

SERFF Tracking Number: PRLF-128059944 State: Arkansas  
Filing Company: Principal Life Insurance Company State Tracking Number:  
Company Tracking Number:  
TOI: L04G Group Life - Term Sub-TOI: L04G.500 Other  
Product Name: Group Term/VTL Def Annual Comp Rider Filing  
Project Name/Number: /

## Filing at a Glance

Company: Principal Life Insurance Company

Product Name: Group Term/VTL Def Annual SERFF Tr Num: PRLF-128059944 State: Arkansas

Comp Rider Filing

TOI: L04G Group Life - Term

SERFF Status: Closed-Approved- State Tr Num:  
Closed

Sub-TOI: L04G.500 Other

Co Tr Num:

State Status: Approved-Closed

Filing Type: Form

Reviewer(s): Linda Bird

Authors: Mark Curtis, Dorthy

Disposition Date: 02/28/2012

Mcgrean, Brenda Mcleran, Ann

McCoy, Colletta Maddy

Date Submitted: 02/23/2012

Disposition Status: Approved-  
Closed

Implementation Date Requested: 07/01/2012

Implementation Date:

State Filing Description:

## General Information

Project Name:

Status of Filing in Domicile:

Project Number:

Date Approved in Domicile:

Requested Filing Mode: Review & Approval

Domicile Status Comments:

Explanation for Combination/Other:

Market Type: Group

Submission Type: New Submission

Group Market Size: Small and Large

Group Market Type: Employer

Overall Rate Impact:

Filing Status Changed: 02/28/2012

State Status Changed: 02/28/2012

Deemer Date:

Created By: Ann McCoy

Submitted By: Brenda Mcleran

Corresponding Filing Tracking Number:

Filing Description:

RE Group Term Life Insurance Forms and

Group Voluntary Life Insurance Forms

Policy Amendment GC 804 (COMP)

Booklet-Certificate Rider

GH 163 (COMP)

Principal Life Insurance Company NAIC No. 61271-332

FEIN # 42-0127290

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Enclosed for your review and approval are copies of the Policy Amendment and Booklet-Certificate Rider listed above. These are new forms and are not replacing any forms previously approved. These forms are being submitted on a general use basis to revise the definition of Annual Compensation.

Principal Life Insurance Company's current definition of Annual Compensation contains language dedicated to Members with a direct ownership interest in the business. This definition was designed to cover all of a business owner's income, which frequently includes profits from the business in addition to the owner's salary. This method most accurately reflects the true Annual Compensation of business owners.

However, based on the current structure of Principal Life's definition, businesses losses are included in the calculation. In the event that the businesses losses exceed the owner's salary, the owner will only qualify for the minimum benefit payable in the event of a qualifying disability. While this historically has not been a frequent occurrence, the economic downturn has resulted in more businesses struggling to earn a profit. This has in turn resulted in an increase in business owner claims where the businesses losses exceed the owner's salary, resulting in the minimum benefit payable.

It is Principal Life's intent to resolve the above stated issue with the revised contract language in this rider. As illustrated in the revised language, Principal Life will now begin capping the owner's share of business expenses at an amount that is no higher than the owner's share of business revenue for the same time period. This revision will result in the owner receiving a benefit based on no less than his/her salary, which is a more equitable approach to calculating benefits payable.

We are requesting a proposed effective date of July 1, 2012, (or as soon as approval is received, if on or before July 1, 2012).

If approved, the Policy Amendment and Booklet-Certificate Rider will be used with the following previously approved forms:

- Policy Form Series GC 6000 and the corresponding booklet-certificate forms series GH 106, approved by your department on March 26, 2004, with subsequent revisions also filed and approved.
- Policy Form Series GC 6000 (VTL) and the corresponding booklet-certificate forms series GH 106 (VTL), approved by your department on March 26, 2004, with subsequent revisions also filed and approved.

The Policy Amendment and Booklet-Certificate Rider will be used as presented for approval or the Annual Compensation Definition text may be incorporated into the group policy and booklet-certificate of the policyholder.

We have included a Statement of Variability to assist in your review of these forms.

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Rates will not be impacted by this filing. We are also attaching all required certification forms.

