \$1,864.8             | N/A                     | \$2,316.1          | 24.2%                       | 24.2%                             | 11%                        | \$1,098              |
|  | <b>S&amp;P 500 TR</b>    | \$3,496.3             | \$4,093.2               | \$4,093.2          | 17.1%                       | 18.8%                             | 11%                        | \$1,110              |
| <b>SCENARIO 2: Index growth is between floor and cap</b><br>(Actual index values for 12/12/14 – 12/12/15 used) | <b>S&amp;P 500 PR</b>    | \$2,002.3             | N/A                     | \$2,012.4          | 0.5%                        | 0.5%                              | 0.5%                       | \$1,005              |
|  | <b>S&amp;P 500 PR HC</b> | \$2,002.3             | N/A                     | \$2,012.4          | 0.5%                        | 0.5%                              | 0.5%                       | \$995                |
|  | <b>S&amp;P 500 TR</b>    | \$3,663.1             | \$3,803.4               | \$3,803.4          | 3.8%                        | 4.2%                              | 4.2%                       | \$1,042              |
| <b>SCENARIO 3: Index growth is below floor</b><br>(Actual index values for 5/12/15 – 5/12/16 used)             | <b>S&amp;P 500 PR</b>    | \$2,099.1             | N/A                     | \$2,064.1          | -0.6%                       | -0.6%                             | 0%                         | \$1,000              |
|  | <b>S&amp;P 500 PR HC</b> | \$2,099.1             | N/A                     | \$2,064.1          | -0.6%                       | -0.6%                             | 0%                         | \$990                |
|  | <b>S&amp;P 500 TR</b>    | \$3,870.7             | \$3,770.4               | \$3,770.4          | -2.6%                       | -2.8%                             | 0%                         | \$1,000              |

**Notes:** For simplicity, index values and segment values are rounded to nearest tenth, and the ending segment value does not reflect policy charges.

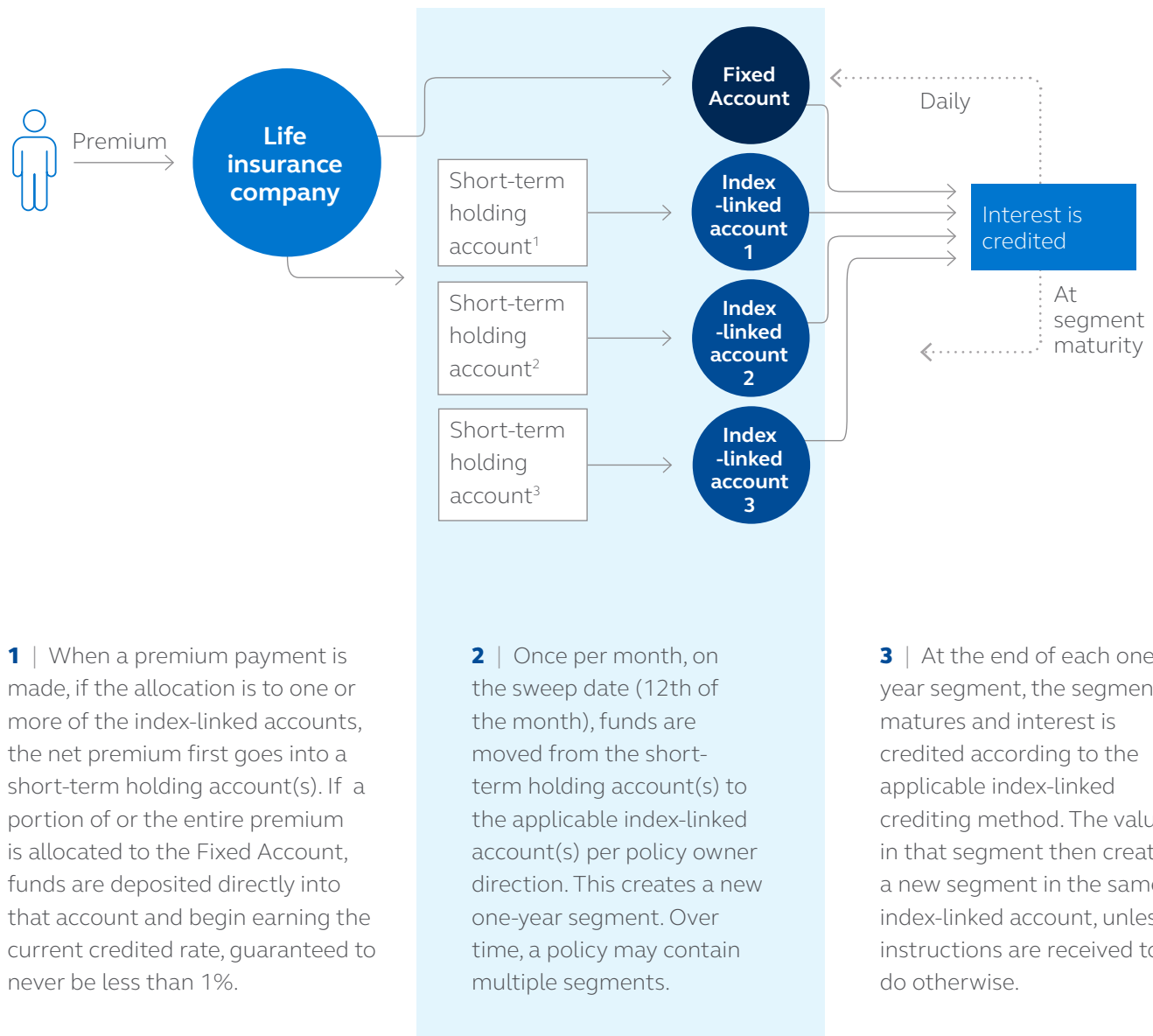
Reference index return rate = (Ending index value – beginning index value)/beginning index value

