

Principal Variable Universal Life Income IISM

Offer clients protection, growth and income

Product guide





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Let's connect.

Go to principal.com/vulincome2, or contact the National Sales Desk at 800-654-4278.

Life is variable. So are your clients' protection and accumulation goals.

Business owners want to protect their business and family members. Life insurance is one way to help provide financial stability for the business and family at a time when it's needed most. Business owners, key executives and other high income earners are also faced with a challenge to save enough for retirement. Contribution limits to traditional retirement saving plans make it difficult for these individuals to put away as much as they need to maintain their standard of living in retirement.

Principal Variable Universal Life Income II (VUL Income II) insurance, available only in Maryland, can help your clients supplement their retirement income with:

- Tax-free death benefit to the beneficiary
- Tax-deferred growth and tax-free transfers
- Tax-advantaged cash value access
- Asset and tax diversification

Ideal prospects

- Ages 30-55
- Business owners, key employees and professionals with household income greater than \$100,000 per year
- Individuals currently or planning to max out their 401(k) plans and who can no longer qualify for a Roth IRA to supplement their retirement income



Top strategies

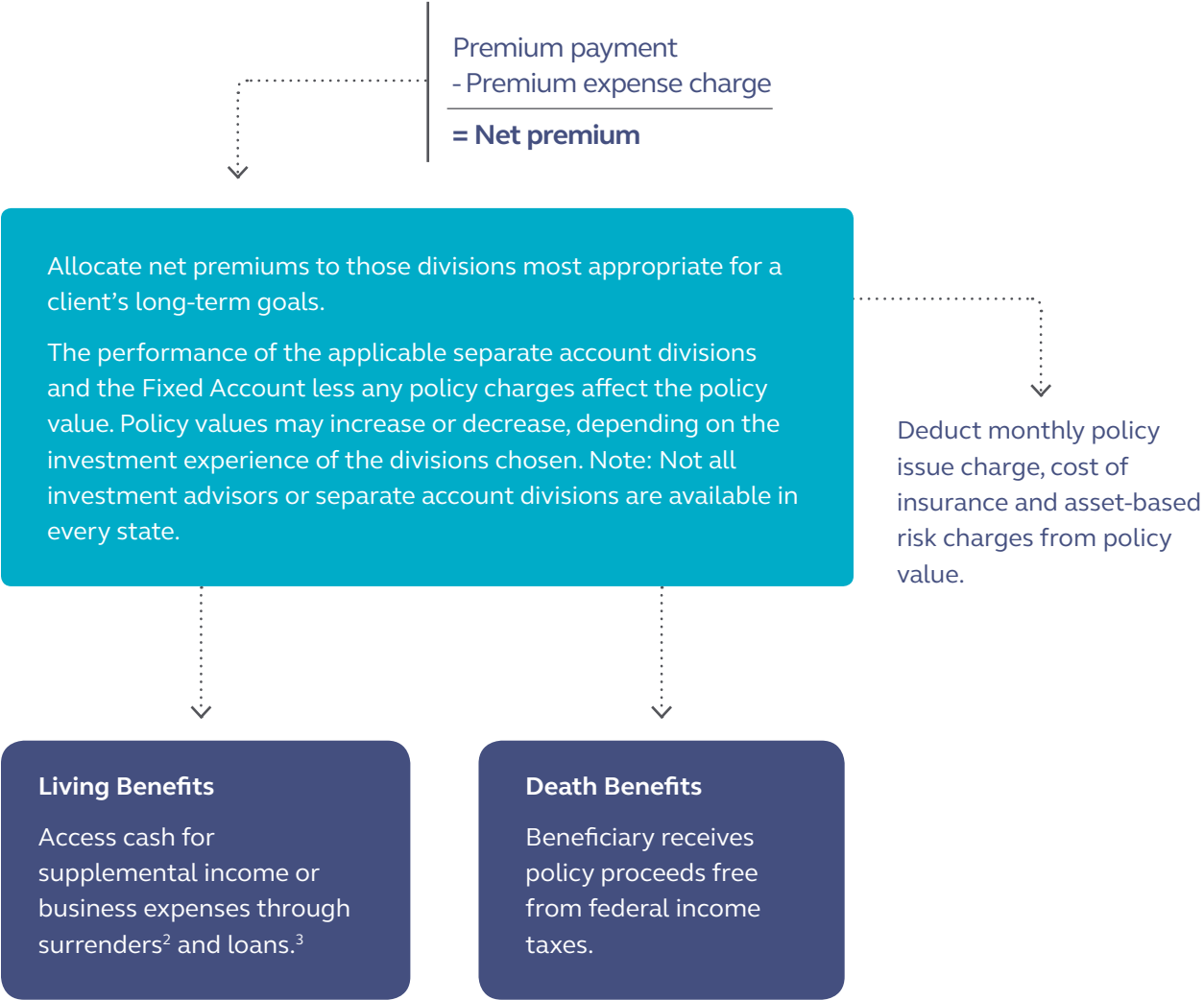
- Personal retirement planning
- Supplemental retirement solutions for businesses:
 - Principal Executive Bonus PlusSM
 - Principal SERP SelectSM
 - Split dollar
 - Principal Split Dollar PlusSM

