

Principal Variable Universal Life Income IIISM

Product Guide

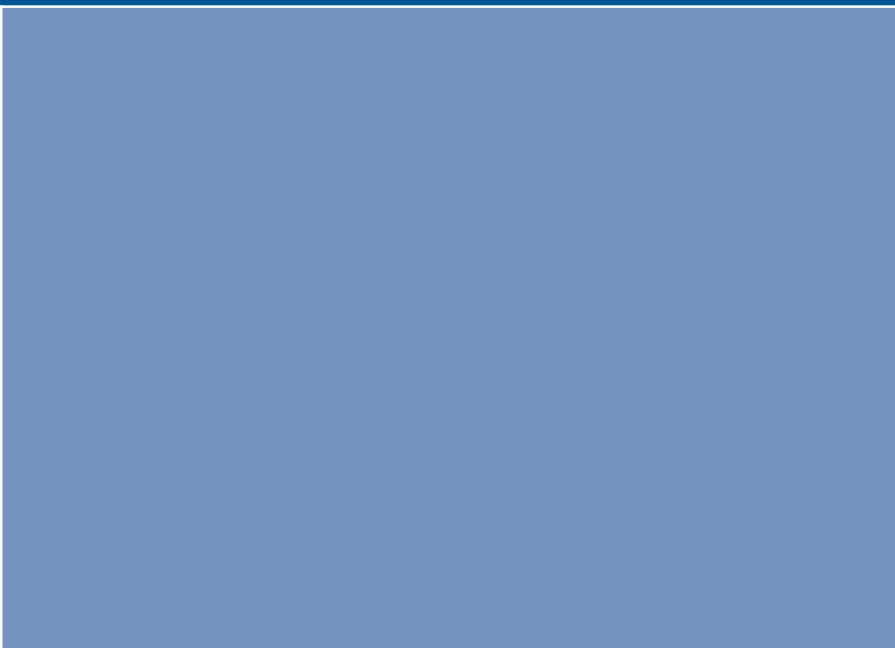


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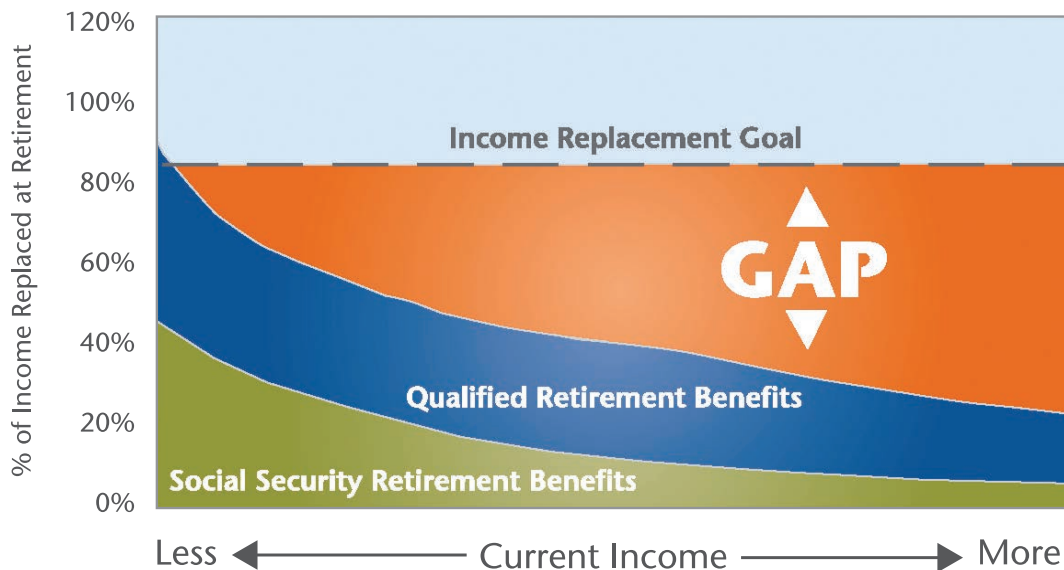
Market overview

The Principal Financial Group® is a leader in helping businesses and individuals achieve financial security and success. We are focused on being the premier provider of solutions and products for small- to medium-size businesses, their owners and key executives.

Meeting the retirement income gap challenge

Many Americans today are struggling to save enough to maintain their standard of living in retirement. Even high income earners can face this challenge. Contribution limits to traditional retirement vehicles make it difficult for many high income earners to save enough for retirement, creating a retirement income gap. The chart below shows the anticipated percentage of income replaced at retirement from Social Security and qualified plan benefits. As income increases, the percent of income replaced at retirement decreases. As a result, business owners, executives and professionals are searching for ways to meet their retirement income needs and improve their tax positions.