Index-linked interest rate = (Reference index return rate \* participation rate), product is compared to cap and floor

Past results should not be considered representative of expected future performance. Future performance of the reference index could be higher or lower than the performance shown in the chart. Principal Indexed Universal Life Accumulation II was not available until 2019, and the above information applies a current cap rate, floor rate, participation rate, and segment charge to past performance. Actual segment modifiers might have been higher or lower than assumed and would have been impacted by market conditions and different policy guarantees.

# Understanding how IUL Accumulation II works

When an IUL Accumulation II policy is purchased, the policy owner selects the account(s) for premium allocation. The premium allocation then takes place as outlined below.



# Moving money between accounts

Policy owners can move money between these accounts as follows:

- From the Fixed Account to an index-linked account(s)—at the next available sweep date
- From an index-linked account(s) to another index-linked account—only at segment maturity
- From an index-linked account(s) to the Fixed Account—only at segment maturity

## Scheduled transfers

These provide a convenient, automated method to move money from one account to another. Scheduled transfers can be elected at any time to occur on an annual, semi-annual, quarterly, or monthly basis. Scheduled transfers occur on the sweep date.

**Tip:** In a situation where a large lump sum of money is being paid into a policy (a 1035 Exchange, for example), consider using scheduled transfers to create multiple segments within an index-linked account(s) rather than allocating the full lump sum to an account. Moving a portion of the money at fixed intervals over time creates multiple segments that can help moderate interest rate volatility.

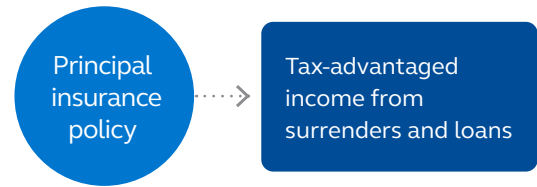
## Unscheduled transfers

These are non-recurring, one-time requests. Either a written request or a request via [www.principal.com](http://www.principal.com) must be received in the home office each time the policy owner wishes to make a transfer.



# Accessing account values

Clients can receive money from their policy using partial surrenders and/or policy loans. Withdrawals are generally received free of income tax, so they keep more of what they've earned.<sup>2</sup> Plus, unlike other types of tax-deferred assets, there's no penalty for withdrawals prior to age 59½.<sup>3</sup>



## Easy access for convenience

If receiving regular income payments is a client objective, these three steps make it easy for them to get started and keep payments going:

- 1 | **Decide** how often to receive payments.
- 2 | **Complete** one short form and send it to us.
- 3 | **Forget about it.** Payments continue until either they tell us to stop or they have received all available policy value.

**Note:** Taking loans from the policy and not repaying them may result in the policy terminating by lapse. This would end coverage and could result in a tax liability. Clients should consult their personal tax advisor prior to requesting a loan.

## Loan options to fit client needs

Two types of loans are available, and the client can choose the one they want when they request the loan.

- **Standard loan.** This type has a declared charge rate and a declared credit rate. When a loan is taken, a loan account in the amount of the loan is established as collateral. Values are moved from the allocated account(s) to the loan account where it is credited with a declared rate of interest. The benefit of the standard loan is the low net cost. The disadvantage is no potential for index gains on the loaned amount.
- **Alternate loan.** This type has a declared charge rate; however, unlike a standard loan, the credit rate is based on performance of the allocated accounts. When an alternate loan is taken, values are not moved from allocated accounts to a separate loan account, but instead remain allocated and continue to earn the allocated interest rate. The benefit of the alternate loan is the potential for index-linked interest on the loan amount. The disadvantages are a higher loan interest rate charged and the potential for a much greater net cost.

**Note:** An alternate policy loan carries more risk to the policy's performance due to the potential for a more expensive loan. Help clients compare loan types with additional illustrations to see the effects an underperforming loan may have.

<sup>2</sup> Withdrawals are generally tax-free until cost basis has been recovered. Thereafter, policy loans are generally tax-free unless the policy lapses. Withdrawals and loans will reduce the policy cash surrender value and net death benefit and may cause the policy to lapse. Lapse of a life policy may cause loss of death benefit and adverse income tax consequences. A life insurance policy classified as a modified endowment contract (MEC) will have less favorable tax treatment during the life of the insured compared to other life insurance (non-MEC policies). Such tax treatment would be similar to tax treatment of a deferred annuity.

<sup>3</sup> As long as the policy is not a modified endowment contract (MEC).