Key features

- **Guaranteed return of Cost of Insurance (COI) charges** – The Return of COI Rider guarantees the return of COI charges assessed up to the later of the 15th policy year or at the age 60 policy anniversary.
- **Two Dollar Cost Averaging (DCA) accounts** – Enhanced interest rate 6- and 12-month accounts allow your clients to potentially achieve a lower average share price over the DCA period.
- **Principal Accelerated UnderwritingSM** - Offers speed and convenience with no lab tests or paramed exams for 50 to 60 percent of those who qualify.¹
- **Life Paid-Up Rider** – Your client can rest assured that heavily loaned policies will not lapse and the policy will remain in-force to age 121 with this over-loan rider.
- **Quality investment options** – More than 50 investment options are available featuring many well-known fund families and investment managers.
- **Death benefit guarantee to 65, 85 and 100** – Get guaranteed coverage to age 65, 85 or 100 as long as the client satisfies the premium requirement.
- **Preferred partial surrenders (Death Benefit Option 1 only)** – This option allows a client to potentially avoid adverse tax consequences when a partial surrender occurs in the first 15 policy years. (According to Internal Revenue Code Section 7702, distributions occurring in the first 15 years accompanied with a reduction in the face amount may be subject to tax rules under Internal Revenue Code Section 72(e).)
- **Trail commissions in year six+** – After year six, trail commissions are paid to maturity, so you are compensated for long-term client support.
- **Zero net-cost loans after year 10** – What a great way to help provide strong, long-term income streams out of the policy! Plus, they're contractual and guaranteed.
- **Death Benefit Option 3 for added versatility** – In addition to standard options 1 and 2, clients get a third option, which pays the policy face amount plus total premium paid less withdrawals.

¹ Principal Accelerated Underwriting is an expedited program offered by Principal Life Insurance Company. Applicants may qualify based on age, product, face amount and personal history.

How VUL Income II works



² Surrender proceeds are reduced by any applicable surrender charges.

³ Amounts borrowed do not receive the investment performance of the divisions. The death benefit and surrender proceeds are reduced by any loan balance. Loans are subject to interest charges.

General policy information

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

Fully underwritten issue information	Issue ages (Age Nearest Birthday)/ Underwriting Classes	Minimum Face Amount
	0-85: Standard Non-Tobacco 16-85: Standard Tobacco 20-85: Preferred Non-Tobacco/Tobacco 20-80: Super Preferred Non-Tobacco	\$100,000
	<ul style="list-style-type: none"> • Substandard ratings from Table 2-16 • Table 2-16 percentage ratings apply only to Standard class, not to Preferred/ Super Preferred classes. 	
Underwriting programs	<ul style="list-style-type: none"> • Business underwriting: <ul style="list-style-type: none"> – Guaranteed Issue – Simplified Issue 	<ul style="list-style-type: none"> • Principal Accelerated Underwriting • Automatic Standard Approval Program (ASAP)
Policy dating	<ul style="list-style-type: none"> • Follows underwriting approval in home office • Issue dates: 1st-28th; dated the 28th if received the 29th-31st • Cash on delivery (COD) allowed 	
Allocation of initial premium	<ul style="list-style-type: none"> • Allocated to the Money Market division along with any additional premium received at the home office prior to the effective date and during the first 20 days from the effective date 	<ul style="list-style-type: none"> • Effective date will follow underwriting approval. • Money is automatically transferred to the divisions allocated or the Fixed Account on the 21st day.
Planned premium frequency options	<ul style="list-style-type: none"> • Annual • Semiannual 	<ul style="list-style-type: none"> • Quarterly • Monthly pre-authorized withdrawal
1035 Exchanges with outstanding loans	<ul style="list-style-type: none"> • Available on external and internal 1035 Exchanges • Must exchange into a new-issue Principal® policy only • The new loan will be subject to the terms, conditions, fees and charges that apply to all loan transactions of the new policy. 	<ul style="list-style-type: none"> • The outstanding loan must be \$500 or greater. • The 1035 Exchange proceeds, plus the loan amount, cannot exceed the guideline single premium amount. • The loan amount cannot exceed 90% of the net surrender value.
Maturity age	121	
Guaranteed interest rate for Fixed Account	3%	
Surrender charge duration	14 years	

Principal UnderRightSM

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

- Accessible and knowledgeable underwriters who specialize in personal service for each case
- Automatic Standard Approval Program – Table 3 to Standard
- Accelerated underwriting – Up to \$1 million of coverage in as little as 48 hours, for the 50 to 60 percent of applicants who qualify.⁴
 - Eliminates the need for lab testing and paramed exams
- A balanced approach to Preferred:
 - Favorable factors may offset adverse factors.
 - Tobacco/Non-Tobacco rates:
 - Cigar use of 12 or fewer cigars in previous 12 months and a negative nicotine test will qualify at Non-Tobacco rates.⁵
- TeleApp convenience
- Business underwriting programs⁶
 - Guaranteed Issue
 - Simplified Underwriting, Standard Decline and TeleApp

⁴ Based on age and face amount requirements.