Sincerely,

Brenda McLeran, ACS  
State/Federal Compliance Analyst  
Group Life & Health Compliance  
Principal Life Insurance Company  
Des Moines, IA 50392-0002  
Phone 1-800-986-3343 (Ext. 88685)  
Fax – 515-246-2491  
e-mail address McLeran.Brenda@principal.com

Enclosures

## Company and Contact

### Filing Contact Information

Ann McCoy, State/Federal Compliance Analyst mccoey.ann@principal.com  
711 High St. 800-986-3343 [Phone] 89658 [Ext]  
K-005-E81 515-246-2491 [FAX]  
Des Moines, IA 50392-0002

### Filing Company Information

Principal Life Insurance Company CoCode: 61271 State of Domicile: Iowa  
711 High Street Group Code: 332 Company Type: Life & Health  
Des Moines, IA 50392-0002 Group Name: State ID Number:  
(800) 986-3343 ext. [Phone] FEIN Number: 42-0127290

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## Filing Fees

SERFF Tracking Number: PRLF-128059944 State: Arkansas  
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Fee Required? Yes  
Fee Amount: \$100.00  
Retaliatory? No  
Fee Explanation: \$50 for each form, filing 2 forms.  
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Principal Life Insurance Company	\$100.00	02/23/2012	56586016

SERFF Tracking Number: PRLF-128059944 State: Arkansas  
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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Approved-Closed	Linda Bird	02/28/2012	02/28/2012

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## Disposition

Disposition Date: 02/28/2012

Implementation Date:

Status: Approved-Closed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: PRLF-128059944 State: Arkansas  
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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Flesch Certification		Yes
Supporting Document	Application		No
Supporting Document	Statement of Variability		Yes
Form	Policy Amendment, Annual Compensation		Yes
Form	Booklet Certificate Rider, Definition of Annual Compensation		Yes

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## Form Schedule

### Lead Form Number:

Schedule Item Status	Form Number	Form Type Form Name	Action	Action Specific Data	Readability	Attachment
	GC 804 (COMP)	Policy/Cont Policy Amendment, ract/Fratern Annual al Compensation Certificate: Amendmen t, Insert Page, Endorseme nt or Rider	Initial			GC 804 (COMP).pdf
	GH 163 (COMP)	Certificate Booklet Certificate Amendmen Rider, Definition of t, Insert Annual Compensation Endorseme nt or Rider	Initial			GH 163 (COMP).pdf

**DEFINITION OF ANNUAL COMPENSATION  
AMENDMENT TO BE ATTACHED TO AND MADE A PART OF  
PRINCIPAL LIFE INSURANCE COMPANY GROUP POLICY NO. GL [99999]  
ISSUED TO**

[JOHN DOE COMPANY]

The above Group Term Life and Group Voluntary Term Life Policy is hereby amended, effective as of [July 1, 2012] as follows:

Insurance under the above Group Policy to which this Amendment is attached is hereby amended with respect to and to the extent provided below.

**Definitions**

Policy Form [GC 6002] [GC 6002 (VTL)], PART I, Definitions, definition of Annual Compensation is revised as follows:

[5] **[Annual Compensation**

[For Members with no ownership interest in the business entity of the [Policyholder] [or a] [Participating Unit]:]

[On any date, a Member's annual (or annual equivalent) wage, as established by the [Policyholder] [or a] [Participating Unit], that:

- a. with respect to a Member who has been employed for at least [one] [two] [three] calendar year(s), was paid to such Member during the last [two] [three] calendar year(s) and reported on the *[Form 1099]* [W-2 Wage & Tax Statement [including] [excluding] [qualified] [nonqualified] deferred compensation, such as contributions to Internal Revenue Code Section 401(k), 403(b), or 457 deferred compensation arrangements [including any amount of voluntary earnings reduction under a qualified Section 125 Cafeteria Plan] [excluding housing and/or car allowance]] for [that] [those] calendar year(s); or
- b. with respect to a Member who has been employed for less than [one] [two] [three] calendar year(s), was paid to such Member during completed months of *[employment]* *[service]* divided by the number of such completed months of *[employment]* *[service]*].

- [6] [On any date, a Member's basic annual (or annual equivalent) wage then in force, as established by the [Policyholder] [or a] [Participating Unit]. [Basic wage does not include [commissions,] [bonuses,] *[stock options]* [tips,] [differential pay,] [housing and/or car allowance,] [or overtime pay].] [Basic wage does include [commissions,] [bonuses,] *[stock options,]**[tips,]**[differential pay,]* *[housing and/or car allowance,]* *[or overtime pay]* [and] [any deferred earnings under a [qualified] [or] [nonqualified] [deferred compensation plan, such as contributions to Internal Revenue Code Section 401(k), 403(b), or 457 deferred compensation arrangements] [and any amount of voluntary earnings reduction under a qualified Section 125 Cafeteria Plan]*[or Health Savings Account]* *[,or any similar plan]*].]