Principal Variable Universal Life Income IIISM (VUL Income III) can help meet your clients' needs.



This information is from the Principal Financial Group® Replacement Ratio Calculator with source information from the Annual Statistical Supplements to the Social Security Bulletin (www.ssa.gov). It is intended to demonstrate the potential impact of Social Security and 401(k) plan benefits at various income levels. For more information on your individual circumstances, please speak with your financial or tax professional. ©2015 Principal Financial Services, Inc.

Introduction

Targeted to small- to medium-sized business owners, their key employees and other high income earners, VUL Income III is an accumulation-focused product that offers competitive cash value growth and income potential. This valuable product offers:

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

Key product features

- **Strong long-term growth and income potential** – Achieved with accumulation-focused design.
- **Principal Accelerated UnderwritingSM** – Offers speed and convenience with no lab tests or paramed exams for 50-60% of those who qualify.¹
- **Turn-key income distribution process** – Makes it easy for your clients to receive income from their policy. The combination of automated features working together is among the most robust in the industry.
- **Account Value Enhancement** – Rewards long-term policy ownership with non-guaranteed interest rate credit beginning in policy year 11.
- **No-Lapse Guarantees** – Options to keep the policy in force during the first 10 policy years or to age 65, 85 or 100; guaranteed even if your client experiences losses in policy value.
- **Quality investment options** – Clients can select from more than 65 investment options featuring many well-known fund families and investment managers.
- **Two Dollar Cost Averaging (DCA) Accounts** – These enhanced interest rate 6- and 12-month accounts allow your clients to potentially achieve a lower average share price over the DCA period.
- **Preferred partial surrenders** – Allows a client to potentially avoid adverse tax consequences when a partial surrender occurs in the first 15 policy years. 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).
- **Guaranteed zero net-cost loans** – Available after policy year 10, contractual and guaranteed; all outstanding policy loans automatically convert to zero net-cost after policy year 10.
- **MEC alternative processing** – You are notified of Modified Endowment Contract (MEC) status sooner through our automated process. This MEC processing applies to all in-force policies approaching MEC. Existing MEC policies cannot be fixed through this process.
- **Three death benefit options** – Provides choice to meet individual client needs.

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.

Target market

- Individuals ages 35-55
- Business owners, key employees and professionals with household incomes greater than \$100,000 per year
- Nonqualified plan funding options, such as executive bonus, Principal SERP SelectSM, Principal Executive Bonus PlusSM, key person, split dollar and Principal Split Dollar PlusSM
- Individuals who currently are, or who are planning to, max out their 401(k) plans; and, who can no longer qualify for a Roth IRA



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
Underwriting Programs	<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 • Business underwriting: <ul style="list-style-type: none"> – Guaranteed Issue – Simplified Issue • Principal Accelerated Underwriting • Automatic Standard Approval Program (ASAP) – Table 3 to Standard 	
Policy Dating	<ul style="list-style-type: none"> • Follows underwriting approval in home office. • Issue date range: 1st-28th; if received on the 29th, 30th or 31st, then dated the 28th. • 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 premiums received at the home office prior to the effective date and during the first 20 days from the effective date. • Effective date will follow underwriting approval. • Money 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 • Semi-annual • 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 Financial Group 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 • The outstanding loan must exceed \$500 • The 1035 Exchange proceeds, plus the loan amount, cannot exceed the guideline single premium amounts • The loan cannot exceed 90% of the net surrender value
Maturity Age	<p>Insured's attained age 121:</p> <ul style="list-style-type: none"> • The maturity age is extended to the date of death with the Extended Coverage rider
Surrender Charge Duration	<p>10 years</p>
Guaranteed Interest Rate for Fixed Account	<p>2.00%</p>

Policy riders

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

ACCELERATED BENEFITS RIDER (SN 52)	
Issue Ages	0-85
Expiry	Policy maturity
Cost	There is currently no cost for this rider, however, the company has a right to charge a \$150 administrative fee.
Availability	This rider is automatically added to all policies at issue where the Death Benefit Advance rider is not available.
Benefit Provided	This rider provides the option of receiving an advance of a portion of the death proceeds if the insured becomes terminally ill.
Additional Details	<ul style="list-style-type: none">• When diagnosed as terminally ill with a life expectancy of 12 months or less, up to 75 percent of the total face amount, minus any outstanding policy loans and unpaid loan interest and previously paid accelerated benefit, may be requested, up to a maximum of \$1,000,000.• Minimum benefit amount is \$500• The death proceeds payable upon the death of the insured will be reduced by the amount of the death proceeds advanced plus interest charged.