⁵ Subject to change.

⁶ Subject to state variations. May not be available in all states.

Policy riders

All riders are subject to state variations and availability. For complete descriptions of these riders, view VUL Income II policy rider forms.

Accelerated Benefits Rider (SF 642MD)

Issue ages	0-85
Expiry	Policy maturity
Cost	There is no cost for this rider, however, we may charge a \$150 administrative fee.
Availability	Automatically added at policy issue
Benefit provided	This rider provides the option of receiving an advance of a portion of the death proceeds if the insured is diagnosed as terminally ill.
Additional details	<ul style="list-style-type: none"> • A lien is placed against the policy value and death benefit in the amount of the death benefit advance plus interest charged during the advance period. • Maximum advance – 75% of the total face amount minus any outstanding policy loans and unpaid loan interest. Maximum total acceleration is \$1 million. • Minimum benefit amount - \$500 • The death benefit paid to the beneficiary will be reduced by the amount of death benefit accelerated plus interest charged.

Accidental Death Benefit Rider (SF 824MD)

Issue ages	0-65
Expiry	Insured’s age 70
Cost	There is a monthly charge to have the rider, based on attained age, risk class and gender of the insured.
Availability	May be added at or after policy issue, subject to our then current underwriting guidelines.
Benefit provided	Provides an additional death benefit if the insured’s death is caused by accidental means, as described in the policy rider form

Change of Insured Rider (SF 825MD)

Issue ages	0-69
Expiry	Age 70
Cost	There is no charge for this rider.
Availability	<ul style="list-style-type: none">• Business cases only• May be added at or after policy issue.
Benefit provided	<ul style="list-style-type: none">• Allows the insured to be changed, with evidence of insurability, assuming:<ul style="list-style-type: none">– The original and current policy owner are the same.– The policy is in force and is not in a grace period.– The proposed new insured is age 69 or less on the change of insured date.
Additional details	<ul style="list-style-type: none">• The total face amount and policy value will remain the same and the following will be changed on a point in scale basis:<ul style="list-style-type: none">– Premium expense charge– Monthly policy issue charge– Asset-based charge– Loan balance– Compensation• Surrender charges will be replaced with a new schedule based on the new insured's age as of the policy date. The surrender charge period does not change.• If there is a gain in the policy, changing the insured is considered a taxable event, as if the policy was surrendered.

Cost of Living Increase Rider (SF 826)

Issue ages	0-52
Expiry	Age 55
Cost	There is no charge for this rider.
Availability	<ul style="list-style-type: none">• Automatically added to policies with a risk class of Standard or better• Not available if Surrender Value Enhancement or Salary Increase riders are present• Not available with Simplified Issue or Guaranteed Issue underwriting
Benefit provided	Offers increases in the policy's face amount every three years without requiring evidence of insurability
Additional details	When exercised, the monthly policy charge and surrender charge will be increased to reflect the larger face amount.

Death Benefit Guarantee Rider (SF 834MD)

Issue ages	20-55: Death Benefit Guarantee 65 20-75: Death Benefit Guarantee 85 20-85: Death Benefit Guarantee 100
Expiry	End of the guarantee period
Cost	There is no charge for this rider.
Availability	<ul style="list-style-type: none">• Automatically added at policy issue if the premium equals or exceeds the death benefit guarantee premium• Cannot be added after policy issue• Death Benefit Guarantee 100 is not available with DBO 3 or business underwriting programs.
Benefit provided	Guarantees the policy will not lapse prior to the guarantee age (65, 95 or 100) as long as the cumulative death benefit guarantee premium requirement is met.
Additional details	The death benefit guarantee monthly premium may change if: <ul style="list-style-type: none">• The policy face amount is increased or decreased (not due to DBO changes or partial withdrawals).• The death benefit option is changed.• A rider with a cost is added or removed.• The substandard rating is changed.• The smoker status is changed.

Extended Coverage Rider (SF 617MD)

Issue ages	0-85
Expiry	Not applicable
Cost	There is no charge for this rider.
Availability	Automatically added to all policies
Benefit provided	If the insured reaches the stated maturity age, maturity is extended to the date of their death.
Additional details	<ul style="list-style-type: none">• There will be no policy charges during the maturity extension period, however, loan interest will continue to be charged.• No additional premium payments, other than loan payments, will be allowed.

Life Paid-Up Rider (SF 832MD)

Issue ages	0-85
Expiry	Policy maturity
Cost	<p>There is a one-time charge when the rider is exercised, depending on the life insurance test used:</p> <ul style="list-style-type: none">• Guideline Premium Test:<ul style="list-style-type: none">– Current charge: 3.5% of the policy value– Guaranteed charge: 7.5% of the policy value• Cash Value Accumulation Test:<ul style="list-style-type: none">– Current charge: 7.5% of the policy value– Guaranteed charge: 13.5% of the policy value
Availability	Automatically added to all policies
Benefit provided	<p>Guarantees the policy will not lapse due to an outstanding loan, as long as certain conditions are met, by converting the policy to a reduced paid-up policy.</p> <p>Note: The Internal Revenue Service has not taken a position on the Life Paid-Up Rider. Your client should consult their tax advisor prior to exercising this rider.</p>
Additional details	<p>In order for the rider to activate, all of the following conditions must be met:</p> <ul style="list-style-type: none">• Loan balance must be at least 92% of the surrender value;• Insured must be age 75 or older;• Policy must have been in force for at least 15 years; and• Total partial surrenders must equal or exceed total premiums paid.
Hypothetical example	<p>Insured : Pat Smith, age 80, has a VUL Income II insurance policy.</p> <ul style="list-style-type: none">– Pat has been taking income from his policy using partial surrenders and loans since age 65.– Due to the low net surrender value and potential market volatility, his policy is at risk of lapsing. <p>Since all of the conditions for the Life Paid-Up Rider have been satisfied, the rider activates. Below is a summary of the effects of the rider:</p> <p>Before the Life Paid-Up Rider is exercised:</p> <ul style="list-style-type: none">• Face amount: \$1 million• Policy value: \$500,000• Loan balance: \$460,000 (92% of policy value)• Net surrender value: \$40,000• DBO 1 <p>After the Life Paid-Up Rider is exercised:</p> <ul style="list-style-type: none">• Policy value: \$500,000• Loan balance: \$460,000 (92% of policy value)• One-time policy charge: \$17,500 (3.5% of policy value)• Remaining policy value: \$482,500 (Policy value minus one-time policy charge)• New face amount: \$506,625 (\$482,500 x 105%)• DBO 1 <p>The loan balance remains outstanding and continues to be charged interest. Any death proceeds paid are reduced by total loan indebtedness.</p>

Return of Cost of Insurance (COI) Rider (SF 827MD)

Issue ages	0-85
Expiry	Policy termination
Cost	There is no charge for this rider.
Availability	Automatically added to all policies
Benefit provided	Returns the sum of COI charges for the base policy paid up to the time benefits begin. Benefits begin on the later of the completion of the 15th policy year or the insured's age 60.
Additional details	The return of charges is credited to the policy value annually over a period of five years.

Salary Increase Rider (SF 828 MD)

Issue ages	20-64
Expiry	Terminates at the first of: <ul style="list-style-type: none">• Insured's age 65• Rejection of an increase
Cost	There is a charge if the policy is rated or if the rider benefit amount exceeds \$30,000.
Availability	<ul style="list-style-type: none">• Business cases only• May be added at or after issue• Not available if Surrender Value Enhancement Rider or Cost of Living Rider is present
Benefit provided	Offers increases in the face amount based on salary adjustments, without requiring evidence of insurability
Additional details	<ul style="list-style-type: none">• When exercised, the monthly policy charge and surrender charge will be increased to reflect the larger face amount.• Minimum benefit amount is \$30,000.• Maximum benefit amount:<ul style="list-style-type: none">– Annual - \$100,000– Lifetime - \$1 million• Maximum annual increase is lesser of rider benefit amount or 20% of the total face amount.• Maximum increase percentage is 20%.

Surrender Value Enhancement Rider (SF 883MD)

Issue ages	20-65
Expiry	When the first of the following occurs: <ul style="list-style-type: none">• End of the 7th policy year• Face amount increase• Change of ownership
Cost	<ul style="list-style-type: none">• Policy years 1-7, 3% of premium paid in excess of target
Availability	<ul style="list-style-type: none">• Business cases only• At policy issue• Not available if either the Salary Increase or Cost of Living riders are present
Benefit provided	<ul style="list-style-type: none">• Produces high early cash surrender value within the first seven policy years• Enhanced values do not apply if the policy is surrendered as part of a replacement or a 1035 Exchange.• The additional surrender value is not available for loans or partial surrenders.

Waiver of Monthly Policy Charge Rider (SF 829)

Issue ages	0-59
Expiry	Age 65, unless a waiver period is in effect
Cost	There is a monthly charge for this rider.
Availability	<ul style="list-style-type: none">• May be added during or after issue• Not available with Guaranteed Issue or Simplified Issue underwriting
Benefit provided	Pays the monthly policy charges if the insured becomes disabled and loses his/her ability to earn an income
Additional details	<ul style="list-style-type: none">• Underwritten face amount increases will not be allowed during a waiver period.• The death benefit option may not be changed while waiver benefits are being paid.