# General policy information

This is a summary of policy terms only. Please refer to the policy for actual terms and conditions.

|                                     |  |
|-------------------------------------|--|
| <b>Issue ages</b>                   | <p>Age nearest birthday (ANB) rates. Principal reserves the right to change the issue ages at any time in the future.</p> <ul style="list-style-type: none"><li>• 20-85 – Standard, Super Standard &amp; Preferred Non-Tobacco, and Standard &amp; Preferred Tobacco</li><li>• 20-80 – Super Preferred Non-Tobacco</li><li>• 20-70 – Special underwriting programs – Standard Non-Tobacco, Standard Tobacco</li></ul>  |
| <b>Maturity age</b>                 | <p>Insured's attained age 121:</p> <ul style="list-style-type: none"><li>• Charges continue to be deducted to attained age 121.</li><li>• The maturity age is extended to the date of death with the maturity date extension provision.</li></ul>  |
| <b>Surrender charge duration</b>    | <ul style="list-style-type: none"><li>• 10 years for all issue ages.</li><li>• Face increases have their own set of charges.</li></ul>   |
| <b>No-lapse guarantee provision</b> | <p>For policies issued 8/16/21 and later:</p> <ul style="list-style-type: none"><li>• Issue ages 20-75: 10 years</li><li>• Issue age 76: 9 years</li><li>• Issue age 77: 8 years</li><li>• Issue age 78: 7 years</li><li>• Issue age 79: 6 years</li><li>• Issue ages 80-85: 5 years</li></ul> <p>For policies issued prior to 8/16/21: 10 years</p>   |
| <b>Policy loans</b>                 | <ul style="list-style-type: none"><li>• A loan may be taken as either a standard loan or alternate loan, but not as a combination of the two.</li><li>• Only one type of loan may be outstanding at any time.</li><li>• A policy's loan type may be changed once per policy year. The change in loan type will occur at the next scheduled sweep date following the policy anniversary.</li></ul> <p>Changing from standard loan to alternate loan:</p> <ul style="list-style-type: none"><li>• Policy must not currently be in a sweep restriction period.</li><li>• Policy loan interest will be due.</li><li>• The loan account will be used to change loan indebtedness from standard to alternate.</li><li>• Values will be allocated according to allocation instructions.</li></ul> <p>Changing from alternate loan to standard loan:</p> <ul style="list-style-type: none"><li>• Policy loan interest will be due.</li><li>• A loan account will be created in the amount of the existing loan indebtedness. The accumulated value will be decreased by the amount of the loan in the same sequence as a new standard loan. If this results in a decrease in index-linked value, the policy will enter a sweep restriction period.</li></ul> |

|  |   |
|--|---|
| <b>Standard policy loans</b>                 | <ul style="list-style-type: none"> <li>• Available beginning in the first policy year.</li> <li>• There is no minimum loan amount.</li> <li>• The amount borrowed is transferred to a loan account.</li> <li>• Interest is due and payable at the end of each policy year. Any interest not paid when due is added to the loan principal.</li> <li>• Unscheduled loans from an open segment trigger a 12-month sweep restriction period on new money establishing new segments.</li> <li>• Any unscheduled loan taken from an open segment stops any scheduled transfer to an index-linked account for 12 months.</li> <li>• Any loan repayment is applied according to premium allocation instructions, unless in a sweep restriction period.</li> </ul> <div> <div> For policies issued 8/16/21 and later: <ul style="list-style-type: none"> <li>• Loan charge rates—current: <ul style="list-style-type: none"> <li>› Policy years 1-10: 3.5%</li> <li>› Policy years 11+: 2%</li> <li>› Extended coverage period: 2%</li> </ul> </li> <li>• Loan charge rate—guaranteed: <ul style="list-style-type: none"> <li>› Policy years 1-10: 3.5%</li> <li>› Policy years 11+: 2%</li> <li>› Extended coverage period: 2%</li> </ul> </li> <li>• Loan crediting rate—current: <ul style="list-style-type: none"> <li>› 2% in all years</li> </ul> </li> <li>• Loan crediting rate—guaranteed: <ul style="list-style-type: none"> <li>› 2% in all years</li> </ul> </li> </ul> </div> <div> For policies issued prior to 8/16/21: <ul style="list-style-type: none"> <li>• Loan charge rates—current: <ul style="list-style-type: none"> <li>› Policy years 1-10: 4.5%</li> <li>› Policy years 11+: 3%</li> <li>› Extended coverage period: 3%</li> </ul> </li> <li>• Loan charge rate—guaranteed: <ul style="list-style-type: none"> <li>› 4.5% in all years</li> </ul> </li> <li>• Loan crediting rate—current: <ul style="list-style-type: none"> <li>› 3% in all years</li> </ul> </li> <li>• Loan crediting rate—guaranteed: <ul style="list-style-type: none"> <li>› 2% in all years</li> </ul> </li> </ul> </div> </div> |
| <b>Alternate policy loans</b>                | <ul style="list-style-type: none"> <li>• Available beginning in the fourth policy year.</li> <li>• There is no minimum loan amount.</li> <li>• Loan indebtedness is created but the amount borrowed is not removed from accumulated value and remains allocated in the applicable account(s).</li> <li>• Interest is due and payable at the end of each policy year. Any interest not paid when due is added to the loan principal.</li> <li>• We may change the loan charge rate on the policy anniversary. The new rate will apply to any new and existing loan debt.</li> <li>• Any loan repayment is applied according to premium allocation instructions, unless in a sweep restriction period.</li> </ul> <p>Loan charge rates:</p> <ul style="list-style-type: none"> <li>• Current: 5%</li> <li>• Guaranteed: 8%</li> </ul> <p>Loan crediting rates:</p> <ul style="list-style-type: none"> <li>• Rate applied to account(s) that make up the accumulated value</li> </ul>  |
| <b>1035 Exchanges with outstanding loans</b> | <ul style="list-style-type: none"> <li>• Loans are accepted up to 50% of the net 1035, amount.</li> <li>• No compensation is paid on assumed loans.</li> <li>• Any loan established as part of a 1035 Exchange into the policy will be a standard policy loan.</li> </ul>   |
| <b>Unscheduled partial surrenders</b>        | <ul style="list-style-type: none"> <li>• Available after the first policy anniversary.</li> <li>• \$500 minimum.</li> <li>• Up to two unscheduled partial surrenders are allowed per year.</li> <li>• The sum of the two partial surrenders is limited to 75% of the net surrender value as of the date of the first partial surrender.</li> </ul>  |

## Preferred partial surrenders

- In policy years 2-15, preferred partial surrenders offer the ability to withdraw 10% of the net surrender value as of the end of the previous policy year without a subsequent decrease in face amount. Ten percent of the net surrender value as of the end of the previous policy year is the total amount available for a preferred partial surrender in any one policy year. Any excess amount withdrawn (which includes the transaction fee, if applicable) will be treated as a non-preferred partial surrender and will cause a reduction in the face amount for the excess amount.
- These are only available for Death Benefit Option 1.
- The 10% does not carry over or accumulate if it is not used in any given year.
- Preferred partial surrenders in any given year may not exceed \$100,000.
- Maximum lifetime preferred partial surrenders = \$250,000.
- A preferred partial surrender from an open segment triggers a 12-month sweep restriction period on new money for a new segment; however, any remaining segments can renew to new segments. Any value in a short-term holding account moves to the Fixed Account, and all premiums during this period go to the Fixed Account.
- If a preferred partial surrender is taken from an open segment, any scheduled transfer to an index-linked account stops for 12 months.
- Any subsequent preferred partial surrender taken from an open segment triggers a reset of the 12-month sweep restriction period.

## Internal Revenue Code (IRC) Section 7702 testing

- Cash Value Accumulation Test (CVAT) is the illustrative default.
- CVAT is available with DBO 1, 2 and 3.
- Guideline Premium Test (GPT) is also available.

## Index-linked account information

|                                       | <b>S&amp;P 500 Price Return Index Account</b>    | <b>S&amp;P 500 Price Return Index High Cap Account</b> | <b>S&amp;P 500 Total Return Index Account</b>                            |
|---------------------------------------|--|--|--|
| Reference index                       | S&P 500 Price Return Index (excluding dividends) | S&P 500 Price Return Index (excluding dividends)       | S&P 500 Total Return Index (including the value of reinvested dividends) |
| Crediting method                      | Point-to-point                                   | Point-to-point   | Monthly average  |
| Segment duration                      | 1 year   | 1 year   | 1 year   |
| Sweep date                            | 12th of each month                               | 12th of each month                                     | 12th of each month   |
| <b>Segment modifiers</b>              |  |  |  |
| Guaranteed minimum participation rate | 100%   | 100%   | 100%   |
| Guaranteed minimum cap rate           | 3%   | 3%   | 3%   |
| Guaranteed minimum floor rate         | 0%   | 0%   | 0%   |
| Guaranteed segment charge rate        | N/A  | 1%   | N/A  |

## Key underwriting and policy issue information

### Minimum fully underwritten issue amounts

| Issue age | Underwriting class  | Minimum face amount |
|-----------|---|---------------------|
| 20-85     | Preferred/<br>Standard Tobacco<br>& Preferred/ Super<br>Standard/ Standard<br>Non-Tobacco | \$50,000            |
| 20-80     | Super Preferred<br>Non- Tobacco   | \$50,000            |

- Gender-distinct and unisex rates are available.
- Principal Accelerated Underwriting<sup>SM</sup> available.
- Term Conversions: \$50,000.

### Minimum business underwritten issue amount: \$100,000 for all programs\*

| Issue age | Business underwriting program | Minimum # of lives |
|-----------|-------------------------------|--------------------|
| 20-70     | Simplified Issue              | 5                  |
| 20-70     | Guaranteed Issue              | 10                 |

\* Business underwriting programs do not have surcharges. Cost of Insurance rates will reflect the full mortality for a case. There will not be any compensation reductions associated with business underwriting programs. All business underwriting programs require pre-approval.

### Substandard ratings from Tables 2-16

Table 2 through Table 16 percentage ratings apply only to Standard class, not Super Preferred or Preferred

| Issue age | Substandard rating available |
|-----------|------------------------------|
| 20-75     | Table 2-16, plus flat extras |
| 76-80     | Table 2-6, plus flat extras  |
| 81-85     | Table 2-3, plus flat extras  |

## Policy dating

- Follows underwriting approval in the home office.
- Issue date range: 1st -28th; if received on the 29th, 30th or 31st, then date on the first of the following month.
- Backdating is allowed for up to six months before the application date or the exam date, whichever is later. Fixed interest will be applied to backdated premium (indexed-linked interest is not retroactive). Policies may not be backdated beyond the state approval date. State variations apply.
- Cash upon delivery allowed.