CHANGE OF INSURED RIDER (SN 58)	
Issue Ages	0-69
Expiry	Insured's attained 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 under the policy to be changed, with evidence of insurability, assuming: <ul style="list-style-type: none"> – The original and current owner of the policy 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 done on a point in scale basis: <ul style="list-style-type: none"> – Premium Expense Charge – Monthly Policy Issue Charge – Asset-Based Charge – Loan Indebtedness – Compensation • Surrender charges will be replaced with a new schedule based on the new insured's attained age as of the Policy Date. The surrender charge period continues and does not change. • If there is gain in the policy, the change of insured is considered a taxable event as if the policy was surrendered.

COST OF LIVING INCREASE (SN 59)	
Issue Ages	0-52
Expiry	Terminates following the insured's attained age 55
Cost	There is no charge for this rider.
Availability	<ul style="list-style-type: none"> • Automatically added to all policies with a risk classification of Standard or better • Not available if Surrender Value Enhancement or Salary Increase riders are present. • Not available with Simplified Issue/Guaranteed Issue underwriting
Benefit Provided	Provides increases in the face amount every three years without requiring evidence of insurability, to the insured's attained age 55.
Additional Details	<ul style="list-style-type: none"> • When exercised, the monthly policy charge and surrender charge will be increased to reflect the increased face amount.

DEATH BENEFIT ADVANCE (SN 61)	
Issue Ages	0-70
Expiry	Policy maturity
Cost	There is currently no cost for this rider, however, the company has the right to charge a \$150 administrative fee.
Availability	This rider is added automatically at issue on all policies with a risk classification of Standard or better and not part of a business underwriting program.
Benefit Provided	This rider provides the option of receiving an advance of a portion of the death benefit if the insured is diagnosed with a terminal illness with life expectancy of less than 12 months, a catastrophic health condition or is permanently confined to a nursing home.
Additional Details	<ul style="list-style-type: none"> • A lien is placed against the policy value and death benefit in an amount equal to the death benefit advance plus interest charged. • Minimum benefit amount is \$500. • Maximum benefits for: <ul style="list-style-type: none"> – Terminal illness – 75% of the total face amount not to exceed \$1,000,000 – Nursing home confinement – 40% of the total face amount not to exceed \$1,000,000 – Catastrophic health condition – 5% of the total face amount up to \$30,000

DEATH BENEFIT GUARANTEE (SN 60)	
Issue Ages	0-55: Death Benefit Guarantee 65 20-75: Death Benefit Guarantee 85 20-85: Death Benefit Guarantee 100
Expiry	End of the applicable guarantee period
Cost	There is no charge for this rider.
Availability	<ul style="list-style-type: none"> • Automatically added at 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 before ages 65, 85 or 100 as long as the cumulative Death Benefit Guarantee premium requirement is met.
Additional Details	<p>The death benefit guarantee monthly premium may change if:</p> <ul style="list-style-type: none"> • The policy total 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 deleted • The substandard rating is changed • The smoker status is changed

EXTENDED COVERAGE (SN 62)	
Issue Ages	0-85
Expiry	Not applicable
Cost	There is no charge for this rider.
Availability	Automatically added to all policies.
Benefit Provided	At maturity, the rider automatically extends the maturity to the date of the insured's 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 (SN 63)	
Issue Ages	0-85
Expiry	Policy maturity
Cost	<p>There is a one-time charge when this rider is exercised. The charge varies by life insurance test used.</p> <ul style="list-style-type: none"> • Guideline Premium Test: <ul style="list-style-type: none"> – Current charges: 3.5% of the policy value – Guaranteed charges: 7.5% of the policy value • Cash Value Accumulation Test: <ul style="list-style-type: none"> – Current charges: 7.5% of the policy value. – Guaranteed charges: 13.5% of the policy value
Availability	Automatically added to all policies
Benefit Provided	This rider can guarantee that when certain conditions are met the policy will not lapse due to a large policy loan by converting the policy to paid-up life insurance, thus preventing an adverse tax consequence ² for the policy owner.
Additional Details	<p>In order for the rider benefit to begin, the following conditions must be met:</p> <ul style="list-style-type: none"> • Loan indebtedness must be at least 92% of the surrender value; • Insured must be age 75 or greater; • Policy must have been in force for at least 15 policy years; and • Total partial surrenders must equal or exceed total premiums paid.
Hypothetical Example	<ul style="list-style-type: none"> • INSURED: Pat Smith, age 80, has a VUL Income III insurance policy. <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 • Death Benefit Option 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%) • Death Benefit Option 1 <p>The loan balance remains outstanding and continues to be charged interest. Any death proceeds paid are reduced by total loan indebtedness.</p>

²The Internal Revenue Service has not taken a position on the Life Paid-Up rider. Your prospect should consult their tax advisor prior to this rider being exercised.