[[Commissions] *[overtime]* [and] [bonuses] will be averaged for:

- a. the [one [calendar] year] period prior to any date of determination by The Principal, if the Member has been employed for at least [one] [calendar] year(s); or
- b. the completed months of employment prior to any date of determination by The Principal, if the Member has been employed for less than [one] [calendar] year(s).]]

[For Members with *a direct* ownership interest in the business entity of the [Policyholder] [and] [Participating Unit], such as an owner of a sole proprietorship, a partner in a partnership, a shareholder of a corporation or subchapter S-corporation, or a member of a limited liability company or limited liability partnership, Annual Compensation on any date is based on an average of the following earnings as reported for Federal Income Tax purposes for the last [two] calendar *year(s), assuming* the owner meets all eligibility requirements:

- a. the Member's share (based on ownership or contractual agreement) of the gross revenue or income earned by the [Policyholder] [and] [Participating Unit], including income earned by the Member and others under the Member's supervision or direction; less
- b. the Member's share *of expenses* (based on ownership or contractual *agreement*) *that are deductible for Federal Income Tax purposes, [to the extent that the Member's share of letter b. does not exceed the Member's share of letter a.;]* plus
- c. the salary, benefits, and other forms of compensation which are payable to the Member, and any contributions to a pension or profit sharing plan made on the Member's behalf by the [Policyholder] [and] [Participating Unit].

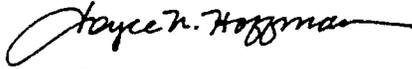
*With respect to a Member with an ownership interest of less than [two] calendar year(s). The Principal will use the amounts of a., b., and c. as described above during the completed months of direct ownership divided by the number of such completed months of direct ownership.*

Annual Compensation does not include any form of unearned income such as dividends, rent, interest, capital gains, income received from any form of deferred compensation, retirement, pension plan, income from royalties, or disability benefits.]

All other benefits and provisions of the Group Policy remain in effect.

This Amendment will become effective as a written agreement between The Principal and the Policyholder on the first premium due date following the effective date shown above for which premium due under this Group Policy is received by The Principal.

**Principal Life Insurance Company**  
711 High Street  
Des Moines, Iowa 50392-0002



Senior Vice President and  
Corporate Secretary



President and  
Chief Executive Officer

**BOOKLET-CERTIFICATE RIDER  
DEFINITION OF ANNUAL COMPENSATION**

Effective as of [July 1, 2012], the Group Term Life and Group Voluntary Term Life booklet-certificate to which this Rider is attached is hereby amended with respect to and to the extent provided below.

**Definitions**

Booklet-certificate form [GH 114][GH 114 (VTL)], Definitions, definition of Annual Compensation is revised to read as follows:

[5] **[Annual Compensation means**

[For Members with no ownership interest in the business entity of the [Policyholder] [Employer]:]

[On any date, your annual (or annual equivalent) wage, as established by the [Policyholder] [Employer], that:

- a.* if you have been employed for at least [one] [two] [three] calendar year(s), was paid to you during the last [two] [three] calendar year(s) and reported on the *[Form 1099]*[W-2 Wage & Tax Statement [including] [excluding] [qualified] [nonqualified] deferred compensation, such as contributions to Internal Revenue Code Section 401(k), 403(b), or 457 deferred compensation arrangements [including any amount of voluntary earnings reduction under a qualified Section 125 Cafeteria Plan] [excluding housing and/or car allowance]] for [that] [those] calendar year(s); or
- b.* if you have been employed for less than [one] [two] [three] calendar year(s), was paid to you during completed months of *[employment]**[service]* divided by the number of such completed months of *[employment]**[service]*.

[6] [On any date, your basic annual (or annual equivalent) wage then in force, as established by the [Policyholder] [Employer]. [Basic wage does not include [commissions,] [bonuses,] *[stock options]* [tips,] [differential pay,] [housing and/or car allowance,] [or overtime pay].] [Basic wage does include [commissions,] [bonuses,] *[stock options,][tips,][differential pay,][housing and/or car allowance,][or overtime pay]* [and] [any deferred earnings under a [qualified] [or] [nonqualified] [deferred compensation plan, such as contributions to Internal Revenue Code Section 401(k), 403(b), or 457 deferred compensation arrangements] [and any amount of voluntary earnings reduction under a qualified Section 125 Cafeteria Plan]*[or Health Savings Account] [,or any similar plan].]*]

[[Commissions] *[overtime]* [and] [bonuses] will be averaged for:

- a.* the [one [calendar] year] period prior to any date of determination by Us, if you have been employed for at least [one] [calendar] year(s); or
- b.* the completed months of employment prior to any date of determination by Us, if you have been employed for less than [one] [calendar] year(s).]

[For Members with *a direct* ownership interest in the business entity of the [Policyholder] [Employer], such as an owner of a sole proprietorship, a partner in a partnership, a shareholder of a corporation or subchapter S-corporation, or a member of a limited liability company or limited liability partnership, Annual Compensation on any date is based on an average of the following earnings as reported for Federal Income Tax purposes for the last [two] calendar *year(s), assuming* the owner meets all eligibility requirements:

- a.* your share (based on ownership or contractual agreement) of the gross revenue or income earned by the [Policyholder] [Employer], including income earned by you and others under your supervision or direction; less
- b.* your share *of expenses* (based on ownership or contractual *agreement*) *that* are deductible for Federal Income Tax purposes, *[to the extent that your share of letter b. does not exceed your share of letter a. :]* plus
- c.* the salary, benefits, and other forms of compensation which are payable to you, and any contributions to a pension or profit sharing plan made on your behalf by the [Policyholder] [Employer].

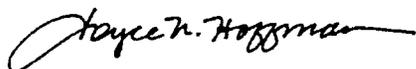
*With respect to a Member with an ownership interest of less than [two] calendar year(s). The Principal will use the amounts of a., b., and c. as described above during the completed months of direct ownership divided by the number of such completed months of direct ownership.*

Annual Compensation does not include any form of unearned income such as dividends, rent, interest, capital gains, income received from any form of deferred compensation, retirement, pension plan, income from royalties, or disability benefits.]

All other benefits and provisions of the booklet-certificate remain in effect.

See your employer if you have questions concerning this Rider.

**Principal Life Insurance Company**  
711 High Street  
Des Moines, Iowa 50392-0002



Senior Vice President and  
Corporate Secretary



President and  
Chief Executive Officer

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## Supporting Document Schedules

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> Flesch Certification		
<b>Comments:</b>		
<b>Attachment:</b> Readability Cert.pdf		

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Bypassed - Item:</b> Application		
<b>Bypass Reason:</b> N/A for this filing		
<b>Comments:</b>		

	<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b> Statement of Variability		
<b>Comments:</b>		
<b>Attachments:</b> Statement of Variability - Policy.pdf Statement of Variability - Booklet.pdf		

**STATE OF ARKANSAS  
INSURANCE DEPARTMENT**

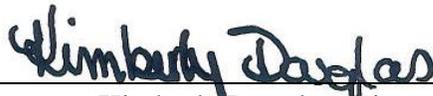
**CERTIFICATION OF READABILITY**

I, Kimberly Douglas, an Officer of Principal Life Insurance Company hereby certify that the attached form(s) has (have) achieved a Flesch Reading Ease Score of:

Form No.	Form Name	Flesch Score
GC 804 (COMP)	Policy Amendment Annual Compensation	45.3
GH 163 (COMP)	Booklet-Certificate Rider Definition of Annual Compensation	45.8

and complies with the requirements of Ark. Stat. Ann. Sections 66-3251 through 66-3258, cited as the Life and Disability Insurance Policy Language Simplification Act.

PRINCIPAL LIFE INSURANCE COMPANY



\_\_\_\_\_  
Kimberly Douglas, Director  
Group Life and Health Compliance

February 23, 2012

\_\_\_\_\_  
Date

12/1999



**Statement of Variability to Policy Amendment for  
Annual Compensation GC 804 (COMP)  
Dated February 23 2012**

- [5] Definition of “Annual Compensation”. This definition will be used when the benefit calculation will be based on earnings as reported on the *[Form 1099]* W-2 Wage & Tax Statement. Any combination of variable text may be used depending on the benefits and provisions elected by the policyholder. In this definition and throughout the policy, the variable “[Participating Unit]” will be used (where appropriate) in lieu of “[Policyholder]” when the policy is issued to a MET.
- [6] Definition of “Annual Compensation”, this definition may be used as requested by the policyholder and will vary depending upon the policyholder’s requirements.

**Statement of Variability to Booklet-Certificate Rider for  
Annual Compensation GH 163 (COMP)  
Dated February 23 2012**

- [5] Definition of “Annual Compensation”. This definition will be used when the benefit calculation will be based on earnings as reported on the *[Form 1099]* W-2 Wage & Tax Statement. Any combination of variable text may be used depending on the benefits and provisions elected by the policyholder. In this definition and throughout the policy, the variable “[Participating Unit]” will be used (where appropriate) in lieu of “[Policyholder]” when the policy is issued to a MET.
- [6] Definition of “Annual Compensation”, this definition may be used as requested by the policyholder and will vary depending upon the policyholder’s requirements.