



An annuity  
provider you  
can rely on

# Be confident in the provider you choose

Choosing a group annuity provider can seem overwhelming — but it doesn't have to be. In fact, the U.S. Department of Labor (DOL) has advice (Interpretive Bulletin 95-1) to help fiduciaries and plan sponsors who are looking for group annuity contract providers.

## The DOL suggests you consider these factors during your search:

- 1 Quality and diversity of investment portfolio
- 2 Size of the insurer
- 3 Capital and surplus levels
- 4 Lines of business and exposure to liability
- 5 Contract structure and guarantees
- 6 Additional protection through state guaranty associations
- 7 Financial strength



Conduct an objective, thorough and analytical search before selecting an annuity provider.



Pay special attention to an annuity provider's creditworthiness and claims-paying ability.

**We perform well in all seven categories.**

# 1. Quality and diversity of investment portfolio

The first step in choosing an annuity provider is taking a close look at their investment portfolio. You want to make sure smart investments are being made across several kinds of asset types.

We invest in a wide range of asset types in the U.S. and abroad, and we diversify our portfolio both geographically and by investment. We choose funds we believe will combine the best return with safety, making many small investments within different industries and regions. This strategy helps us minimize the impact of economic downturns.

## Principal Life Insurance Company distribution of total invested assets Statement value as of December 31, 2017 (in millions of dollars)

Bonds	\$49,529
Preferred stocks	\$79
Common stocks	\$804
Mortgage loans real estate first lien	\$12,635
Other than first lien	\$438
Real estate, home office	\$505
Real estate, held for investment	\$2
Real estate, held for sale	\$1
Policy loans	\$781
Cash and short-term investments	\$405
Other invested assets	\$3,419
Miscellaneous	\$415
<b>Total invested assets:</b>	<b>\$69,013</b>

## Principal Life Insurance Company long-term and short-term bonds by NAIC rating Statement value as of December 31, 2017 (in millions of dollars)

NAIC rating	Amount	Percentage of total
1	\$33,372	67%
2	\$14,159	28.4%
3	\$1,774	3.5%
4	\$337	0.7%
5	\$131	0.3%
6	\$29	0.1%
<b>Total:</b>	<b>\$49,802</b>	
<b>Total of bonds rated 1-2:</b>		<b>95.4%</b>
<b>Total of bonds rated 3-6:</b>		<b>4.6%</b>

## 2. Size of the insurer

The DOL says it's best if an insurer's assets and growth do not come from one contract. That's why we have a diverse line of products, and are a leading provider in the pension risk transfer business.<sup>1</sup> Our strategy calls for controlled, profitable growth, and our long-term results prove our success.

### Principal Life Insurance Company total statutory assets

Statement value as of December 31, 2017  
(in millions of dollars)

Total general account assets	\$70,985
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Total separate account assets	\$118,019
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<b>Total admitted assets</b>	<b>\$189,004</b>
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## 3. Capital and surplus levels

Knowing that an annuity provider has enough cash on hand to pay benefits is clearly an important factor. That's why it's crucial that fiduciaries look at total capital and surplus. At Principal®, we carefully plan our customer safety margin to allow us to cover unexpected financial obligations.



As of December 31, 2017, our safety margin was **\$4.9 billion**, and our ratio of customer safety margin to general account assets was **7.0 percent**.



## 4. Lines of business and exposure to liability

On top of confirming that they have enough capital, fiduciaries also need to make sure an annuity provider isn't spread too thin or has potential major liabilities from its business lines.

We spread our exposure over several contracts, products and customers, which helps balance our long-term ability to make payments from our general account.

Our diverse service and product lines include:

- 401(k) and 403(b) plans
- Defined benefit pension plans
- Nonqualified executive benefit plans
- Employee stock ownership plan services (ESOP)
- Mutual funds
- Individual annuities
- Asset management services
- Individual life insurance
- Group dental, vision and life insurance
- Long-term, short-term and individual disability income insurance

## 5. Contract structure and guarantees

Our general account backs our fixed annuities and other products. Assets in the account also support our liabilities, including life insurance, pension and annuity contracts.

As of December 31, 2017, our general account held approximately \$71 billion in total assets.



## 6. Additional protection through state guaranty associations

Most states have guaranty benefits to help pay the claims of financially impaired insurance companies. And state laws spell out which lines of insurance are covered by these funds and the dollar limits payable. It's important for fiduciaries to consult with their state insurance department for details about available coverage.

You may discover that more than one annuity provider can offer the safest annuity. That's why it's also important to look at other relevant information. We help fiduciaries by providing an evaluation of our position relative to the DOL guidelines — plus information about our current ratings to help illustrate the strength of our company.

# 7. Financial strength

Nationally recognized statistical rating organizations (NRSROs) give insurance companies financial strength ratings based on factors relevant to policyholders and contract holders. These ratings help indicate a company's ability to meet financial obligations.

Some of the factors that influence financial strength ratings include the following:

- Operating and financial performance
- Overall portfolio mix
- Asset quality
- Financial leverage
- Liquidity
- Risk exposures
- Asset/liability management
- Operating leverage

## Current ratings for Principal Life Insurance Company and Principal National Life Insurance Company (as of February 2018)

A.M. Best Company

**A+**

Superior, the second-highest financial strength rating of A.M. Best's 13 rating levels

Fitch

**AA-**

Very strong, the fourth-highest financial strength rating of Fitch's 19 rating levels

Moody's Investors Service

**A1**

Good, the fifth-highest financial strength rating of Moody's 21 rating levels

Standard & Poor's Rating Group

**A+**

Strong, the fifth-highest financial strength of S&P's 20 rating levels

If you have any questions about the DOL guidelines or financial ratings, we're here to help.

Contact us at **877.492.9830** Monday through Friday.

<sup>1</sup>LIMRA, 2017



Principal Life Insurance Company, Des Moines, IA 50392-0001, [principal.com](http://principal.com)

Third-party financial strength ratings relate to Principal Life Insurance Company, the largest member company of the Principal Financial Group, and Principal National Life Insurance Company. Ratings are subject to revision or withdrawal at any time by the assigning agency, and each rating should be evaluated independently of any other rating. Ratings reflected are current as of January 2017. Financial strength ratings of Principal Life Insurance Company do not extend to separate accounts.

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