RETURN OF COI (SN 64) AVAILABLE ONLY ON POLICIES WITH A POLICY DATE OF 5/15/15 OR EARLIER	
Issue Ages	0-85
Expiry	Policy termination
Cost	There is no charge for this rider.
Availability	Automatically added to all policies with a policy date of 5/15/15 or earlier
Benefit Provided	Provides a return of the sum of the cost of insurance 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 on the policy anniversary in equal amounts over a period of five years.

SALARY INCREASE (SN 65)	
Issue Ages	20-64
Expiry	Terminates at the first of: <ul style="list-style-type: none"> • Insured's age 65 • Rejection of an increase • Termination of the policy
Cost	There is a charge for this rider if the policy is rated or 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	Provides increases in the face amount based on salary adjustments, without requiring evidence in insurability.
Additional Details	<ul style="list-style-type: none"> • When exercised, the monthly policy charge and surrender charge will be increased to reflect the increased 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 amount is lesser of SIR benefit amount or 20% of the total face amount • Maximum increase percentage is 20%

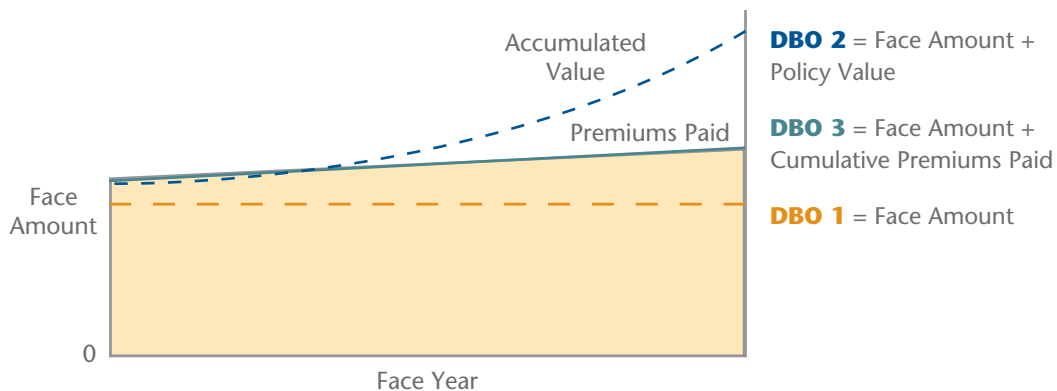
SURRENDER VALUE ENHANCEMENT (SN 66)	
Issue Ages	20-65
Expiry	When the first of the following occurs: <ul style="list-style-type: none"> • End of the 7th policy year • Face amount increase • Change of ownership
Cost	<ul style="list-style-type: none"> • Policy year 1: One percent of premium paid in excess of target premium • Policy years 2-7: Three percent of premium paid in excess of target premium
Availability	<ul style="list-style-type: none"> • Business cases only • At policy issue • Not available if either Salary Increase rider or Cost of Living Increase rider is present
Benefit Provided	<ul style="list-style-type: none"> • This rider produces high early cash surrender values within the first seven policy years. • This is accomplished by: <ul style="list-style-type: none"> – Waiving a portion of the surrender charges if the policy is fully surrendered within the first seven policy years. – An additional amount, equivalent to a stated percentage of premiums paid less partial surrenders, is added. The additional amount varies by age, gender and risk class of the insured. • Enhanced 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 loans or partial surrenders.

WAIVER OF MONTHLY POLICY CHARGE (SN 67)	
Issue Ages	0-59
Expiry	Unless a waiver period is in effect, the rider terminates following the insured's age 65.
Cost	There is a charge for this rider.
Availability	<ul style="list-style-type: none"> • May be added during or after issue • Not available with Guaranteed Issue/Simplified Issue underwriting
Benefit Provided	Pays the monthly policy charges of the policy 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 benefits are being paid under this rider.

WAIVER OF SPECIFIED PREMIUM (SN 68)	
Issue Ages	0-59
Expiry	Unless a waiver period is in effect, the rider terminates following the insured's attained age 65.
Cost	There is a charge for this rider.
Availability	<ul style="list-style-type: none"> • May be added during or after issue • Not available with Guaranteed Issue/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 benefits are being paid under this rider.