## Planned premium frequency options

- Annual
- Semi-annual
- Quarterly
- Monthly

# Principal UnderRight<sup>SM</sup>

Our innovative team approach provides large-case and business-case experience, competitive underwriting and service you can count on.

- Accessible and knowledgeable underwriters who specialize in personal service for each case
- Accelerated Underwriting with up to \$3 million of coverage (\$2.5 million at older ages) in as little as 24 hours, for applicants who qualify<sup>4</sup>
  - › Eliminates the need for lab testing and paramed exams
- Convenience of online Part B or phone interview
- Risk Upgrade Program that allows us to potentially improve ratings of Table 2 or a flat extra of \$2.50 per \$1,000 to Standard on select impairments and non-medical risks
- More underwriting convenience for higher face amounts with Business Solutions Enhanced Underwriting
- Business underwriting programs<sup>5</sup>
  - › Guaranteed Issue
  - › Simplified Underwriting, Standard Decline, and TeleApp

## Death benefit options (DBO)

|                    | Death benefit option 1  | Death benefit option 2   | Death benefit option 3   |
|--------------------|---|--|--|
| Death benefit paid | Face amount   | Face amount + accumulated value  | Face amount + cumulative premiums paid – surrenders  |
| Description        | <ul style="list-style-type: none"><li>• The accumulated value increases while the amount of pure insurance will decrease, keeping the death benefit level.</li><li>• The death benefit will never be less than the accumulated value multiplied by the percentage the Internal Revenue Code (IRC) specifies as necessary to qualify the policy as life insurance.</li></ul> | <ul style="list-style-type: none"><li>• A variable death benefit, which will increase or decrease as accumulated value changes.</li><li>• The death benefit will never be less than the face amount.</li><li>• The death benefit will be adjusted upward as necessary to comply with IRC requirements to qualify the policy as life insurance.</li></ul> | <ul style="list-style-type: none"><li>• A variable death benefit, which will increase as premiums are paid and decrease as partial surrenders are taken.</li></ul> |

Note: Partial surrenders and policy loans decrease the accumulated value and death benefit.

<sup>4</sup> Based on age, product, face amount, and personal history.

<sup>5</sup> Subject to state variations. May not be available in all states.



# DBO changes

- Changes are allowed on or after the first policy anniversary.
- DBO 3 can only be elected at the time of issue. Changes to DBO 3 are not permitted.
- Changes are limited to two per policy year.
- Changes will result in a face amount adjustment so that the net amount at risk is the same immediately before and after the change.
- Face amount after any reduction must be at least the minimum face amount as shown on the current policy data pages.
- A change in DBO requires new data pages to be provided to the client.
- Changes may require proof of insurability that satisfy us, subject to current underwriting guidelines.
- Changes after the maximum issue age are available subject to current underwriting guidelines.

| DBO change     | Resulting face amount adjustment  |
|----------------|---|
| DBO 1 to DBO 2 | The face amount decrease will equal the accumulated value on the effective date of the change.  |
| DBO 1 to DBO 3 | Not permitted.  |
| DBO 2 to DBO 1 | The face amount increase will equal the accumulated value on the effective date of the change.  |
| DBO 2 to DBO 3 | Not permitted.  |
| DBO 3 to DBO 1 | The face amount increase will equal the amount by which the total premiums paid exceed partial surrenders up to the date of the change.   |
| DBO 3 to DBO 2 | The face amount will be adjusted by an amount determined by subtracting the accumulated value from the greater of, a) total premiums paid less partial surrenders, and b) zero. |

Note: A DBO change is subject to the limits as defined in IRC Section 7702 as amended. An additional increase in face amount may be required to maintain compliance with the limits.

# Face amount adjustments

Face amount increases are approved at a risk class determined by Principal and are allowed if:

- Insured is alive.
- Attained age is 85 or less (age 70 for business underwriting programs and DBO changes that result in a face increase).
- The increase meets minimum face amount increase requirements shown on current data pages:
  - › Non-Guaranteed Issue minimum face amount increase = \$50,000.
  - › Guaranteed Issue, Batch, and Simplified Issue minimum face amount increase = \$10,000.
- Evidence of insurability is provided by client and approved by our underwriting team, subject to underwriting guidelines then in effect.

**Face amount decreases:**

- Allowed on or after the first policy anniversary
- Limited in years 2-5 to a cumulative 35% of original face amount at issue:
  - › The 35% limitation does not apply to DBO changes that reduce the face amount, or face amount increases resulting from partial surrenders.
- May not cause the face amount to fall below the required minimum face amount at issue

## Grace period

If planned periodic premiums or additional premium payments are not made, and the net accumulated value is insufficient to cover the monthly policy charge, the policy will enter the grace period. The grace period is 61 days and begins when a Notice of Impending Policy Termination is mailed to the policy owner. If sufficient payment is not received by the end of the grace period, the policy terminates.

## Reinstatement

See the policy for reinstatement requirements.

## Policy and surrender charges

|                                |   |  |
|--------------------------------|---|--|
| Premium expense charge         | <p>For policies issued 8/16/21 and later:</p> <p>Current:</p> <ul style="list-style-type: none"> <li>• 8.5% to premium threshold (all premium)</li> <li>• 12.5% above premium threshold (all premium)</li> </ul> <p>Guaranteed:</p> <ul style="list-style-type: none"> <li>• 20% in all years (all premium)</li> </ul>  | <p>For policies issued prior to 8/16/21:</p> <p>Current:</p> <ul style="list-style-type: none"> <li>• 7% to premium threshold (all premium)</li> <li>• 10% to premium threshold (all premium)</li> </ul> <p>Guaranteed:</p> <ul style="list-style-type: none"> <li>• 15% in all years (all premium)</li> </ul> |
| Cost of insurance rates        | <ul style="list-style-type: none"> <li>• 2017 CSO Smoker/Non-Smoker distinct, age nearest birthday</li> <li>• Varies by age, gender and risk class</li> </ul>   |  |
| Monthly administration charges | <ul style="list-style-type: none"> <li>• Current: \$10</li> <li>• Guaranteed: \$20</li> </ul>   |  |
| Monthly policy issue charge    | <p>Current:</p> <ul style="list-style-type: none"> <li>• Per \$1000 of face amount and varies by age, gender, risk class, and tobacco status in years 1-10</li> </ul> <p>Guaranteed:</p> <ul style="list-style-type: none"> <li>• 125% of the current charge in all years</li> </ul>  |  |
| Surrender charges              | <ul style="list-style-type: none"> <li>• 10 years.</li> <li>• Vary based on face amount, age at issue or adjustment, gender, and issue state.</li> <li>• Applied to accumulated value upon full surrender or policy termination as described in the policy's grace period provision.</li> <li>• Table of maximum surrender charges is listed per policy year in the policy data pages.</li> <li>• Any face amount increase carries its own surrender charge and surrender charge period.</li> </ul> |  |

# Policy riders

The following riders may not all be available in all states, and the terms of each rider may differ by state. Please refer to state-specific sample rider forms.

## Alternate Surrender Value Rider (ICC19 SN 123/SN 123/SF 998 NY)

|                  |   |
|------------------|---|
| Issue ages       | 20-70   |
| Expiry age       | End of 10th policy year, any face increase, payment of a terminal or chronic ADB or any change of ownership   |
| Cost             | Current: 4% on all premium in policy years 1-7; Guaranteed: 4% on all premium in policy years 1-10  |
| Availability     | Only at policy issue. Available for business-owned/sponsored cases only. Not available if Salary Increase Rider or Cost of Living Increase Rider is present.  |
| Benefit provided | <ul style="list-style-type: none"><li>• This rider produces high early cash surrender values within the first 10 policy years. If the policy is surrendered in full, the greater of the Alternate Surrender Value minus loan indebtedness or the Net Surrender Value will be paid (subject to the Conditions and Limitations).</li><li>• Alternate Surrender Value is payable if the Alternate Surrender Value Test is satisfied on the date of full surrender.</li><li>• Alternate Surrender Values do not apply if the policy is surrendered as part of a replacement or 1035 Exchange. The additional surrender value is not available for loan or partial surrenders.</li></ul> |

### Chronic Illness Death Benefit Advance Rider (ICC14 SN 92/SN 92)

|                                      |  |
|--------------------------------------|--|
| Issue ages                           | 20-75  |
| Expiry age                           | <p>Earliest of:</p> <ul style="list-style-type: none"> <li>• Termination of policy</li> <li>• Receiving terminal benefits</li> <li>• Exercising the Life Paid-Up Rider</li> <li>• Receipt of notification to cancel the policy</li> </ul>  |
| Cost                                 | There's no cost for this rider at issue. If the rider is exercised, a reduction factor is applied to the requested accelerated benefit amount. A \$150 administrative fee per claim is also applied.   |
| Availability                         | Automatically added at issue for fully underwritten cases with issue ages 20-75. Not allowed on Table ratings 4 and higher, or permanent/temporary flat extras of \$7.51 or higher per \$1,000. A maximum of two Chronic Illness Death Benefit Advance riders are allowed per insured.   |
| Benefit provided                     | Pays an accelerated death benefit upon the insured showing proof of chronic illness defined as either being unable to perform at least two of six Activities of Daily Living or having a cognitive impairment. Each accelerated benefit reduces the policy's death benefit by the amount of the benefit. Each of the following is reduced proportionately, as applicable: accumulated value, surrender charge, loan balance, no-lapse guarantee. |
| Lifetime maximum accelerated benefit | Lesser of 75% of the death benefit on initial election, or \$1 million.  |
| Annual maximum accelerated benefit   | Lesser of 25% of the death benefit on initial election, or the annualized per diem acceleration as defined in the rider divided by the accelerated benefit reduction factor.   |
| Annual minimum accelerated benefit   | Lesser of 10% of the death benefit on initial election, or \$10,000.   |
| Minimum residual death benefit       | Greater of 25% of the death benefit on initial election, or \$10,000 face amount or death benefit.   |

### Cost of Living Increase Rider (SN 38/SF 794 NY)

|                  |   |
|------------------|---|
| Issue ages       | 20-52   |
| Expiry age       | Earliest of age 55, any decrease in face amount, failure to accept an increase, or policy termination. No cost of living increase offers will be made after age 55.   |
| Cost             | There's no cost to have this rider on the policy. However, when an increase is exercised, the monthly policy charge and surrender charge will be increased to cover the costs of the charges for any increase in face amount made under the rider.  |
| Availability     | At issue, with increases offered in three-year increments from the policy date.   |
| Benefit provided | Provides an opportunity to increase the face amount without evidence of insurability based on increases in the Consumer Price Index for All Urban Consumers (CPI). The amount of the increase will be the lesser of the calculated increase determined from the CPI or the maximum cost of living increase shown on current data pages (30% of base plan face or \$100,000) less the sum of any face amount increases made during the previous year at a Standard or better risk class. An increase in premium will be necessary after accepting a cost of living increase offer to maintain the no-lapse guarantee period. Acceptance of a cost of living increase offer will have a direct effect on the cost and benefits of any attached Waiver of Monthly Policy Charge Rider. |

**Life Paid-up Rider (over-loan protection) (SN 25/SF 933 NY)**

|                  |  |
|------------------|--|
| Issue ages       | 20-85  |
| Expiry age       | Maturity (age 121)   |
| Cost             | If activated, there is a one-time charge of the policy's value.  |
| Availability     | Added automatically at issue. It's also available to add after issue subject to state approval. No underwriting is required.   |
| Benefit provided | By making the policy paid up, this rider prevents the policy from lapsing due to a large loan. See policy data pages for current and guaranteed loan indebtedness percentages applicable to activate the rider. In addition, for the rider to be activated, the insured must be age 75 or older, the policy must be in force for at least 15 years, and cumulative partial surrenders must equal or exceed total premiums paid. Note: At the time of activation, any outstanding alternate policy loan value is changed to a standard policy loan. |

**Salary Increase Rider (SN 8/SF 804 NY)**

|                  |  |
|------------------|--|
| Issue ages       | 20-64  |
| Expiry age       | Earliest of termination of the owner's policy, insured's attained age 65 or receipt of the owner's notice to cancel the rider.   |
| Cost             | There's a charge for the rider if the policy is rated or the rider benefit amount exceeds \$30,000.  |
| Availability     | Business cases only  |
| Maximum annual   | \$30,000 (may be increased to \$100,000 for an additional monthly policy charge)   |
| Maximum lifetime | \$1 million  |
| Benefit provided | Allows the purchase of additional insurance without evidence of insurability as long as the policy and rider are in force and not in the grace period. Increases are available annually while the insured is actively at work according to the rider terms. Increases are only offered if the insured's salary has increased during the policy year. The amount of the increase is a function of the insured's salary subject to the rider's maximum increase. |

**Terminal Illness Death Benefit Advance Rider (ICC14 SN 93/SN 93)**

|                  |   |
|------------------|---|
| Issue ages       | 20-85   |
| Expiry age       | Maturity (age 121)  |
| Cost             | There's no cost to have this rider on the policy. A one-time administrative charge of up to \$150 may be imposed when the rider is exercised.   |
| Availability     | It's available to all policy owners and covers the insured. There are no special underwriting requirements. It may be added at any time.  |
| Benefit provided | Pays an accelerated benefit upon insured showing proof of a terminal illness as defined in the policy rider form. The accelerated benefit that may be received is the lesser of the Accelerated Benefits Cap shown on the current data pages, or 75% of the eligible face amount minus any outstanding policy loans, unpaid loan interest and previously paid accelerated benefit, not to exceed \$1 million. The accelerated benefit is considered a lien against the policy and accrues with interest. At the time of death, the beneficiary receives the policy death benefit minus the benefit advance and applicable interest. The minimum amount of any payment is \$500. |

### Waiver of Monthly Policy Charge Rider (SN 54/SF 898 NY)

|                  |  |
|------------------|--|
| Issue ages       | 20-59  |
| Expiry age       | Age 65 (unless on waiver claim)  |
| Cost             | There's a charge to have this rider on the policy. The cost of the rider is deducted on each monthly date.   |
| Availability     | It's available at issue or as an underwritten adjustment. The policy must be rated Table 6 or better. The rider is not allowed if flat extras per \$1,000 equal or exceed \$5 for more than two years. A separate rating may additionally apply to the rider.  |
| Benefit provided | If the insured is disabled as stated in the rider policy form, monthly policy charges for the policy benefits will be waived (or credited to the accumulated value if already deducted). Benefits are limited for disability occurring after age 59. Note that a policy loan has the potential to lapse a policy during the waiver period even when monthly policy charges are being waived. |



# Underwriting riders

- Aviation Exclusion (SN 10 / SF 612 NY)
- Hazardous Sports Exclusion (SN 11)

## **Attention – producers licensed in the state of Iowa:**

Iowa Insurance Division Administrative Rule 191-15.80 - 87 requires all producers selling or soliciting indexed life products in Iowa to obtain four continuing education (CE) credits by an approved vendor offering an indexed product course prior to selling indexed life products. This is a one-time requirement.

Only those courses approved for indexed products and listed by the Division's vendor of CE courses, Pearson VUE, will be accepted as a qualified course. The Pearson VUE website address is: [www.pearsonvue.com](http://www.pearsonvue.com).

# Glossary of terms

**Adjusted segment balance.** On the segment maturity date, the value of the segment on the segment begin date less amounts deducted during the segment duration for all monthly policy charges, partial surrenders, policy loans, and any other deductions. For purposes of this calculation, each deduction is first multiplied by the ratio of the number of days remaining in the segment duration after the date of the deduction divided by the number of days in the entire segment duration.

**Cap rate.** The maximum rate, or “cap” on an index-linked interest rate. For example, if the index-linked crediting method has an 8% cap rate, and the change in the index during the index-linked segment is 12%, 8% will be credited, not 12%. The cap rate will never be less than the guaranteed minimum of 3% for any of the IUL Accumulation II index-linked accounts.

**Closing index value.** The reference index value as of the New York stock exchange close of business. If no reference index value is published for a given day, the reference index value for the prior business day for which a reference index value was published will be used.

**Floor rate.** The lowest interest rate that will be credited to an index segment and protects the policy owner against negative returns of the reference index. The floor rate for each of the IUL Accumulation II index-linked accounts is 0%.

**Index-linked account(s).** An account(s) for which interest is credited, based in part, on the performance of a reference index.

**Index-linked crediting method.** The method used to determine the reference index return rate.

**Index-linked interest.** Interest credited to a segment on the segment maturity date for the number of days in the segment duration by applying the index-linked rate to the adjusted segment balance.

**Index-linked rate.** A rate derived by applying any applicable segment modifiers to the reference index return rate. This is an effective annual rate.

**Open segment.** Any segment that has not reached the segment maturity date.

**Participation rate.** A rate that determines how much of the increase in the reference index’s value applies to an IUL Accumulation II policy. The participation rate will never be less than the guaranteed minimum of 100%.

**Reference index.** The external index associated with each index-linked account. In the case of IUL Accumulation II, these are the S&P 500 price return index and the S&P 500 total return index.

**Segment.** The portion of an index-linked account created by the allocation of net premium, transfer of segment maturity value and/or transfer of amounts from the fixed account and short-term holding account(s) on a sweep date.

**Segment begin date.** The sweep date at the start of a segment.

**Segment activity cut-off date.** The business day by which policy owner transaction requests (including but not limited to premium payments, premium allocations, transfers, and loan repayments) must be received by us in order to have any effect on new segments. The segment activity cut-off date is the 12th of each month. We reserve the right to change the segment activity cut-off date after providing policy owners with written notice.

**Segment duration.** The length of time that a segment exists. The segment duration for each of our index-linked accounts is one year.

**Segment maturity date.** The last day of a segment's duration.

**Segment modifiers .** Any modifier associated with a segment. The segment modifiers we use with each of our index-linked accounts is a participation rate, cap rate and floor rate.

**Short term holding account(s).** An account that temporarily holds amounts allocated to index-linked account(s) prior to transferring to a segment on a segment begin date. Interest accrues for the length of time funds are in the short-term holding account(s). The current and guaranteed minimum crediting rates for the short-term holding account(s) are the same as those rates applicable to the fixed account.

**Sweep date.** The date a segment(s) is created. Our sweep date is the 12th of each month.

**Sweep restriction period.** A 12-month period of time during which no transfers from the fixed account and short-term holding account(s) to the index-linked account(s) will be allowed. A sweep restriction period will begin any time there is a deduction from an open segment as a result of an unscheduled partial surrender or unscheduled loan. Any amounts in the short-term holding account(s) will be transferred to the fixed account at the beginning of the sweep restriction period. Any net premiums we receive during a sweep restriction period will be allocated to the fixed account.

---

Withdrawals prior to age 59½ may be subject to a 10% tax penalty and sales loads.

Withdrawals and loans may decrease the amount of death benefit and cash accumulation value. Surrender charges and other policy charges may apply to distributions taken from the policy.

In exchange for the death benefit, life insurance products charge fees such as mortality and expense risk charges and surrender fees.

Accelerated Underwriting is an expedited underwriting program offered by Principal Life Insurance Company. Applicants may qualify based on age, face amount, and personal history.

---



[principal.com](https://principal.com)

Principal National Life Insurance Company and Principal Life Insurance Company, Des Moines, Iowa 50392

Insurance products issued by Principal National Life Insurance Company (except in NY), Principal Life Insurance Company®, and the companies available through the Preferred Product Network, Inc. Referenced companies are members of the Principal Financial Group®, Des Moines, IA 50392.

S&P® and S&P 500® and S&P 500® Total Return are registered trademarks of Standard & Poor's Financial Services LLC and have been licensed for use by S&P Dow Jones Indices LLC and sublicensed for certain purposes by The Company. The S&P 500® and S&P 500® Total Return is a product of S&P Dow Jones Indices LLC and has been licensed for use by The Company. The Company's policy is not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC or its affiliates and none of S&P Dow Jones Indices LLC or its affiliates make any representation or warranty regarding the advisability of investing in such product(s).

For financial professional information only. Not for distribution to the public.

|   |
|---|
| <b>Not FDIC or NCUA insured</b>   |
| <b>May lose value • Not a deposit • No bank or credit union guarantee</b> |
| <b>Not insured by any Federal government agency</b>                       |

Principal®, Principal Financial Group® and the Principal logo design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.