Waiver of Specified Premium Rider (SF 830MD)

Issue ages	0-59
Expiry	Age 65, unless a waiver period is in effect
Cost	There is a monthly charge for this rider.
Availability	<ul style="list-style-type: none">• May be added during or after issue• Not available with Guaranteed Issue or Simplified Issue underwriting
Benefit provided	Pays the greater of the monthly specified premium or the monthly policy charge if the insured becomes disabled and loses his/her ability to earn an income
Additional details	<ul style="list-style-type: none">• Underwritten face amount increases will not be allowed during a waiver period.• The death benefit option may not be changed while waiver benefits are being paid.

Death benefit options (DBO)

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

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

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 satisfies us, subject to current underwriting guidelines.
- Changes after the maximum issue age are available subject to current underwriting guidelines.

Death benefit option	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 percent of original face amount at issue
 - The 35-percent 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

Policy charges

Sales charge

Years	Current	Guaranteed
All	3.00% of premium up to target	5.00%
All	0.00% of premium above target	

Federal Tax Charge: 1.25% of premium

State and Local Taxes: 2.00% of premium

Total premium expense charge

Years	Current	Guaranteed
All	6.25% of premium up to target	8.25%
All	3.25% of premium above target	

Monthly administration charge

Years	Current	Guaranteed Maximum
1	\$25	\$25
2+	\$10	\$25

Asset-based charge

Years	Current	Guaranteed
1-10	0.50% annual rate of the policy value	0.70%
11+	0.00% annual rate of the policy value	0.20%

Monthly policy issue charge

Varies by gender, age, tobacco status and risk class. Charges apply 15 years from issue or face increase.

Cost of insurance

Rates are based on gender, issue age, duration since issue, tobacco status and insured's risk classification.

Surrender charges

There is a 14-year declining surrender charge. To calculate the actual surrender charge, refer to the prospectus (LV308A).

For policies issued with the Surrender Value Enhancement Rider, the rider waives a portion of the surrender charges for a limited time. For a description of the rider, please refer to the prospectus (LV308A).

Monthly policy charge

This is taken from the policy value in the proportion requested by the policy owner from the Separate Account and/or Fixed Account on each monthly date. The monthly policy charge is the sum of:

- Cost of insurance protection
- Cost of any supplemental riders
- Administration charge
- Asset-based risk charge
- The policy issue charge

Accessing policy values

Policy loans (current and guaranteed)

Policy years	Interest rate charged	Interest rate credited ⁷	Net loan cost
1 – 10	5.50%	4.00%	1.50%
11+	4.00%	4.00%	0.00%

Preferred partial surrenders

Preferred partial surrenders allow a client to potentially avoid adverse tax consequences when a partial surrender occurs in the first 15 policy years. Preferred partial surrenders are available with DBO 1 only.

According to Internal Revenue Code (IRC) Section 7702, distributions occurring in the first 15 years accompanied with a reduction in the face amount may be subject to tax rules under IRC Section 72(e).

When a policy has DBO 1, and a partial surrender is taken, the face amount is reduced. If this occurs in the first 15 policy years, this could be a taxable event, per IRC Section 7702. A preferred partial surrender offers the ability to withdraw 10 percent of the net surrender value as of the end of the previous policy year without a corresponding decrease in the face amount.

Terms and conditions

- Amounts in excess of 10 percent will be considered non-preferred partial surrenders, thus the face amount must decrease or underwriting is required.
- The 10 percent 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.

Scheduled surrenders and loans

Your clients may wish to create an income stream from their policy's accumulated values. This can be accomplished through an automated process called Scheduled Surrenders & Loans (SSLs) that makes it easy for the client, and for you.

SSLs:

- Need be requested only once by the policy owner
- Are available beginning in policy year 2
- Offer payment frequencies of annual, semi-annual, quarterly and monthly
- Periodic amounts will be determined on the policy anniversary. Options include:
 - Percentage of net policy value as of the most recent (current or last) anniversary
 - Fixed amount (with option to designate an annual percent increase each year)
 - Maximum amount
- Partial surrenders will be taken first until the cost basis of the policy has reached zero, at which time scheduled loans will begin.
- If DBO 2 or DBO 3 is in effect, unless requested otherwise, the death benefit option will automatically be switched to DBO 1.

⁷ Interest rate credited is net of the asset-based risk charge. Maximum loan amount is 90 percent of Net Surrender Value.

Investment strategies and risk

Policy owners may select from a wide variety of investment options. Some clients prefer a “do-it-myself” approach, while other clients prefer “do-it-for-me” solutions. Two asset allocation approaches are available to meet the needs of those who want a “do-it-for-me” approach.