Death benefit options

	DEATH BENEFIT OPTION 1 (DBO 1)	DEATH BENEFIT OPTION 2 (DBO 2)	DEATH BENEFIT OPTION 3 (DBO 3)
Death Benefit Payable	Face Amount	Face amount + policy value	Face amount + cumulative premiums paid – surrenders
Description	<ul style="list-style-type: none"> The policy value increases while the amount of pure insurance decreases – keeping the death benefit level. The death benefit will never be less than the policy value multiplied by the applicable percentage the Internal Revenue Code specifies as necessary to qualify the policy as life insurance. 	<ul style="list-style-type: none"> The death benefit is variable, which will increase or decrease as policy values change. The death benefit will never be less than the face amount. The death benefit will be adjusted upward as necessary to comply with the Internal Revenue Code requirements to qualify the policy as life insurance. TIP: If you have a client who wants to use VUL Income III for cash-value growth, run the illustration at DBO 2 during the premium paying years, then switch to DBO 1 during withdrawal years. 	<ul style="list-style-type: none"> Policy owners have a variable death benefit, which will increase as premiums paid change. Available at issue only.
Note: Surrenders, withdrawals and policy loans will decrease the policy value and death benefits.			



Changing death benefit options

	WHEN	REQUIREMENTS
DBO 1 to DBO 2	Allowed on or after the first policy anniversary. Limited to two per policy year.	May require evidence of insurability
DBO 2 to DBO 1	Allowed on or after the first policy anniversary. Limited to two per policy year.	None
DBO 1 to DBO 3	N/A	
DBO 2 to DBO 3	N/A	

Face amount changes

- All increases must be at least \$50,000 and require evidence of insurability.
- Decreases may be made on or after the first policy anniversary.

Policy charges

(For policies with a Policy Date of 5/16/2015 or after)

		CURRENT CHARGES	GUARANTEED CHARGES
Sales Charge	Yr.1	4.00% for all premium	5.00% for all premium
	Yrs. 2+	2.00% for all premium	5.00% for all premium
State & DAC Tax	All years	3.25%	3.25%
Total Premium Expense Charge	Yr. 1	7.25% for all premium	8.25% for all premium
	Yrs. 2+	5.25% for all premium	8.25% for all premium

Monthly policy issue charge

Varies by gender, age, tobacco status, and risk class. Applies in all years. Rates in years 1-10 differ from rates in years 11+.

Cost of insurance

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

Asset-based charge

Annual asset-based charge: current – 0.00% of net policy value in all years; guaranteed – 0.15% of net policy value in all years.

Surrender charges

This product has a 10-year declining surrender charge. To calculate the actual surrender charge, please refer to the prospectus (LV622A).

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 (LV622A).

Monthly administration charge

YEARS	CURRENT	GUARANTEED MAXIMUM
1	\$25	\$25
2+	\$10	\$25

Monthly policy charge

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

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

Policy charges

(For policies with a Policy Date prior to 5/16/2015)

		CURRENT CHARGES	GUARANTEED CHARGES
Sales Charge	Yr.1	4.25% of premium up to target	5.00% for all premium
	Yrs. 2+	3.00% of premium up to target	5.00% for all premium
State & DAC Tax	All years	3.25%	3.25%
Total Premium Expense Charge	Yr. 1	7.50% of premium up to target; 3.25% of premium above target	8.25% for all premium
	Yrs. 2+	6.25% of premium up to target; 3.25% of premium above target	8.25% for all premium

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 (COI)

COI is based on gender, issue age, duration since issue, tobacco status and insured's risk classification. Insurance charges are available from the illustration system.

Asset-based charge

YEARS	CURRENT	GUARANTEED
1-10	0.15% annual rate of the policy value	0.15%
11+	0.00% annual rate of the policy value	0.15%

Surrender charges

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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 (LV622A).

Monthly administration charge

YEARS	CURRENT	GUARANTEED MAXIMUM
1	\$25	\$25
2+	\$10	\$25

Monthly policy charge

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

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

Accessing policy values

Policy loans (current and guaranteed)

YEARS	INTEREST RATE CHARGES	INTEREST RATE CREDITED ³	NET LOAN COST
1-10	5.50%	4.00%	1.50%
11+	4.00%	4.00%	0.00%

Loan guidelines

- Loans can be taken beginning in the first year.
- Maximum loan amount is 90% of the Net Policy Value.
- Loan interest accrues daily.
- Loan interest is due and payable at the end of each policy year. Any loan interest not paid when due is added to the loan principal and bears interest at the same rate.
- The loan rate differential in years 11+ apply to the entire loan balance regardless of when the loan was taken.

³ Interest rate credited is net of the Asset-Based Risk charge

Preferred partial surrenders

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

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 Internal Revenue Code Section 72(e).

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

Terms and conditions

- Amounts in excess of 10% will be considered non-preferred partial surrenders and face amount will be decreased, or underwriting would be required.
- The 10% does not carry over or accumulate if it is not used in any given year.
- Preferred partial surrenders may not exceed \$100,000 in any given year.
- Maximum lifetime preferred partial surrenders = \$250,000.

Scheduled surrenders & 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.

SSL's:

- 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.

Automated, flexible distribution features

	How it works	Client benefits
INITIATE Income distribution	Client completes a one-time request to start distributions that may occur as frequently as monthly.	Sets it and forgets it.
OPTIMIZE Death benefit options	When distributions begin, if option two or three is in effect, the option will automatically be switched to death benefit option one.	Gets the most efficient income out of the policy.
TRANSITION From surrenders to loans	When all premiums have been removed via partial surrenders, distributions will automatically switch to loans.	Protects against potential adverse tax consequences resulting from withdrawal of interest (no 1099).
MAXIMIZE With annual income recalculation	If either “maximum level amount” or “percentage of the current net surrender value” is requested, we automatically recalculate the amount each year to ensure the target ending cash value goal is met.	Receives the maximum amount while protecting against the policy lapsing earlier than planned.
PROTECT With Life Paid-Up rider	If certain conditions are met, the Life Paid-Up rider is triggered and the coverage is automatically converted to paid-up life insurance.	Prevents the policy from lapsing due to a large outstanding loan.

Investment options

VUL Income III is an insurance product and a registered securities product. Clients are able to allocate their premium to specific investment options, which allows them the opportunity to take advantage of the growth potential of the market. Like any investment with market exposure, however, there is no guarantee the underlying funds will have positive performance over time. VUL Income III is subject to market risk, including potential loss of principal invested.

Policy values

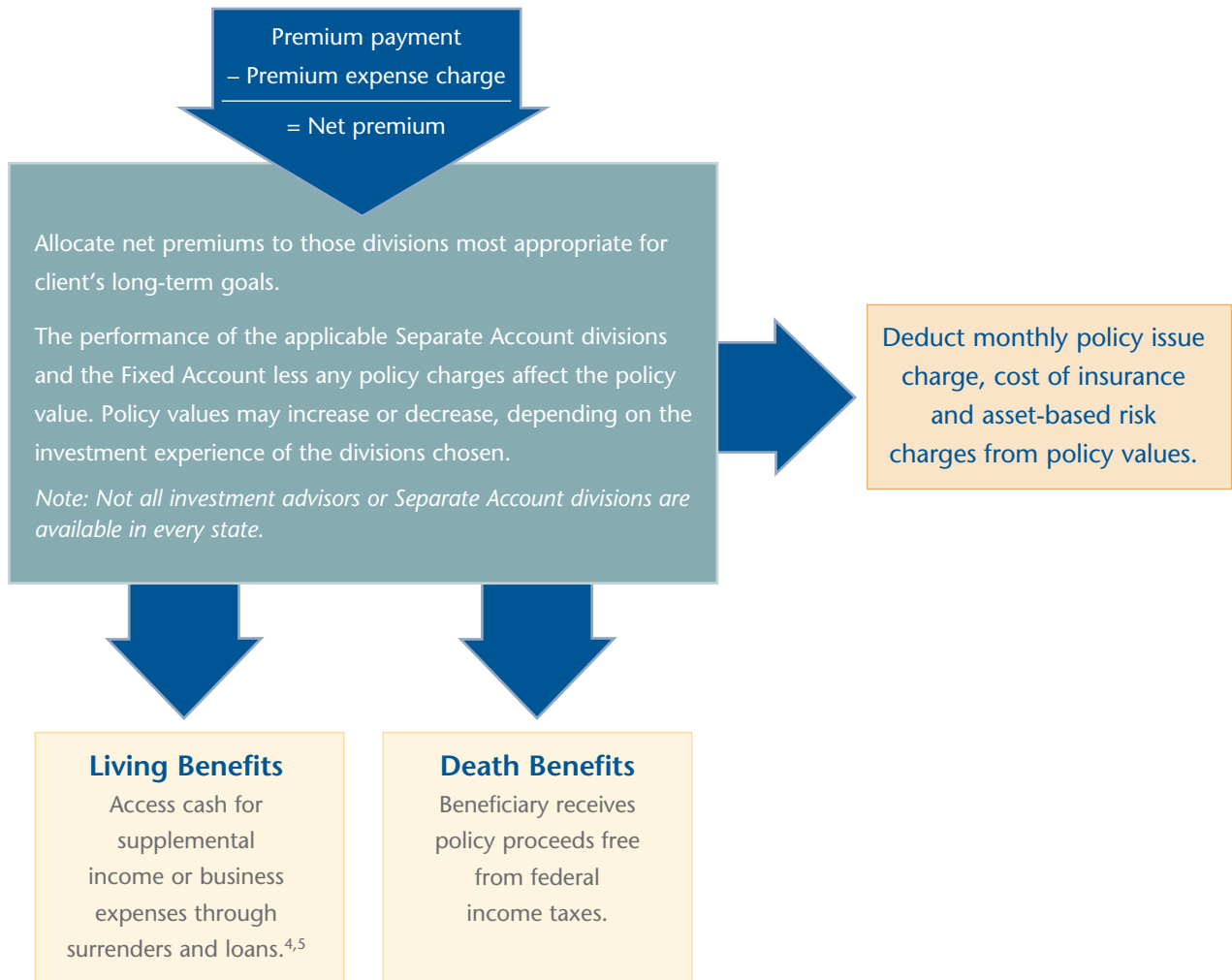
A VUL Income III policy offers the client a wide variety of investment options. Policy values will vary according to daily market values of the underlying investments.