Principal LifeTime Accounts – a target-date approach

Seven target-date Principal LifeTime Accounts are available. Policy owners select the appropriate account based on their expected retirement date. The Principal LifeTime Accounts gradually shift the allocation targets to be more conservative as the target date approaches. It is expected that within 10-15 years after the target year, the allocation will match that of the Principal Strategic Income Account.^{8,9,10}

Allocations for Principal LifeTime Accounts are carefully managed and glide paths meticulously structured to become more conservative over time, while still striving to deliver sufficient returns to provide investors with income into retirement. In the early years, a more aggressive investment approach might be appropriate, because sufficient time to ride out market lows is possible. As an investor nears retirement, risk tolerance shifts to a more conservative approach as the time horizon diminishes.

- | | | |
|---|---|---|
| <ul style="list-style-type: none">• Principal Lifetime Strategic Income• Principal LifeTime 2010 | <ul style="list-style-type: none">• Principal LifeTime 2020• Principal LifeTime 2030• Principal LifeTime 2040 | <ul style="list-style-type: none">• Principal LifeTime 2050• Principal LifeTime 2060 |
|---|---|---|

Principal Strategic Asset Management (SAM) Portfolios – a target-risk approach

If the policy owner wants a more customized approach, they can choose from one of five target-risk Principal SAM Portfolios. Each portfolio is diversified across 12-15 asset classes. The client’s tolerance for risk and time horizon is assessed, then the portfolio is selected that best fits their needs. These portfolios are continually monitored and re-allocated in response to changing economic and market conditions.

- | | | |
|---|--|--|
| <ul style="list-style-type: none">• Principal SAM Flexible Income• Principal SAM Conservative Balanced | <ul style="list-style-type: none">• Principal SAM Conservative Growth• Principal SAM Strategic Growth | <ul style="list-style-type: none">• Principal SAM Balanced |
|---|--|--|

⁸ Neither the principal nor the underlying assets of the Principal LifeTime Accounts are guaranteed at any time, and investment risk remains at all times.

⁹ An account’s share price and investment return will vary with market conditions, and the value of an investment when you sell it may be more or less than the original cost.

¹⁰ Asset allocation does not guarantee a profit or protect against loss. See the prospectus for a full discussion of fees and expenses.

The Fixed DCA Accounts¹¹

The **Fixed Dollar Cost Averaging (DCA)** Accounts help take the guesswork out of investing. The program uses a process called dollar cost averaging where the client invests at regular intervals instead of all at once. It allows clients to earn an enhanced interest rate while systematically transferring money into the investment divisions.

At issue, you and your client may select a 6-month or 12-month DCA duration:

- The **6-month Fixed DCA Account** offers an enhanced interest rate and requires the client to dollar-cost-average all assets in the account over a six-month period.
- The **12-month Fixed DCA Account** also offers an enhanced interest rate and requires the client to dollar-cost average assets in the account over a 12-month period.



Here's how the Fixed DCA Account works:

- 1 Net premium is allocated to the Fixed DCA Account.
- 2 The account balance earns interest at an enhanced interest rate for 6 or 12 months.
- 3 Money is transferred each month to one or more divisions or the Fixed Account.

After the DCA duration, net premiums may not be allocated to the Fixed DCA Account. If at the end of the DCA duration, the premium allocation percentages include allocating a portion of the net premiums to the Fixed DCA Account, that portion will be allocated to the money market division until you or the client indicate otherwise.

¹¹ Dollar cost averaging does not assure a profit or protect against loss in declining markets. It involves continuous investing in securities regardless of fluctuating price levels. The investor should consider his or her financial ability to continue investing through periods of low price levels.

Tax-free transfers

Transfers from an investment account

Using scheduled or unscheduled transfers, clients may move money between separate account divisions or to the Fixed Account without incurring tax liabilities.

Scheduled transfer details

Who – Policy owner with investment account value equal to or exceeding \$2,500 at the time of transfer

When – Monthly, quarterly, semiannual or annual basis on the date the policy owner specifies (other than the 29th, 30th or 31st). A transfer continues until the investment account value is exhausted or until the policy owner discontinues them.

Amount – The selected dollar amount or percentage of the investment account value as of the policy date or most recent anniversary date, whichever is later. Minimum: Lesser of \$100 or the value of the division.

Charge – None

Unscheduled transfer details

Who – Policy owner

When – Anytime

Amount – The lesser of \$100 or 100 percent of the investment account value

Charge – No charge for first unscheduled transfer. We reserve the right to charge \$25 after the first unscheduled transfer per policy year.

Transfers from the Fixed Account

Note: Both an unscheduled and a scheduled transfer from the Fixed Account cannot be made during the same policy year.

Scheduled transfer details

Who – Policy owner with Fixed Account value equal to or exceeding \$2,500 at the time of transfer – we reserve the right to change this amount (never to exceed \$10,000).

When – Monthly on the date specified by the policy owner (other than 29th, 30th or 31st). The transfer continues until the Fixed Account value is exhausted or until the policy owner discontinues them. Once discontinued, scheduled transfers may not resume until six months after the date of the last scheduled transfer.

Amount – The dollar amount specified by the policy owner or a percentage of the Fixed Account value as of the policy date or the most recent anniversary date, whichever is later. Or, if requested by the policy owner, the date the company receives the request. The monthly amount may not be more than 2 percent of the Fixed Account value as of the applicable date, as specified by the policy owner. The amount may be changed once each policy year. Minimum: \$50.

Charge – None

Unscheduled transfer details

Who – Policy owner

When – Anytime, except:

- Within a six-month period after a transfer from the Fixed Account to an investment account
- When the transfer to the Fixed Account causes the Fixed Account value to immediately exceed \$1 million

Amount – Will not exceed 25 percent of the Fixed Account value as of the policy date or the last anniversary. Minimum: \$100 (if less, must be the entire amount of the Fixed Account value).

Charge – None

Premium and monthly policy charge allocations

- Allocations are selected by the policy owner at the time of purchase.
- Allocation percentage may be changed at any time at no charge.
- Premium allocation percentage must be zero or a whole number not less than one.
- Monthly policy charge allocations will be the same percentages as those for premiums prorated through the divisions and the Fixed Account, unless the client selects another allocation.

Other changes

Automatic portfolio re-balancing (APR) – APR allows clients to maintain a specific percentage of their policy value in each account over time. Clients may elect APR at the time of application or after the policy has been issued. The following apply to APR (scheduled) transfers:

- Minimum transfer: N/A
- Minimum account value to initiate: N/A
- Transaction charge: \$0
- Allocation frequency: Monthly, quarterly, semiannually, or annually

Customer service

We make it easy for policy owners to keep informed about their policies and easily make simple policy adjustments.

Communications sent directly from the home office

- Confirmation notices
- Annual Statement of Value
- Annual Statement of the Separate Account, Principal Variable Contracts Funds, Putnam Funds and Fidelity Funds
- Semiannual Statement of the Separate Account and Principal Variable Contracts Funds
- New prospectus
- Proxies
- Planned Periodic Premium Notices

Principal.com access

Policy owners have access to their policy information through principal.com. Via their Personal Login, they can:

- Start, stop or change Dollar Cost Averaging (scheduled transfers).
- Start, stop or change Automatic Portfolio Rebalancing.
- Make transfers between the variable investment options and/or the Fixed Account.
- Change the allocation of future purchase payments (premiums).
- Update their mailing address.
- View the balance, cash value or benefit amount of their contracts and policies.
- View the prospectus.

A Personal Identification Number (PIN) is required to access personal information. If a policy owner does not have one, they can get one by calling 800-247-9988.

Telephone access

Clients may also access routine policy information via the automated telephone system. They can call 800-247-9988 for instant access to policy information. It's available from 7 a.m. to midnight (Central Time) Sunday through Friday, and 7 a.m. to 9 p.m. on Saturday.

Compliance

VUL Income II is a registered securities product and a life insurance contract. It is subject to securities and life insurance regulations, which must be followed closely in order to comply with securities and insurance laws.

The following MUST be done

Prior to discussing VUL Income II with your prospect, you MUST be:

- Licensed and appointed to sell variable life insurance with Principal in your resident state, in the state in which the application is taken and in your client's state of residence (if you want to receive service fees).
- A registered representative with the Financial Industry Regulatory Authority (FINRA) Series 6 or 7 designation.
- Selling this product through Principal Securities, Inc. or another broker/dealer who has a selling agreement with Principal Securities.
- Appointed to sell VUL Income II by receiving a "Release to Sell" from Principal Securities. Some states have other requirements for resident and non-resident agents. All states require agents to be licensed in their resident state before they can be licensed as a non-resident.

When making sales presentations, you MUST:

- Deliver the prospectus before or at the time of the presentation.
- Identify your broker/dealer.
- Properly disclose the life insurance components and do not over-emphasize the investment aspects of the product.
- Not project future investment performance based on past performance; however, you may show an actual track record for the divisions of the Separate Account with a history.
- Not make any guarantees of future fund performance.
- Not be misleading, deceptive or omit any material facts (especially when making comparisons).
- Balance your presentation to give equal emphasis to potential risks and potential rewards.
- Disclose all fees associated with the contract.

When handling your client's money, you MUST:

- Send all money to the Home Office on the same day that you receive it. Do not hold money with the initial application for any reason.
- Not deposit a client's payment into your account. If your client wants to pay in cash, direct the client to purchase a money order or cashier's check payable to Principal National Life Insurance Company.

Suitability

In order to meet compliance regulations, prospects must be deemed suitable for the product. To purchase this contract, the prospect must possess the following:

- A need for life insurance – Despite the investment options of VUL Income II, your prospect must have a death benefit need to be suitable for this product.
- An understanding of a variable life policy – Your prospect must understand the changing nature and risks of investments and be able to tolerate those changes and risks in their life insurance policy.
- An understanding of the investment options – Your prospects must understand investment options and understand that you cannot make investment decisions for them.
- A compatibility of investment decisions with personal goals and objectives – Your prospect's goals and objectives should be compatible with the nature of this product. The designated goals and objectives should be determined to be appropriate for your client's income, age and wealth.

As a Registered Representative, you may help your clients answer which division choice(s) is best for them by:

- Explaining investment objectives and risks of the funds.
- Providing information about past performance, although past performance is not a guarantee of future results.
- Discussing investment goals and objectives uncovered in a financial strategies interview.
- Offering alternatives for your client to consider.
- Letting your client make the choice.

Producer compensation schedule

No Surrender Value Enhancement Rider	With Surrender Value Enhancement Rider
<p>First-year commissions: 50% up to target premium</p> <p>Excess premium: 2.5% above target premium</p> <p>Renewal premium: 2.5% years 2-5</p> <p>Annual trail commissions:</p> <ul style="list-style-type: none"> • 25% years 6-10 • 15% years 11+ • Paid quarterly (based on net-policy value) <p>ICCs: 95% for proprietary; 100% for non-proprietary</p>	<p>First-year commissions: 20% up to target premium</p> <p>Years 2-4: 12.5% up to target premium</p> <p>Excess premium: 2.5% years 1-4</p> <p>Renewal premium: 2.5% year 5</p> <p>Annual trail commissions:</p> <ul style="list-style-type: none"> • 25% years 6-10 • 15% years 11+ • Paid quarterly (based on net-policy value)

Principal supports disclosure by agents and brokers of contingent compensation and has adopted an interim policy in this regard. Under the policy, agents and brokers are to provide the customer with written disclosure that they may receive contingent compensation (cash or otherwise) from the insurance carrier for the sale of the carrier's product. The disclosure should take place before or at the time the customer signs the formal application. This policy applies whether the compensation is paid by Principal or another insurance carrier through Preferred Product Network, Inc. A sample disclosure form is available for use by brokers. Agents in the Principal Advisor Network are required to use the disclosure form.

The customer's signature is required only when the agent or broker receives compensation directly from the customer in addition to the compensation the agent or broker receives from the insurance company. This does not include premium payments made payable to the insurance company by the customer.

If agents or brokers have questions about the disclosure policies, they should visit our financial professional website or call the National Sales Desk, 800-654-4278

Completing applications

VUL Income II requires the completion of two applications – the life insurance application and the Flexible Variable Universal Life Insurance Supplemental Application.

Application requirements vary by state. Contact the National Sales Desk at 800-654-4278 for the correct applications, or create an application packet through our financial professional website.

Step 1

Complete the life insurance application for your state.

Part A – Complete Sections 1-9 (and Sections 4 and 7, if applicable).

- In Section 2, complete product name, face amount (excluding supplemental benefits/riders being applied for), death benefit option, policy mode premium, unscheduled premium if applicable and smoking status. If Electronic Funds Transfer is selected, be sure to attach a completed Electronic Funds Transfer form and sample voided check.
- In Section 3, select applicable supplemental benefits and benefit amounts. This section also includes an area for comments if you want to indicate the Death Benefit Guarantee Rider.
- In Section 9, be sure to enclose replacement forms if applicable. If completing a paper application, proceed to Part B. If completing a telephone application (TeleApp), answer Question 10 and proceed to Part C.

Part C – Obtain all the required signatures.

If the policy is to be owned by an employer or corporation, a signature of an officer of that company is required. If the officer signing is other than the insured, his or her title should be indicated after the signature. If the proposed insured is a 100-percent owner of the business, he or she must sign as the insured and as the owner of the business.

Dating note: Date the application the day it is actually written. If a policy is to be dated to save age, date the application in the regular manner with an added instruction regarding the specific policy date desired on the Field Office Report of the application. As a general rule, the company does not permit back-dating of more than six months on any life policy.

Step 2

Complete the Flexible Variable Universal Life Insurance Supplemental application for your state.

Complete all areas of Sections 1, 3, 5, 6 and 8 for new business applications (Section 7 is optional).

- Indicate how the premium and monthly policy charges are to be allocated among the divisions and/or the Fixed Account.
- There is a minimum of 1 percent per selection.
- Use whole numbers only.
- Secure a signature from the proposed insured and owner (if the owner is other than the proposed insured).
- In the section “To Be Completed by the Registered Representative,” provide city, state, date written and your signature.

Step 3

Issue a conditional receipt and collect one-month premium as shown on the policy data page.

Note: COD is allowed; however, no conditional receipt should be issued. The conditional receipt will need to accompany the application when you submit the application.

Step 4

Send applications and premium collected (if applicable) to your service team.

For complete application instructions, go to advisors.principal.com.



principal.com

Principal National Life Insurance Company and Principal Life Insurance Company, Des Moines, Iowa 50392-0001

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