- Premium payments and other transactions purchase units in one or more divisions of the Principal National Variable Life Separate Account. (Net Premiums are the gross premiums paid minus premium expense charges.) Within the separate account, management fees and expenses are deducted from the underlying accounts. Fees vary by account and apply to the average daily net asset value.
- An investment account is established under each policy for each division to which net premiums or transfer amounts have been allocated.
- The balance in a division is equal to the number of units owned in that division multiplied by the current unit value.
- Policy value is equal to the sum of the values in the Loan Account and the investment accounts for all divisions.
- New unit values are determined for each of the divisions on each valuation date (normally any day the stock market is open).

For complete details, refer to the Principal Variable Universal Life Income III Prospectus – LV622A



How VUL Income III works



⁴ Surrender proceeds are reduced by any applicable surrender charges.

⁵ 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.

Account value enhancement (AVE)

This is a non-guaranteed interest rate credit that rewards policy owners for long-term policy ownership.

- Endorsement to the contract – on policies with a Policy Date of 5/16/2015 and later
- Begins in policy year 11 and continues for the duration of the contract
- Annual Rate = 0.25% (non-guaranteed) is applied monthly
- Applied to any Division & Fixed Account Policy Value (not the Loan Account)
- Allocation of AVE to a policy is according to most recent premium allocation instructions

The Fixed DCA accounts⁶

The Fixed Dollar Cost Averaging (DCA) Accounts help take the guesswork out of investing. The program uses a process called dollar cost averaging. In dollar cost averaging, the client invests at regular, scheduled intervals. The Fixed DCA Accounts allow clients to earn an enhanced interest rate while systematically transferring money into the investment divisions. Use of a DCA Account may be useful in situations where a large lump-sum premium is being paid, such as a 1035 Exchange.

At issue, you and your client may select either 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 offers an enhanced interest rate and requires the client to dollar-cost average all assets in the account over a 12-month period.

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 your client indicate otherwise.

⁶ 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.

Investment strategies and risk

Policy owners may select from a wide variety of investment options. The VUL Income III Asset Allocation Questionnaire and Model Portfolios (BB10603) can be used to help clients select investments that reflect the client’s objectives and risk tolerance.

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.^{7, 8, 9}

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.

- | | | |
|---------------------------------------|---------------------------|---------------------------|
| • Principal LifeTime Strategic Income | • Principal LifeTime 2020 | • Principal LifeTime 2050 |
| • Principal LifeTime 2010 | • Principal LifeTime 2030 | • Principal LifeTime 2060 |
| | • Principal LifeTime 2040 | |

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.

- | | | |
|---------------------------------------|-------------------------------------|--------------------------|
| • Principal SAM Flexible Income | • Principal SAM Conservative Growth | • Principal SAM Balanced |
| • Principal SAM Conservative Balanced | • Principal SAM Strategic Growth | |

⁷ Neither the principal nor the underlying assets of the Principal LifeTime Accounts are guaranteed at any time, and investment risk remains at all times.

⁸ An account’s share price and investment return will vary with market conditions, and the value of an investment when sold may be more or less than the original cost.

⁹ Asset allocation does not guarantee a profit or protect against loss. See the prospectus for a full discussion of fees and expenses.

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 on the date the policy owner specifies (other than the 29th-31st). 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	No charge.

UNSCHEDULED TRANSFER DETAILS

Who	Policy owner
When	Anytime
Amount	The lesser of \$100 or 100% 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 of Fixed Account with value equal to or exceeding \$2,500 at the time of transfer. The company reserves the right to change this amount (never to exceed \$10,000).
When	Monthly on the date specified by the policy owner (other than 29th-31st). 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. In no event shall the monthly amount be more than 2% of the Fixed Account value as of the applicable date. Amount may be changed once each policy year. Minimum: \$50.
Charge	No charge.

UNSCHEDULED TRANSFER DETAILS

Who	Policy owner
When	Anytime, except: <ul style="list-style-type: none"> • 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 policy owner's Fixed Account value to immediately exceed \$1 million.
Amount	<ul style="list-style-type: none"> • Minimum: \$100 (if less, must be the entire amount of the Fixed Account value). • Not to exceed 25% of the policy owner's Fixed Account value as of the policy date or the last anniversary, whichever is later
Charge	No charge for first unscheduled transfer. We reserve the right to charge \$25 after the first unscheduled transfer per policy year.

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 pro-rated through the divisions and the Fixed Account unless the client selects a different 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, annually

Completing an application

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

Application requirements vary by state, so locate the correct applications via the National Sales Desk at 800-654-4278, or create an application packet on the financial professional website.

STEP 1
Complete the Life Insurance application for your state.
Part A: Complete sections 1-9 (sections 4 and 7 if applicable).
Section 2: Enter 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.
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.
Section 9: 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 required signatures.
If the policy will be owned by an employer or a corporation, a signature of an officer of that company is required. If the officer signing is other than the insured, the officer's title should be indicated following the signature. If the proposed insured is 100% owner of the business, he or she must sign as the insured and as the owner of the business.
Date the application as of the day it is written. If a policy is to be dated to save age, date the application in the regular manner with additional instructions regarding the policy date desired on the Field Office Report of the application. As a general rule, the company does not permit backdating beyond 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. Minimum of 1% per selection. Use whole numbers only. <ul style="list-style-type: none"> • Secure a signature from the proposed insured and owner (if different). • 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.
Cash on delivery (COD) is allowed; however, no conditional receipt should be issued. The conditional receipt will need to accompany the application when submitted.
STEP 4
Send applications and premium collected (if applicable) to your service team.
For complete application instructions, consult the Application Manual on the financial professional website.

Compliance

VUL Income III 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 III with your prospect, you MUST be:

- Licensed and appointed to sell variable life insurance with The 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 Princor Financial Services Corporation or another broker/dealer who has a selling agreement with Princor®.
- Appointed to sell VUL Income III by receiving a "Release to Sell" from Princor.

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 III, 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:

- Using the Asset Allocation Questionnaire and Model Portfolios (BB10603) to help make the investment allocation decision.
- 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

Without Surrender Value Enhancement rider

- First-Year Commissions:** 50% up to target premium
3.0% above target premium
- Renewal Premium:** Years 2-15: 2.0% up to target premium
2.0% above target premium
- ICCs:** 95% for proprietary; 100% for non-proprietary

With Surrender Value Enhancement rider

- First-Year Commissions:** 20% up to target premium
3.0% above target premium
- Renewal Premium:** Years 2-4: 12.0% up to target premium
2.0% above target premium
- Years 5-15:** 2.0% on all premium

The 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 The 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.

Customer service

The Principal makes it easy for policy owners to keep informed about their policies and to make simple policy adjustments.

Communications sent directly from the Home Office

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

Principal.com access

Clients have access to their policy information at their convenience through www.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 mailing address
- View balance, cash value or benefit amount of their contracts and policies
- View prospectus

The site is updated daily and confidential policy information is accessible only to the policy owner.

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

Telephone access

Clients may also access routine policy information via an automated telephone system. By calling, 800-247-9988 they can obtain instant access to policy information. The system is available from 7 a.m. to 12:00 midnight (Central Time) Sunday through Friday, and 7 a.m. to 9 p.m. on Saturday.

Marketing support and materials

Visit the VUL Income III section of our financial professional website. This site will provide you with access to:

- Product highlights and features
- Marketing materials
- Competitive positioning
- State approval updates



WE'LL GIVE YOU AN EDGE®

Principal National Life Insurance Company, Des Moines, Iowa 50392-0001, www.principal.com

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All guarantees and benefits of an insurance policy are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer and/or insurance agency selling the policy, or by any of their affiliates, and none of them make any representation or guarantees regarding the claims-paying ability of the issuing insurance company.

Insurance issued by Principal National Life Insurance Co. (except in NY) and Principal Life Insurance Co. Securities offered through Principal Securities, Inc., 800-247-1737, Member SIPC. Principal National, Principal Life and Principal Securities are members of the Principal Financial Group, Des Moines, 50392.

Not FDIC or NCUA insured

**May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency**