



# Principal Lifetime Income Solutions<sup>SM</sup> Variable Annuity Prospectus

May 1, 2016

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This Notice is provided on behalf of the following companies of the Principal Financial Group:

Principal Life Insurance Company  
Principal National Life Insurance Company  
Principal Securities, Inc.  
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Principal Global Investors, LLC  
Principal Global Investors Trust  
Principal Real Estate Investors, LLC  
Principal Commercial Acceptance, LLC  
Principal Commercial Funding, LLC  
Principal Green Fund I, LP / PGF GP, LLC  
Principal Green Property Fund Employees II, LLC  
Principal Real Estate Debt Fund I, LP  
Principal Real Estate Debt Fund, GP, LLC  
Edge Asset Management, Inc. / Spectrum Asset Management, Inc.  
Principal Variable Contracts Funds, Inc.  
Principal Life Insurance Company Variable Life Separate Account  
Principal National Life Insurance Company Variable Life Separate Account  
Principal Life Insurance Company Separate Account B  
Principal Funds, Inc. / Principal Funds Distributor, Inc.  
Employers Dental Services, Inc. / Principal Dental Services, Inc.  
First Dental Health

**PROTECTING YOUR PRIVACY**

This Notice is required by law. It tells how we handle personal information.

This Notice applies to:

- people who own or apply for our products or services for personal use.
- employee benefit plan participants and beneficiaries.

Please note that in this Notice, “you” refers to only these people. The Notice does not apply to an employer plan sponsor or group policyholder.

**WE PROTECT INFORMATION WE COLLECT ABOUT YOU**

We follow strict standards to safeguard personal information. These standards include limiting access to data and regularly testing our security technology.

**HOW WE COLLECT INFORMATION**

We collect data about you as we do business with you. Some of the sources of this data are as follows:

- **Information we obtain when you apply or enroll for products or services.** You may provide facts such as your name; address; Social Security number; financial status; and, when applicable, health history.
- **Information we obtain from others.** This may include claim reports, medical records, when applicable, credit reports, property values and similar data.
- **Information we obtain through our transactions and experience with you.** This includes your claims history, payment and investment records, and account values and balances.
- **Information we obtain through the Internet.** This includes data from online forms you complete. It also includes data we collect when you visit our websites.

**HOW WE SHARE INFORMATION**

We may share personal information about you or about former customers, plan participants or beneficiaries among companies within the Principal Financial Group for several reasons, including:

- to assist us in servicing your account;
- to help design and improve products;
- to protect against potential identity theft or unauthorized transactions;
- in response to a subpoena or for other legal purposes;
- to prevent fraud;
- to comply with inquiries from government agencies or other regulators;
- with others that service your account, or that perform services on our behalf;
- with others with whom we may have joint marketing agreements. These include financial services companies (such as other insurance companies, banks or mutual fund companies); and
- with your consent, at your request or as allowed by law.

**MEDICAL INFORMATION**

We do not share medical information among companies of the Principal Financial Group or with others except:

- when needed to service your policies, accounts, claims or contracts;
- when laws protecting your privacy permit it; or
- when you consent.

## ACCURACY OF INFORMATION

We strive for accurate records. Please tell us if you receive any incorrect materials from us. We will make the appropriate changes.

## COMPANIES WITHIN THE PRINCIPAL FINANCIAL GROUP

Several companies within the Principal Financial Group are listed at the top of this Notice. The companies of the Principal Financial Group are leading providers of retirement savings, investment, and insurance products.

## MORE INFORMATION

You may write to us if you have questions about our Privacy Notice. Contact our Privacy Officer at P.O. Box 14582, Des Moines, Iowa 50306-3582.

To contact us, please call 1-800-986-3343.

*Receipt of this notice does not mean your application has been accepted.*

*We may change our privacy practices at times. We will give you a revised notice when required by law.*

*Our privacy practices comply with all applicable laws. If a state's privacy laws are more restrictive than those stated in this Notice, we comply with those laws.*

*Your agent, broker, registered representative, consultant or advisor may have a different privacy policy.*





## CALIFORNIA PRIVACY NOTICE

This Notice is provided on behalf of the following companies of the Principal Financial Group:

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Principal National Life Insurance Company  
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Principal Trust Company  
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Principal Global Investors Trust  
Principal Real Estate Investors, LLC  
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Principal Commercial Funding, LLC  
Principal Green Fund I, LP / PGF GP, LLC  
Principal Green Property Fund Employees II, LLC  
Principal Real Estate Debt Fund I, LP  
Principal Real Estate Debt Fund, GP, LLC  
Edge Asset Management, Inc. / Spectrum Asset Management, Inc.  
Principal Variable Contracts Funds, Inc.  
Principal Life Insurance Company Variable Life Separate Account  
Principal National Life Insurance Company Variable Life Separate Account  
Principal Life Insurance Company Separate Account B  
Principal Funds, Inc. / Principal Funds Distributor, Inc.  
Employers Dental Services, Inc. / Principal Dental Services, Inc.  
First Dental Health

### PROTECTING YOUR PRIVACY

This Notice is required by law. It tells how we handle personal information.

This Notice applies to individual residents of California who:

- own or apply for our products or services for personal use.
- are employee benefit plan participants and beneficiaries.

Please note that in this Notice, “you” refers to only these people. The Notice does not apply to an employer plan sponsor or group policyholder.

### WE PROTECT INFORMATION WE COLLECT ABOUT YOU

We follow strict standards to protect personal information. These standards include limiting access to data and regularly testing our security technology.

### HOW WE COLLECT INFORMATION

We collect data about you as we do business with you. Some of the sources of this data are as follows:

- **Information we obtain when you apply or enroll for products or services.** You may provide facts such as your name; address; Social Security number; financial status; and, when applicable, health history.
- **Information we obtain from others.** This may include claim reports, medical records, credit reports and similar data.
- **Information we obtain through our transactions and experience with you.** This includes your claims history, payment and investment records, and account values.

- **Information we obtain through the Internet.** This includes data from online forms you complete. It also includes data we receive when you visit our websites.

### HOW WE SHARE INFORMATION

We may share personal information about you or about former customers, plan participants or beneficiaries among companies within the Principal Financial Group or with others for several reasons, including:

- to assist us in servicing your account;
- to help design and improve products;
- to protect against potential identity theft or unauthorized transactions;
- in response to a subpoena or for other legal purposes;
- to prevent fraud;
- to comply with inquiries from government agencies or other regulators;
- with others that service your account, or that perform services on our behalf; or
- with your consent, at your request or as allowed by law.

### MEDICAL INFORMATION

We do not share medical information among companies of the Principal Financial Group or with others except:

- when needed to service your policies, accounts, claims or contracts;
- when laws protecting your privacy permit it; or
- when you consent.

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# PRINCIPAL LIFETIME INCOME SOLUTIONS<sup>SM</sup>

## VARIABLE ANNUITY

Prospectus dated May 1, 2016

This prospectus describes Principal Lifetime Income Solutions<sup>SM</sup>, an individual, flexible premium, deferred variable annuity (the "Contract"), issued by Principal Life Insurance Company ("the Company", "we", "our" or "us") through Principal Life Insurance Company Separate Account B ("Separate Account").

This prospectus provides information about the Contract and the Separate Account that you, as *owner*, should know before investing. The prospectus should be read and retained for future reference. Additional information about the Contract and the Separate Account is included in the Statement of Additional Information ("SAI"), dated May 1, 2016, which has been filed with the Securities and Exchange Commission (the "SEC") and is considered a part of this prospectus. The table of contents of the SAI is at the end of this prospectus. *You* may obtain a free copy of the SAI and all additional information by writing or calling: Principal Lifetime Income Solutions<sup>SM</sup>, Principal Financial Group, P.O. Box 9382, Des Moines, Iowa 50306-9382, Telephone: 1-800-852-4450. *You* can also visit the SEC's website at [www.sec.gov](http://www.sec.gov), which contains the SAI, material incorporated into this prospectus by reference, and other information about registrants that file electronically with the SEC.

**These securities have not been approved or disapproved by the SEC or any state securities commission nor has the SEC or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

**This Contract automatically includes a Guaranteed Minimum Withdrawal Benefit ("GMWB") feature that *you* cannot remove from the Contract for 5 years. There is a charge for this feature that is deducted quarterly.**

*You* generally may allocate *your* investment in the Contract in the *Fixed Account* and the *divisions* of the Separate Account. The *Fixed Account* is a part of *our* General Account. Each *Separate Account division* invests in shares of a corresponding mutual fund (the "*underlying mutual funds*"). A list of the *underlying mutual funds* available under the Contract is shown below.

*Your accumulated value* will vary according to the investment performance of the *underlying mutual funds* in which *your* selected *division(s)* are invested. **We do not guarantee the investment performance of the *underlying mutual funds*.**

The following *underlying mutual funds* are available under the Contract<sup>(1)(2)</sup>:

### Principal Variable Contracts Funds - Class 2

- Diversified Balanced Managed Volatility Account<sup>(3)</sup>
- Diversified Growth Managed Volatility Account<sup>(3)</sup>
- Diversified Income Account<sup>(3)</sup>

<sup>(1)</sup> In California, we allocate initial *premium payments* to the Fidelity VIP Government Money Market Division during the examination offer period unless *you* elect to immediately invest in the allocations *you* selected. This *division* is not available under the Contract at any other time or in any other state.

<sup>(2)</sup> Previously, we made available Diversified Balanced Account and Diversified Growth Account. If the contract has the GMWB rider in force and the application was signed December 1, 2013 or later, these investment options are no longer available.

<sup>(3)</sup> This *underlying mutual fund* is a fund of funds and expenses may be higher due to the tiered level of expenses.

Over time, modifications have been made to the features of the GMWB rider (for new sales only). These changes are described in the table set forth in the "GMWB Summary" in Section 4 of the prospectus.

**An investment in the Contract is not a deposit or obligation of any bank and is not insured or guaranteed by any bank, the Federal Deposit Insurance Corporation or any other government agency.**

This prospectus is valid only when accompanied by the current prospectuses for the *underlying mutual funds*. These prospectuses should be kept for future reference. This prospectus is not an offer to sell, or solicitation of an offer to buy, the Contract in states in which the offer or solicitation may not be lawfully made. No person is authorized to give any information or to make any representation in connection with this Contract other than those contained in this prospectus.

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## GLOSSARY

**accumulated value** – the sum of the values invested in the *Fixed Account* and the *Separate Account divisions*.

**anniversary(ies)** – the same date and month of each year following the *contract date*.

**annuitant** – the person, including any *joint annuitant*, on whose life the annuity benefit payment is based. This person may or may not be the *owner*.

**annuitization** – application of a portion or all of the *accumulated value* to an annuity benefit payment option to make income payments.

**annuitization date** – the date all of the *owner's accumulated value* is applied to an annuity benefit payment option.

**Automatic Portfolio Rebalancing (APR)** – the *transfer* of money among *your Separate Account divisions* on a set schedule to maintain a specified percentage in each *Separate Account division*.

**average quarterly withdrawal benefit base** – the value used to calculate the GMWB quarterly rider charge. This value is (1) the *withdrawal benefit base* at the beginning of the calendar quarter plus (2) the *withdrawal benefit base* at the end of the calendar quarter and this sum is divided by two.

**cash surrender value** – the *accumulated value* minus any applicable *surrender charges* and fee(s) (contract fee and/or prorated share of the charge(s) for optional rider(s)).

**contract date** – the date the Contract is issued and which is used to determine *contract years*.

**contract year** – the one-year period beginning on the *contract date* and ending one day before the Contract *anniversary* and any subsequent one-year period beginning on a Contract *anniversary* (for example, if the *contract date* is June 5, 2013, the first *contract year* ends on June 4, 2014, and the first Contract *anniversary* falls on June 5, 2013).

**data page** – that portion of the Contract which contains the following: *owner* and *annuitant* data (names, gender, *annuitant* age); the Contract issue date; maximum *annuitization date*; contract charges and limits; benefits; and a summary of any optional benefits chosen by the Contract *owner*.

**Fixed Account** – an account which uses a guaranteed interest rate to calculate interest earned.

**Fixed Account value** – the amount invested in the *Fixed Account* (plus interest earned and less any surrenders and/or *transfers*).

**good order** – an instruction or request is in *good order* when it is received in *our home office*, or other place we may specify, and has such clarity and completeness that we do not have to exercise any discretion to carry out the instruction or request. We may require that the instruction or request be given in a certain form.

**home office** – Company's corporate headquarters located at Principal Financial Group, Des Moines, Iowa 50392-1770.

**investment options** – the *Fixed Account* and *Separate Account divisions*.

**joint annuitant** – an *annuitant* whose life determines the annuity benefit under this Contract. Any reference to the death of the *annuitant* means the death of the first *annuitant* to die.

**joint owner** – an *owner* who has an undivided interest with the right of survivorship in this Contract with another *owner*. Any reference to the death of the *owner* means the death of the first *owner* to die.

**non-qualified contract** – a Contract which does not qualify for favorable tax treatment as a Qualified Plan, Individual Retirement Annuity, Roth IRA, SEP IRA, Simple-IRA or Tax Sheltered Annuity.

**notice** – any form of communication received by *us*, at the *home office*, either in writing or in another form approved by *us* in advance.

Your notices may be mailed to *us* at:  
Principal Life Insurance Company  
P.O. Box 9382  
Des Moines, Iowa 50306-9382

**owner** – the person, including *joint owner*, who owns all the rights and privileges of this Contract.

**premium payments** – the gross amount *you* contributed to the Contract.

**qualified plans** – retirement plans which receive favorable tax treatment under Section 401 or 403(a) of the Internal Revenue Code.

**required minimum distribution (“RMD”) amount** — the amount required to be distributed each calendar year for purposes of satisfying the RMD rules of Section 401(a)(9) of the Internal Revenue Code of 1986, as amended, and related Code provisions.

**Separate Account division (division(s))** – a part of the Separate Account which invests in shares of an *underlying mutual fund*. (Referred to in the marketing materials as “sub-accounts.”)

**Separate Account division value** – the sum of all *divisions*’ value; each *division*’s value is determined by multiplying the number of *units* in that *division* by the *unit value* of that *division*.

**surrender charge** – the charge deducted upon certain partial surrenders or total surrender of the Contract before the *annuitization date*.

**surrender value** – *accumulated value* less any applicable *surrender charge*, rider fees, annual fee, transaction fees and any premium tax or other taxes.

**transfer** – moving all or a portion of *your accumulated value* to or from one investment option or among several *investment options*. All *transfers* initiated during the same *valuation period* are considered to be one *transfer* for purposes of calculating the transaction fee, if any.

**underlying mutual fund** – a registered open-end investment company, or a series or portfolio thereof, in which a *division* invests.

**unit** – the accounting measure used to determine *your* proportionate interest in a *division*.

**unit value** – a measure used to determine the value of an investment in a *division*.

**valuation date (valuation days)** – each day the New York Stock Exchange (“NYSE”) is open for trading and trading is not restricted.

**valuation period** – the period of time from one determination of the value of a *unit* of a *division* to the next. Each *valuation period* begins at the close of normal trading on the NYSE, generally 4:00 p.m. Eastern Time, on each *valuation date* and ends at the close of normal trading of the NYSE on the next *valuation date*.

**we, our, us** – Principal Life Insurance Company. *We* are also referred to throughout this prospectus as the Company.

**withdrawal benefit base (For Life withdrawal benefit base)** — the basis for determining the *withdrawal benefit payment* available each year under the GMWB rider.

**withdrawal benefit payment (For Life withdrawal benefit payment)** — the amount that *we* guarantee *you* may withdraw each *contract year* under the GMWB rider.

**you, your** – the *owner* of this Contract, including any *joint owner*.

## SUMMARY OF EXPENSE INFORMATION

The tables below describe the fees and expenses that *you* will pay when buying, owning and surrendering the Contract.

The following table describes the fees and expenses *you* will pay at the time *you* buy the Contract, surrender the Contract or *transfer* cash value between *investment options*.

Contract owner transaction expenses <sup>(1)</sup>		
	Maximum	Current
Surrender charge (as a percentage of amount surrendered) <sup>(2)</sup>	6%	6%
Transaction Fees		
• for each unscheduled partial surrender	the lesser of \$25 or 2% of each unscheduled partial surrender after the 12th unscheduled partial surrender in a <i>contract year</i>	\$0
• for each unscheduled transfer <sup>(3)</sup>	the lesser of \$25 or 2% of each unscheduled <i>transfer</i> after the first unscheduled <i>transfer</i> in a <i>contract year</i>	\$0
State Premium Taxes (vary by state) <sup>(4)</sup>	3.50% of premium payments made	0%

The following table describes the fees and expenses that are deducted periodically during the time that *you* own the Contract, not including *underlying mutual fund* fees and expenses.

Periodic Expenses		
	Maximum Annual Charge	Current Annual Charge
Annual Fee (waived for Contracts with <i>accumulated value</i> of \$30,000 or more)	The lesser of \$30 or 2.00% of the <i>accumulated value</i>	The lesser of \$30 or 2.00% of the <i>accumulated value</i>
Mortality and Expense Risks Charge (as a percentage of average daily <i>Separate Account value</i> )	1.25%	1.25%
Administration Charge (as a percentage of average daily <i>Separate Account value</i> )	0.15%	0.15%
Total Separate Account Annual Expense	1.40%	1.40%
GMWB Charge (as a percentage of the <i>average quarterly withdrawal benefit base</i> ) <sup>(5)</sup>		
• for applications signed before August 1, 2013 <sup>(6)</sup>	1.65%	0.73%
• for applications signed on or after August 1, 2013 <sup>(6)</sup> but before August 1, 2015	1.65%	0.95%
• for applications signed on or after August 1, 2015	1.65%	1.05%
Total Separate Account Annual Expense plus Optional Riders Annual Expense <sup>(7)</sup>		
• for applications signed before August 1, 2013 <sup>(6)</sup>	3.05%	2.13%
• for applications signed on or after August 1, 2013 <sup>(6)</sup> but before August 1, 2015	3.05%	2.35%
• for applications signed on or after August 1, 2015	3.05%	2.45%

This table shows the minimum and maximum total operating expenses charged by the *underlying mutual funds* that you may be required to pay periodically during the time that you own the Contract. More detail concerning the fees and expenses of each *underlying mutual fund* is contained in its prospectus.

<b>Minimum and Maximum Annual Underlying Mutual Fund Operating Expenses as of December 1, 2015 (includes funds no longer available for new contracts)</b>		
	<b>Minimum</b>	<b>Maximum</b>
Total annual <i>underlying mutual fund</i> operating expenses (expenses that are deducted from <i>underlying mutual fund</i> assets, including management fees, distribution and/or service (12b-1) fees and other expenses)*	0.55%	0.65%

\* The funds available are structured as a “fund of funds”. A fund of funds is a mutual fund that invests primarily in a portfolio of other mutual funds. The expenses shown include all the fees and expenses of the funds that a fund of funds holds in its portfolio.

(1) For additional information about the fees and expenses described in the table, see 2. CHARGES AND DEDUCTIONS.

(2) *Surrender charge*, as a percentage of the amount surrendered:

**Table of Surrender Charges**

<b>Number of completed contract years since each premium payment was made</b>	<b>Surrender charge applied to all premium payments received in that contract year</b>
0 (year of premium payment)	6%
1	6%
2	6%
3	5%
4	4%
5	3%
6	2%
7 and later	0%

(3) Please note that in addition to the fees shown, the Separate Account and/or sponsors of the *underlying mutual funds* may adopt requirements pursuant to rules and/or regulations adopted by federal and/or state regulators which require us to collect additional *transfer* fees and/or impose restrictions on *transfers*.

(4) We do not currently assess premium taxes for any Contract issued, but reserve the right in the future to assess up to 3.50% of *premium payments* made for Contract *owners* in those states where a premium tax is assessed.

(5) At the end of each calendar quarter, one-fourth of the annual charge is multiplied by the *average quarterly withdrawal benefit base*. The *average quarterly withdrawal benefit base* is equal to (1) the *withdrawal benefit base* at the beginning of the calendar quarter plus (2) the *withdrawal benefit base* at the end of the calendar quarter, and this sum is divided by two. There may be times when the sum of the four quarterly fee amounts is higher than the fee amount if we calculated it annually. For example, if your *withdrawal benefit base* is changed on your Contract *anniversary*, the fee for that calendar quarter will vary from the other quarters.

(6) For Illinois and Montana, August 15, 2013.

(7) This amount includes the GMWB charge (in addition to the 1.25% Mortality and Expense Risks Charge and the 0.15% Administration Charge). This assumes the *withdrawal benefit base* is equal to the initial *premium payment*. If the *withdrawal benefit base* changes, the charge for your optional rider and your Total Separate Account Annual Expense would be higher or lower.

## Example

This example is intended to help *you* compare the cost of investing in the Contract with the cost of investing in other variable annuity contracts. These costs include contract *owner* transaction expenses, contract fees, Separate Account annual expenses, and *underlying mutual fund* fees and expenses.

The example reflects the maximum charges imposed in purchasing the Contract. The amounts below are calculated using the maximum GMWB fee and not the current GMWB fee.

The example assumes<sup>(1)</sup>:

- a \$10,000 *premium payment* to issue the Contract;
- a 5% return each year;
- includes GMWB rider<sup>(2)</sup>;
- an annual contract fee of \$30 (expressed as a percentage of the average *accumulated value*);
- the minimum and maximum annual *underlying mutual fund* operating expenses as of December 31, 2015 (without voluntary waivers of fees by the underlying funds, if any); and
- no premium taxes are deducted.

Although *your* actual costs may be higher or lower, based on these assumptions, *your* costs would be as shown below:

	If you surrender your Contract at the end of the applicable time period				If you do not surrender your Contract				If you fully annuitize your Contract at the end of the applicable time period			
	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
Maximum Total <i>Underlying Mutual Fund</i> Operating Expenses (0.65%)	\$913	\$1,688	\$2,291	\$3,906	\$366	\$1,126	\$1,906	\$3,906	\$366	\$1,126	\$1,906	\$3,906
Minimum Total <i>Underlying Mutual Fund</i> Operating Expenses (0.55%)	\$904	\$1,661	\$2,245	\$3,815	\$356	\$1,097	\$1,858	\$3,815	\$356	\$1,097	\$1,858	\$3,815

<sup>(1)</sup> This amount includes the GMWB charge (in addition to the 1.25% Mortality and Expense Risks Charge and the 0.15% Administration Charge). This assumes the *withdrawal benefit base* is equal to the initial *premium payment*. If the *withdrawal benefit base* changes, the charge for *your* optional rider and *your* Total Separate Account Annual Expense would be higher or lower.

<sup>(2)</sup> The *withdrawal benefit base* is used to calculate the GMWB rider charge. The *withdrawal benefit base* is equal to *your* premiums and increased for any applicable GMWB Bonus and any applicable GMWB Step-Up and decreased for any excess withdrawals. At the end of each calendar quarter, one-fourth of the annual GMWB rider charge is multiplied by the *average quarterly withdrawal benefit base*. The *average quarterly withdrawal benefit base* is equal to (1) the *withdrawal benefit base* at the beginning of the calendar quarter plus (2) the *withdrawal benefit base* at the end of the calendar quarter, and this sum is divided by two.

For Condensed Financial Information, see *Appendix D*.

## SUMMARY

This prospectus describes an individual flexible premium deferred variable annuity offered by the Company. **Material contract variations have been set forth in this prospectus.** The Contract is designed to provide individuals with retirement benefits, including:

- non-qualified retirement programs; and
- Individual Retirement Annuities (“IRA”), Simplified Employee Pension plans (“SEPs”) and Savings Incentive Match Plan for Employees (“SIMPLE”) IRAs adopted according to Section 408 of the Internal Revenue Code (see 9. *FEDERAL TAX MATTERS – Taxation of Qualified Contracts*). **The Contract does not provide any additional tax deferral if you purchase it to fund an IRA or other investment vehicle that already provides tax deferral.**

For information on how to purchase the Contract, please see 1. *THE CONTRACT — How to Buy a Contract*. This section is a brief summary of the Contract’s features. More detailed information follows later in this prospectus.

### Customer Inquiries

Your questions should be directed to: Principal Lifetime Income Solutions, Principal Financial Group, P.O. Box 9382, Des Moines, Iowa 50306-9382, 1-800-852-4450. *You* may also contact *us* through *our* internet site: [www.principal.com](http://www.principal.com).



## Age Requirements

You and any *joint owner* must be at least age 55 and younger than age 81 to purchase this Contract. If the *owner* is not a natural person, the *annuitant(s)* must meet these age requirements.

## Investment Limitations

- Initial *premium payment* must be at least \$15,000 for *non-qualified contracts*.
- Initial *premium payment* must be at least \$5,000 for all other contracts.
- Each subsequent *premium payment* must be at least \$2,000.
- If you are a member of a retirement plan covering three or more persons and *premium payments* are made through an automatic investment program, the initial and subsequent *premium payments* for the Contract must average at least \$100 and not be less than \$50.
- The total sum of all *premium payments* may not be greater than \$2,000,000 without *our* prior approval.

You may allocate your net *premium payments* to the *investment options*.

- The *divisions* available are Diversified Balanced Managed Volatility, Diversified Growth Managed Volatility, and Diversified Income. For more information on these *divisions*, see 11. *TABLE OF SEPARATE ACCOUNT DIVISIONS*. Each *division* invests in shares of an *underlying mutual fund*. More detailed information about the *underlying mutual funds* may be found in the current prospectus for each *underlying mutual fund*. These *underlying mutual fund* prospectuses are bound together with this prospectus.
- The *investment options* also include the *Fixed Account*.
- The GMWB rider imposes limitations on the *investment options* available by requiring you to allocate 100% of your Separate Account assets to one of the designated fund options for the life of the rider.

## Transfers

During the accumulation period:

- a dollar amount or percentage of *transfer* must be specified;
- a *transfer* may occur on a scheduled or unscheduled basis; and
- *transfers* to the *Fixed Account* are not permitted if a *transfer* has been made from the *Fixed Account* to a *division* within six months.

**During the *annuitization* period, *transfers* are not permitted (no *transfers* once payments have begun).**

See 5. *TRANSFERS AND SURRENDERS* for additional restrictions.

## Surrenders

During the accumulation period:

- the gross dollar amount to be surrendered must be specified;
- surrendered amounts may be subject to *surrender charges*:
  - the maximum *surrender charge* is 6% of the amount(s) surrendered.
- full surrender of your Contract may be subject to an annual Contract fee; and
- during a contract year, each partial surrender that is less than the Free Surrender Amount is not subject to a *surrender charge*.
- surrenders before age 59½ may involve an income tax penalty (see 9. *FEDERAL TAX MATTERS*).

During the *annuitization* period, surrenders are not allowed.

See 5. *TRANSFERS AND SURRENDERS* for additional information.

## Charges and Deductions

- No sales charge is deducted from premium payments at the time received. However, the Contract may impose a surrender charge on surrenders greater than the Free Surrender Amount.
- A contingent deferred surrender charge is imposed on certain total or partial surrenders.
- An annual mortality and expense risks charge equal to 1.25% of amounts in the Separate Account divisions is imposed daily.
- For applications signed before August 1, 2013 (August 15, 2013 for Illinois and Montana), the current annual charge for the GMWB rider is 0.73% of the average quarterly withdrawal benefit base. The maximum annual charge for the GMWB rider is 1.65%.
- For applications signed August 1, 2013 (August 15, 2013 for Illinois and Montana) through and including July 31, 2015, the current annual charge for the GMWB rider is 0.95% of the average quarterly withdrawal benefit base. The maximum annual charge for the GMWB rider is 1.65%.
- For applications signed on or after August 1, 2015, the current annual charge for the GMWB rider is 1.05% of the average quarterly withdrawal benefit base. The maximum annual charge for the GMWB rider is 1.65%.
- An annual Separate Account administration charge equal to 0.15% of amounts in the *Separate Account division value(s)* is imposed daily.
- There are *underlying* mutual fund expenses. More detailed information about the underlying mutual fund expenses may be found in the current prospectus for each underlying mutual fund.
- Contracts with an accumulated value of less than \$30,000 are subject to an annual fee of the lesser of \$30 or 2% of the accumulated value. Currently we do not charge the annual fee if your accumulated value is \$30,000 or more. If you own more than one variable annuity contract with us, then all the contracts you own or jointly own are aggregated on each contract's anniversary to determine if the \$30,000 minimum has been met and whether that contract will be charged.
- Certain states and local governments impose a premium tax. We reserve the right to deduct the amount of the tax from premium payments or the *accumulated value*.

See 2. *CHARGES AND DEDUCTIONS* for additional information.

## Annuity Benefit Payments

- Any time after the first *contract year*, you may choose from several fixed annuity benefit payment options which are described in 6. *THE ANNUITIZATION PERIOD – Annuity Benefit Payment Options*.
- Payments are made to the *owner* (or beneficiary depending on the annuity benefit payment option selected). You should carefully consider the tax implications of each annuity benefit payment option.

See 6. *THE ANNUITIZATION PERIOD* and 9. *FEDERAL TAX MATTERS* for additional information.

## Death Benefit

If the Contract *accumulated value* is greater than zero:

- The standard death benefit generally is the greatest of the *accumulated value*, the total of *premium payments* minus an adjustment for surrenders, or the highest *accumulated value* on any Contract *anniversary* wholly divisible by seven. See 7. *DEATH BENEFIT* for more specific details.
- If the *owner* dies before the *annuitization date*, a death benefit is payable. The death benefit may be paid as either a single payment or under an annuity benefit payment option. If no election is made within the required period of time, the full amount will be paid in a lump sum to the applicable state.
- If the *annuitant* dies after the *annuitization date*, payments will continue only as provided by the annuity benefit payment option in effect.

If the Contract *accumulated value* has reached zero:

- If receiving "Single Life" *withdrawal benefit payments*, there is no death benefit.
- If receiving "Joint Life" *withdrawal benefit payments*, the payments will continue until the death of the surviving covered life. Upon the death of the surviving covered life, there is no death benefit.

See 7. *DEATH BENEFIT* and 6. *THE ANNUITIZATION PERIOD – Death of Annuitant (During the Annuitization Period)* for additional information.

## Examination Offer Period (free look)

You may return the Contract during the examination offer period, which is generally 10 days from the date *you* receive the Contract. The examination offer period may be longer in certain states.

- The amount refunded will be a full refund of *your accumulated value* plus any contract charges and premium taxes you paid unless state law requires otherwise. The *underlying mutual fund* fees and charges are not refunded to *you* as they are already factored into the *Separate Account division value*.
- The amount refunded may be more or less than the *premium payments* made.

See 1. THE CONTRACT — *Right to Examine the Contract (free look)* for additional information.

## Termination

The Contract will terminate:

- If no premiums are paid during two consecutive calendar years and the *accumulated value* (or total *premium payments* less partial surrenders and applicable *surrender charges*) is less than \$2,000 unless *you* have a GMWB rider.
- If *you* fully annuitize and *your accumulated value* on the *annuitization date* is less than \$2,000 or if the amount applied under an annuity benefit payment option is less than the minimum requirement.

The GMWB rider will terminate:

- The date *you* send *us* notice to terminate the rider (after the 5th Contract *anniversary* following the rider effective date).
- The date *you* fully annuitize, fully surrender or otherwise terminate the Contract.
- If the *For Life withdrawal benefit base* is zero.
- The date the Contract *owner* is changed (*annuitant* is changed if the *owner* is not a natural person), except when the change in *owner* is due to a spousal continuation of the rider or the removal/addition of a joint life.
- The date *your* surviving spouse elects to continue the Contract without this rider (even if prior to the 5th Contract *anniversary* following the rider effective date).
- The date *you* make an impermissible change in a covered life.

The Waiver of Surrender Charge rider will terminate the date the Contract *owner* is changed.

## 1. THE CONTRACT

Principal Lifetime Income Solutions is significantly different from a fixed annuity. As the *owner* of a variable annuity, *you* assume the risk of investment gain or loss (as to amounts in the *Separate Account divisions*) rather than the Company. The *Separate Account division value* under a variable annuity is not guaranteed and varies with the investment performance of the *underlying mutual funds*.

Based on *your* investment objectives, *you* direct the allocation of *premium payments* and *accumulated values*. There can be no assurance that *your* investment objectives will be achieved.

## How to Buy a Contract

If *you* want to buy a Contract, *you* must submit an application and make an initial *premium payment*. If *you* are buying the Contract to fund a SIMPLE-IRA or SEP, an initial *premium payment* is not required at the time *you* send in the application. If the application is complete and the Contract applied for is suitable, the Contract is issued. If the completed application is received in *good order*, the initial *premium payment* is credited within two *valuation days* after the later of receipt of the application or receipt of the initial *premium payment* at *our home office*. If the initial *premium payment* is not credited within five *valuation days*, it is refunded unless *we* have received *your* permission to retain the *premium payment* until *we* receive the information necessary to issue the Contract.

The date the Contract is issued is the *contract date*. The *contract date* is the date used to determine *contract years*, regardless of when the Contract is delivered.

Tax-qualified retirement arrangements, such as IRAs, SEPs, and SIMPLE-IRAs, are tax-deferred. *You* derive no additional benefit from the tax deferral feature of the annuity. Consequently, an annuity should be used to fund an IRA or other tax qualified retirement arrangement to benefit from the annuity's features other than tax deferral. These features may include guaranteed lifetime income, death benefits without *surrender charges*, guaranteed caps on fees, and the ability to make scheduled *transfers* among *investment options* without transaction fees.

## Premium Payments

- The initial *premium payment* must be at least \$15,000 for *non-qualified contracts*.
- The initial *premium payment* must be at least \$5,000 for all other contracts.
- If *you* are making *premium payments* through a payroll deduction plan or through a bank (or similar financial institution) account under an automated investment program, *your* initial and subsequent *premium payments* must be at least \$100.
- All *premium payments* are subject to a *surrender charge* period that begins in the *contract year* each *premium payment* is received.
- Subsequent *premium payments* must be at least \$2,000 and can be made until the *annuitization date*.
- *Premium payments* are to be made by personal or financial institution check (for example, a cashier's check). We reserve the right to refuse any *premium payment* that we feel presents a fraud or money laundering risk. Examples of the types of *premium payments* we will not accept are cash, money orders, starter checks, travelers checks, credit card checks, and foreign checks.
- If *you* are a member of a retirement plan covering three or more persons, the initial and subsequent *premium payments* for the Contract must average at least \$100 and cannot be less than \$50.
- The total sum of all *premium payments* for a Contract may not be greater than \$2,000,000 (maximum premium limit) without *our* prior approval. For further information, please call 1-800-852-4450.
- We reserve the right to treat all of *your* and/or *your* spouse's Principal deferred variable annuity contracts, with a guaranteed minimum withdrawal benefit rider attached, as one contract for purposes of determining whether *you* have exceeded the maximum premium limit (without *home office* approval).
- The Company reserves the right to increase the minimum amount for each *premium payment* with advance notice.
- *Premium payments* are credited on the basis of the *unit* value next determined after we receive a *premium payment*.
- If no *premium payments* are made during two consecutive calendar years and the *accumulated value* is less than \$2,000, we reserve the right to terminate the Contract (see 8. *ADDITIONAL INFORMATION ABOUT THE CONTRACT – Contract Termination*).

## Allocating Premium Payments

- On *your* application, *you* direct how *your premium payments* will be allocated to the *investment options*.
- Allocations must be in percentages.
- Percentages must be in whole numbers and total 100%.
- Subsequent *premium payments* are allocated according to *your* then current allocation instructions.
- Changes to the allocation instructions are made without charge.
  - A change is effective on the next *valuation period* after we receive *your* new instructions in *good order*.
  - *You* can change the current allocations and future allocation instructions by:
    - mailing *your* instructions to *us*;
    - calling *us* at 1-800-852-4450 (if telephone privileges apply);
    - faxing *your* instructions to *us* at 1-866-894-2093; or
    - visiting [www.principal.com](http://www.principal.com).
- Changes to *premium payment* allocations do not result in the *transfer* of any existing investment option *accumulated values*. *You* must provide specific instructions to *transfer* existing *accumulated values*. We currently do not charge a transaction fee for these *transfers* but reserve the right to charge such a fee in the future.

## Exchange Credit (for exchanges from our fixed deferred annuities)

If *you* own a fixed deferred annuity issued by *us* and are no longer subject to *surrender charges*, *you* may *transfer* the *accumulated value*, without charge, to the Contract described in this prospectus. We will add 1% of the fixed annuity contract's *surrender value* at the time of exchange to this Contract's *accumulated value*. There is no charge or cost to *you* for this exchange credit.

This exchange credit is allocated among the Contract's *investment options* in the same ratio as *your* allocation of *premium payments*. The credit is treated as earnings.

NOTE: The exchange may not be suitable for *you* if *you* do not want to accept market risk. Fixed deferred annuities provide a fixed rate of accumulation. This Contract provides *Separate Account divisions*. The value of this Contract will increase or decrease depending on the investment performance of the *Separate Account divisions you* select.

NOTE: The charges and provisions of a fixed annuity contract and this Contract differ. The charges for this Contract are typically higher than charges for a fixed annuity. In some instances, *your* existing fixed annuity contract may have benefits that are not available under this Contract.

NOTE: This exchange credit may not be available in all states. In addition, we reserve the right to change or discontinue the exchange credit. *You* may obtain more specific information regarding the exchange credit from *your* registered representative or by calling *us* at 1-800-852-4450.

### **Right to Examine the Contract (free look)**

It is important to *us* that *you* are satisfied with the purchase of *your* Contract. Under state law, *you* have the right to return the Contract for any reason during the examination offer period (a "free look"). The examination offer period is the later of 10 days after the Contract is delivered to *you*, or such later date as specified by applicable state law.

Although we currently allocate *your* initial *premium payments* to the *investment options you* have selected, during times of economic uncertainty and with prior notice to *you*, we may exercise *our* right to allocate initial *premium payments* to the Money Market Division during the examination offer period. If *your* initial *premium payments* are allocated to the Money Market Division and the free look is exercised, *you* will receive the greater of *premium payments* or the *accumulated value*.

NOTE: All references to the Money Market *division* in this prospectus will mean the Fidelity VIP Government Money Market Division.

In California, we allocate initial *premium payments* to the Money Market Division during the examination offer period unless *you* elect to immediately invest in the allocations *you* selected. If *your* *premium payments* were allocated to the Money Market Division, after the free look period ends, *your* *accumulated value* will be converted into *units* of the *division(s)* according to *your* allocation instructions. The *units* allocated will be based on the *unit value* next determined for each *division*.

To exercise *your* free look, *you* must send the Contract and a written request to *us* postmarked before the close of business on the last day of the examination offer period.

If *you* properly exercise *your* free look, we will cancel the Contract. In the states that require *us* to return *your* *premium payments*, we will return the greater of *your* *premium payments* or *accumulated value*. In all states we will return at least *your* *accumulated value* plus any premium tax charge deducted, and minus any applicable federal and state income tax withholding. The amount returned may be higher or lower than the *premium payment(s)* applied during the examination offer period.

If *you* are purchasing this Contract to fund an IRA, SIMPLE-IRA, or SEP-IRA and *you* return it on or before the seventh day of the examination offer period, we will return the greater of:

- the total *premium payment(s)* made; or
- *your* *accumulated value* plus any premium tax charge deducted, less any applicable federal and state income tax withholding, and depending upon the state in which the Contract was issued, any applicable fees and charges.

*You* may obtain more specific information regarding the free look from *your* registered representative or by calling *us* at 1-800-852-4450.

## Accumulated Value

The *accumulated value* of your Contract is the total of the *Separate Account division value* plus the *Fixed Account value*. The *Fixed Account* is described in the section titled 3. *INVESTMENT OPTIONS – Fixed Account*.

There is no guaranteed minimum *Separate Account division value*. The value reflects the investment experience of the *divisions* that you choose and also reflects your *premium payments*, partial surrenders, *surrender charges*, partial *annuitizations* and the Contract expenses deducted from the Separate Account. See 3. *INVESTMENT OPTIONS – Separate Account Divisions* for additional information.

The *Separate Account division value* changes from day to day. To the extent the *accumulated value* is allocated to the *Separate Account divisions*, you bear the investment risk. At the end of any *valuation period*, your Contract's value in a *division* is:

- the number of *units* you have in a *division* multiplied by
- the value of a *unit* in the *division*.

The number of *units* is equal to the total *units* purchased by allocations to the *division* from:

- your initial *premium payment*;
- subsequent *premium payments*;
- your exchange credit; and
- *transfers* from another *investment option*

minus *units* sold:

- for partial surrenders and/or partial *annuitizations* from the *division*;
- as part of a *transfer* to another *division* or the *Fixed Account*; and
- to pay contract charges and fees (not deducted as part of the daily *unit value* calculation).

*Unit values* are calculated each *valuation date* at the close of normal trading of the NYSE. To calculate the *unit value* of a *division*, the *unit value* from the previous *valuation date* is multiplied by the *division's* net investment factor for the current *valuation period*. The number of *units* does not change due to a change in *unit value*.

The net investment factor measures the performance of each *division*. The net investment factor for a *valuation period* is [(a plus b) divided by (c)] minus d where:

a = the share price (net asset value) of the *underlying mutual fund* at the end of the *valuation period*;  
b = the per share amount of any dividend\* (or other distribution) made by the mutual fund during the *valuation period*;  
c = the share price (net asset value) of the *underlying mutual fund* at the end of the previous *valuation period*; and  
d = the daily charge for Total Separate Account Annual Expenses and any Optional Riders, if applicable. The daily charge is calculated by dividing the annual amount of these expenses by 365 and multiplying by the number of days in the *valuation period*.

- \* When an investment owned by an *underlying mutual fund* pays a dividend, the dividend increases the net asset value of a share of the *underlying mutual fund* as of the date the dividend is recorded. As the net asset value of a share of an *underlying mutual fund* increases, the *unit value* of the corresponding *division* also reflects an increase. Payment of a dividend under these circumstances does not increase the number of *units* you own in the *division*.

The Company reserves the right to terminate a Contract and send you the *accumulated value* if no premiums are paid during two consecutive calendar years and the *accumulated value* (or total *premium payments* less partial surrenders and applicable *surrender charges*) is less than \$2,000 unless you have a GMWB rider. The Company will first notify you of its intent to exercise this right and give you 60 days to increase the *accumulated value* to at least \$2,000.

## Telephone and Internet Services

If you elect telephone services or you elect internet services and satisfy our internet service requirements (which are designed to ensure compliance with federal UETA and E-SIGN laws), instructions for the following transactions may be given to us via the telephone or internet:

- make *premium payment* allocation changes;
- set up Dollar Cost Averaging (DCA) scheduled *transfers*; and
- make *transfers*.

Neither the Company nor the Separate Account is responsible for the authenticity of telephone service or internet transaction requests. We reserve the right to refuse telephone service or internet transaction requests. You are liable for a loss resulting from a fraudulent telephone or internet order that we reasonably believe is genuine. We follow procedures in an attempt to assure genuine telephone service or internet transactions. If these procedures are not followed, we may be liable for loss caused by unauthorized or fraudulent transactions. The procedures may include recording telephone service transactions, requesting personal identification (for example, name, address, security phrase, password, daytime telephone number, or birth date) and sending written confirmation to your address of record.

Instructions received via our telephone services and/or the internet are binding on both owners if the Contract is jointly owned.

If the Contract is owned by a business entity or a trust, an authorized individual (with the proper password) may use telephone and/or internet services. Instructions provided by the authorized individual are binding on the owner.

We reserve the right to modify or terminate telephone service or internet transaction procedures at any time. Whenever reasonably feasible, we will provide you with prior notice (by mail or by email, if previously authorized by you) if we modify or terminate telephone service or internet transaction procedures. In some instances, it may not be reasonably feasible to provide prior notice if we modify or terminate telephone service or internet transaction procedures; however, any modification or termination will apply to all Contract owners in a non-discriminatory fashion.

### Telephone Services

Telephone services are automatically available to you. You may also elect telephone authorization for your registered representative by providing us written notice. Telephone services may be declined on the application or at any later date by providing us with written notice.

If you elect telephone privileges, instructions:

- may be given by calling us at 1-800-852-4450 while we are open for business (generally, between 8 a.m. and 6 p.m. Eastern Time on any day that the NYSE is open).
- that are in good order and received by us before the close of a valuation period will receive the price next determined (the value as of the close of that valuation period).
- that are in good order and received by us after the close of a valuation period will receive the price next determined (the value as of the close of the next valuation period).
- that are not in good order when received by us will be effective the next valuation date that we receive good order instructions.

### Internet

Internet services are available to you if you register for a secure login on the Principal Financial Group web site, www.principal.com. You may also elect internet authorization for your registered representative by providing us written notice.

If you register for internet privileges, instructions:

- that are in good order and received by us before the close of a valuation period will receive the price next determined (the value as of the close of that valuation period).
- that are in good order and received by us after the close of a valuation period will receive the price next determined (the value as of the close of the next valuation period).
- that are not in good order when received by us will be effective the next valuation day that we receive good order instructions.

## **2. CHARGES AND DEDUCTIONS**

Certain charges are deducted under the Contract. If the charge is not sufficient to cover our costs, we bear the loss. If the expense is more than our costs, the excess is profit to the Company. We expect a profit from all the fees and charges listed below, except the Annual Fee, Transaction Fee and Premium Tax. See SUMMARY OF EXPENSE INFORMATION for additional information.

In addition to the charges under the Contract, there are also deductions from and expenses paid out of the assets of the underlying mutual funds which are described in the underlying mutual funds' prospectuses.

## Surrender Charge

No sales charge is collected or deducted when *premium payments* are applied under the Contract. A *surrender charge* is assessed on certain total or partial surrenders. The amounts we receive from the *surrender charge* are used to cover some of the expenses of the sale of the Contract (primarily, commissions, as well as other promotional or distribution expenses). If the *surrender charge* collected is not enough to cover the actual costs of distribution, the costs are paid from the Company's General Account assets which include profit, if any, from the mortality and expense risks charge.

NOTE: If you plan to make multiple *premium payments*, you need to be aware that each *premium payment* has its own *surrender charge* period (shown below). The *surrender charge* for any total or partial surrender is a percentage of all the *premium payments* surrendered which were received by us during the *contract years* prior to the surrender. The applicable percentage which is applied to the *premium payments* surrendered is determined by the following tables.

*Surrender charge* for Contracts (as a percentage of amounts surrendered):

Number of completed contract years since each premium payment was made	Surrender charge applied to all premium payments received in that contract year
0 (year of premium payment)	6%
1	6%
2	6%
3	5%
4	4%
5	3%
6	2%
7 and later	0%

Each *premium payment* begins in year 0 for purposes of calculating the percentage applied to that *premium payment*. However, *premium payments* are added together by *contract year* for purposes of determining the applicable *surrender charge*. If your *contract year* begins April 1 and ends March 31 the following year, all *premium payments* received during that period are considered to have been made in that *contract year*.

NOTE: For Contracts written in the states of Alabama, Massachusetts, and Washington, the *surrender charges* are applicable only to *premium payments* made in the first three *contract years*.

For purpose of calculating *surrender charges*, we assume that surrenders and *transfers* are made in the following order:

- first from *premium payments* no longer subject to a *surrender charge*;
- then from the free surrender privilege (first from the earnings, then from the oldest *premium payments* (i.e., on a first-in, first-out basis)) described below; and
- then from *premium payments* subject to a *surrender charge* on a first-in, first-out basis.

NOTE: Partial surrenders may be subject to both a *surrender charge* and a transaction fee.

### Free Surrender Amount

The free surrender amount may be surrendered without a surrender charge. This amount is the greater of:

- earnings in the Contract (earnings equal *accumulated value* less unsurrendered *premium payments* as of the date of the surrender); or
- 10% of the *premium payments*, decreased by any partial surrenders and partial *annuitizations* since the last Contract *anniversary*.

Any remaining free surrender amount in a *contract year* is not added to the free surrender amount for any future *contract year(s)*.

Unscheduled partial surrenders of the free surrender amount may be subject to the transaction fee described below.



## When Surrender Charges Do Not Apply

*Surrender charges* do not apply to:

- amounts applied under an annuity benefit payment option; or
- payment of any death benefit; however, the *surrender charge* does apply to *premium payments* made by a surviving spouse after an *owner's* death; or
- amounts distributed to satisfy the minimum distribution requirement of Section 401(a)9 of the Internal Revenue Code, provided that the amount surrendered does not exceed the minimum distribution amount which would have been calculated based on the value of this Contract alone; or
- an amount transferred from a Contract used to fund an IRA to another annuity contract issued by the Company to fund an IRA of the participant's spouse when the distribution is made pursuant to a divorce decree.

## Waiver of Surrender Charge Rider

This rider is automatically added to the Contract at issue (subject to state approval and state variations may apply). There is no charge for this benefit.

This rider waives the *surrender charge* on surrenders made after the first Contract *anniversary* if the *owner* or *annuitant* has a critical need. A critical need includes confinement to a health care facility, terminal illness diagnosis, or total and permanent disability.

The benefits are available for a critical need if the following conditions are met:

- the *owner* or *annuitant* has a critical need; and
- the critical need did not exist before the *contract date*.

For the purposes of this rider, the following definitions apply:

- health care facility — a licensed hospital or inpatient nursing facility providing daily medical treatment and keeping daily medical records for each patient (not primarily providing just residency or retirement care). This does not include a facility owned or operated by the *owner*, *annuitant* or a member of their immediate family. If the critical need is confinement to a health care facility, the confinement must continue for at least 60 consecutive days after the *contract date* and the surrender must occur within 90 days of the confinement's end. Notice must be provided within 90 days after confinement ends.
- terminal illness — sickness or injury that results in the *owner's* or *annuitant's* life expectancy being 12 months or less from the date *notice* to receive a distribution from the Contract is received by the Company.
- total and permanent disability — the *owner* or *annuitant* is unable to engage in any occupation for pay or profit due to sickness or injury.

## **Transaction Fee**

To assist in covering *our* administration costs, *we* reserve the right to charge a transaction fee of the lesser of \$25 or 2% of each unscheduled partial surrender after the 12th unscheduled partial surrender in a *contract year*. The transaction fee would be deducted from the *accumulated value* remaining in the investment option(s) from which the amount is surrendered, on a pro rata basis.

To assist in covering *our* administration costs or to discourage market timing, *we* also reserve the right to charge a transaction fee of the lesser of \$25 or 2% of each unscheduled *transfer* after the first unscheduled *transfer* in a *contract year*. The transaction fee would be deducted from the investment option(s) from which the amount is transferred, on a pro rata basis.

If *we* elect to begin charging for the transaction fees, *we* will provide *you* with advance written *notice*.

## **Premium Taxes**

*We* reserve the right to deduct an amount to cover any premium taxes imposed by states or other jurisdictions. If *we* elect to begin deducting any premium taxes, *we* will provide *you* with advance written *notice*. Any deduction is made from either a *premium payment* when *we* receive it, or the *accumulated value* when *you* request a surrender (total or partial) or *you* request application of the *accumulated value* (full or partial) to an annuity benefit payment option. Premium taxes range from 0% in most states to as high as 3.50%.

## Annual Fee

Contracts with an *accumulated value* of less than \$30,000 are subject to an annual Contract fee of the lesser of \$30 or 2% of the *accumulated value*. Currently, we do not charge the annual fee if *your accumulated value* is \$30,000 or more. If we elect to begin charging the annual fee if *your accumulated value* is \$30,000 or more, we will provide you with advance written *notice*. If you own more than one variable annuity contract with us, all the Contracts you own or jointly own are aggregated, on each Contract's *anniversary*, to determine if the \$30,000 minimum has been met and whether that Contract will be charged. The fee is deducted from the investment option that has the greatest value. The fee is deducted on each Contract *anniversary* and upon total surrender of the Contract. The fee assists in covering administration costs, primarily costs to establish and maintain the records which relate to the Contract.

## GMWB Charge

For applications signed on or after August 1, 2015, the current annual charge is 1.05% of the average quarterly *For Life withdrawal benefit base*. The charge is calculated and deducted from *your accumulated value* at the end of the calendar quarter at a quarterly rate of 0.2625%, based on the *average quarterly withdrawal benefit base* during the calendar quarter. The *average quarterly withdrawal benefit base* is equal to (1) the *withdrawal benefit base* at the beginning of the calendar quarter plus (2) the *withdrawal benefit base* at the end of the calendar quarter, and this sum is divided by two. There may be times when the sum of the four quarterly fee amounts is different than the fee amount if we calculated it annually. For example, if *your withdrawal benefit base* is changed on *your Contract anniversary*, the fee for that calendar quarter will vary from the other quarters.

For applications signed on or after August 1, 2013 (August 15, 2013 for Illinois and Montana) but before August 1, 2015, the current annual charge is 0.95% of the average quarterly *For Life withdrawal benefit base*. The charge is calculated and deducted from *your accumulated value* at the end of the calendar quarter at a quarterly rate of 0.2375%, based on the *average quarterly withdrawal benefit base* during the calendar quarter. The *average quarterly withdrawal benefit base* is equal to (1) the *withdrawal benefit base* at the beginning of the calendar quarter plus (2) the *withdrawal benefit base* at the end of the calendar quarter, and this sum is divided by two. There may be times when the sum of the four quarterly fee amounts is different than the fee amount if we calculated it annually. For example, if *your withdrawal benefit base* is changed on *your Contract anniversary*, the fee for that calendar quarter will vary from the other quarters.

For applications signed before August 1, 2013 (August 15, 2013 for Illinois and Montana), the current annual charge is 0.73% of the average quarterly *For Life withdrawal benefit base*. The charge is calculated and deducted from *your accumulated value* at the end of the calendar quarter at a quarterly rate of 0.1825%, based on the *average quarterly withdrawal benefit base* during the calendar quarter. The *average quarterly withdrawal benefit base* is equal to (1) the *withdrawal benefit base* at the beginning of the calendar quarter plus (2) the *withdrawal benefit base* at the end of the calendar quarter, and this sum is divided by two. There may be times when the sum of the four quarterly fee amounts is different than the fee amount if we calculated it annually. For example, if *your withdrawal benefit base* is changed on *your Contract anniversary*, the fee for that calendar quarter will vary from the other quarters.

For existing contracts, advance notice will be sent if the rider charge will increase. Before the effective date of the rider charge increase, you have the following options:

- Accept the increased rider charge and continue to be eligible to receive a GMWB Step-Up at each rider *anniversary*; or
- Decline the increased rider charge by sending us notice that you are opting out of the GMWB Step-Up and electing to remain at your current rider charge. Once you opt out of the GMWB Step-Up, you will no longer be eligible for any future GMWB Step-Ups and the feature cannot be added back to this rider.

At the end of each calendar quarter (or on the next *valuation date*, if the calendar quarter ends on a non-*valuation date*), the rider charge is deducted through the redemption of *units* from *your accumulated value* in the same proportion as the surrender allocation percentages. If this Contract/rider is purchased after the beginning of a calendar quarter, the rider charge is prorated according to the number of days this rider is in effect during the calendar quarter. Upon termination of this rider, the rider charge will be based on the number of days this rider is in effect during the calendar quarter.

We reserve the right to increase the rider charge up to the maximum annual charge. The maximum annual charge is 1.65% (0.4125% quarterly) of the *average quarterly withdrawal benefit base*.

The rider charge is intended to reimburse us for the cost of the protection provided by this rider.

## Separate Account Annual Expenses

### Mortality and Expense Risks Charge

We assess each *division* with a daily charge for mortality and expense risks. The annual rate of the charge is 1.25% of the average daily net assets of the *Separate Account divisions*. We agree not to increase this charge for the duration of the Contract. This charge is assessed only prior to the *annuitization date*. This charge is assessed daily when the value of a *unit* is calculated.

This charge is intended to compensate *us* for the mortality risk on the Contract. We have a mortality risk in that we guarantee payment of a death benefit in a single payment or under an annuity benefit payment option. We do not impose a *surrender charge* on a death benefit payment, which is an additional mortality risk.

This charge is also intended to cover *our* expenses, primarily related to operation of the Contract, including

- furnishing periodic Contract statements, confirmations and other customer communications;
- preparation and filing of regulatory documents (such as this prospectus);
- preparing, distributing and tabulating proxy voting materials related to the *underlying mutual funds*; and
- providing computer, actuarial and accounting services.

If the mortality and expense risks charge is not enough to cover *our* costs, we bear the loss. If the mortality and expense risks charge is more than *our* costs, the excess is profit to the Company.

### Administration Charge

We assess each *Separate Account division* with a daily administration charge. The annual rate of the charge is 0.15% of the average daily net assets of the *Separate Account divisions*. This charge is assessed only prior to the *annuitization date*. This charge is assessed daily when the value of a unit is calculated. The administration charge is intended to cover *our* costs for administration of the Contract that are not covered in the mortality and expense risks charge, above.

If the administration charge is not enough to cover our costs, we bear the loss. If the administration charge is more than our costs, the excess is profit to the Company.

## Special Provisions for Group or Sponsored Arrangements

Where permitted by state law, Contracts may be purchased under group or sponsored arrangements as well as on an individual basis.

**Group Arrangement** – program under which a trustee, employer or similar entity purchases Contracts covering a group of individuals on a group basis.

**Sponsored Arrangement** – program under which an employer permits group solicitation of its employees or an association permits group solicitation of its members for the purchase of Contracts on an individual basis.

The charges and deductions described above may be reduced or eliminated for Contracts issued in connection with group or sponsored arrangements. The rules in effect at the time the application is approved will determine if reductions apply. Reductions may include but are not limited to sales of Contracts without, or with reduced, mortality and expense risks charges, annual fees or *surrender charges*.

Eligibility for and the amount of these reductions are determined by a number of factors, including the number of individuals in the group, the amount of expected *premium payments*, total assets under management for the *owner*, the relationship among the group's members, the purpose for which the Contract is being purchased, the expected persistency of the Contract, and any other circumstances which, in *our* opinion, are rationally related to the expected reduction in expenses. Reductions reflect the reduced sales efforts and administration costs resulting from these arrangements. We may modify the criteria for and the amount of the reduction in the future. Modifications will not unfairly discriminate against any person, including affected *owners* and other *owners* with contracts funded by the Separate Account.

### 3. INVESTMENT OPTIONS

#### Separate Account Divisions

You must allocate 100% of this Contract's *Separate Account division value* and *your premium payments* to one of the available *investment options* (the "*investment options*"). Any future *premium payments* are allocated to the investment option *your Separate Account division value* is invested in at the time of the new *premium payments*.

The available *investment options* are:

- Diversified Balanced Managed Volatility Account;
- Diversified Growth Managed Volatility Account; or
- Diversified Income Account.

NOTE: Previously, we made available Diversified Balanced Account and Diversified Growth Account. If the contract has the GMWB rider in force and the application was signed December 1, 2013 or later, these investment options are no longer available.

For more information about the Diversified Balanced Managed Volatility Account, Diversified Growth Managed Volatility Account, and Diversified Income Account, see the *underlying fund's* prospectus provided with this prospectus.

NOTE: The *investment options* available reflect a balanced investment objective and if *your* investment goal is aggressive growth, these *investment options* may not support *your* investment objective.

You may allocate *premium payments* and *transfer* Contract *value* to the *Fixed Account*. Such allocations and *transfers* are subject to the provisions of *your* Contract. See 5. *TRANSFERS AND SURRENDERS*.

You may *transfer* 100% of *your Separate Account division value* from *your* current *investment option* to one other *investment option* which is available at the time of the *transfer*. You may make a *transfer* by providing us *notice* (we will effect the *transfer* at the price next determined after we receive *your notice* in good order).

We reserve the right to modify the list of available *investment options*, subject to compliance with applicable regulations. Changes or restrictions will apply only to new purchasers of the Contract or to *you* if *you transfer* out of a *investment option* and wish to *transfer* back to that *investment option*. If *you transfer* from a discontinued *investment option*, *you* will not be able to *transfer* back to that *investment option*.

You should note that the *investment options* are series of Principal Variable Contracts Funds, Inc., which is managed by Principal Management Corporation ("PMC"), an affiliate of ours. PMC will receive additional compensation from the management fee of the underlying fund. However, we do not take such potential financial benefit into account in selecting the *underlying fund* to be an *investment option*.

NOTE: If the GMWB rider terminates, *you* may invest among any of the available *investment options*. See 4. *LIVING BENEFIT – GUARANTEED MINIMUM WITHDRAWAL BENEFIT (GMWB) - Termination and Reinstatement of the Rider*.

#### Fixed Account

This prospectus is intended to serve as a disclosure document only for the Contract as it relates to the Separate Account and contains only selected information regarding the *Fixed Account*. The *Fixed Account* is a part of *our* General Account. Because of exemptions and exclusions contained in the Securities Act of 1933 and the Investment Company Act of 1940, the *Fixed Account*, and any interest in it, are not subject to the provisions of these acts. As a result the SEC has not reviewed the disclosures in this prospectus relating to the *Fixed Account*. However, related disclosures are subject to generally applicable provisions of the federal securities laws relating to the accuracy and completeness of statements made in prospectuses.

Our obligations with respect to the *Fixed Account* are supported by *our* General Account. The General Account is the assets of the Company other than those assets allocated to any of *our* Separate Accounts. Subject to applicable law, we have sole discretion over the assets in the General Account. Separate Account expenses are not assessed against any *Fixed Account values*.

We reserve the right to refuse *premium payment* allocations and *transfers* from the other *investment options* to the *Fixed Account*. We will send *you* a written *notice* at least 30 days prior to the date we exercise this right. We will also notify *you* if we lift such restrictions.

The guaranteed minimum interest rate (“GMIR”) is determined by a formula, with the general parameters established by state law. The GMIR is set at Contract issue and will not change for the life of the Contract.

The Company guarantees that *premium payments* allocated and amounts transferred to the *Fixed Account* earn interest at the interest rate in effect on the date *premium payments* are received or amounts are transferred. This rate applies to each *premium payment* or amount transferred through the end of the *contract year*.

Each Contract *anniversary*, we declare a renewal interest rate that applies to the *Fixed Account value* in existence at that time. This rate, which will never be less than the GMIR, applies until the end of the *contract year*. Interest is earned daily and compounded annually at the end of each *contract year*. Once credited, the interest is guaranteed and becomes part of the *Fixed Account value* from which deductions for fees and charges may be made.

NOTE 1: *Transfers* and surrenders from the *Fixed Account* are subject to certain limitations as to frequency and amount. See 5. *TRANSFERS AND SURRENDERS - Fixed Account Transfers, Total and Partial Surrenders*.

NOTE 2: We may defer payment of surrender proceeds payable out of the *Fixed Account* for up to six months. See 8. *ADDITIONAL INFORMATION ABOUT THE CONTRACT – Delay of Payments*.

Your *Fixed Account value* on any *valuation date* is equal to:

- *premium payments* or credits allocated to the *Fixed Account*;
- plus any *transfers* to the *Fixed Account* from the other *investment options*;
- plus interest credited to the *Fixed Account*;
- minus any surrenders or applicable *surrender charges* or partial *annuitizations* from the *Fixed Account*;
- minus any *transfers* to the Separate Account.

## 4. LIVING BENEFIT - GUARANTEED MINIMUM WITHDRAWAL BENEFIT (GMWB)

This Contract is issued with a Guaranteed Minimum Withdrawal Benefit (“GMWB”) rider which is designed to help protect *you* against the risk of a decrease in the Contract *accumulated value* due to market declines. This benefit is also intended to help *you* avoid the risk of outliving *your* money. The GMWB rider allows *you* to take certain guaranteed annual withdrawals during the Contract accumulation phase, regardless of *your* Contract *accumulated value*.

We use certain defined terms in *our* description of the rider. For *your* convenience, we have included definitions of those terms later in this section.

### Overview

For Life withdrawal benefit payment percentages. This rider permits an election of “Joint Life” *withdrawal benefit payments* or “Single Life” *withdrawal benefit payments*.

Bonus feature. This rider has a Bonus feature which rewards *you* for not taking a withdrawal in certain early years of the rider. **The GMWB Bonus does not increase your Contract accumulated value.**

Step-Up feature. This rider has a Step-Up feature which can increase *your* rider *withdrawal benefit payments* if *your* Contract *accumulated value* increases. The Contract *accumulated value* increases whenever additional *premium payments* are made, the *division* values rise with market growth, or credits (premium payment credits or exchange credits) are applied.

Maximum annual rider charge. This rider has a maximum annual rider charge of 1.65% of the *For Life withdrawal benefit base*.

Spousal continuation. This rider provides that *For Life withdrawal benefit payments* may be available to an eligible spouse who continues the Contract with the rider.

### GMWB Rider Restrictions/Limitations

**This rider may not be terminated for 5 *contract years* following the Contract/rider date.**

This rider does not restrict or change *your* right to take — or not take — withdrawals under the Contract. All withdrawals reduce the Contract *accumulated value* by the amount withdrawn and are subject to the same conditions, limitations, fees, charges and deductions as withdrawals otherwise taken under the provisions of the Contract; for example, withdrawals will be subject to *surrender charges* if they exceed the free surrender amount (see 2. *CHARGES AND DEDUCTIONS — Surrender Charge - Free Surrender Amount*). However, any withdrawals may have an impact on the value of *your* rider's benefits. **If you take withdrawals in an amount that exceeds an available withdrawal benefit payment (excess withdrawal), you will lower the withdrawal benefit payments and/or cause the rider to terminate for lack of value unless you make additional premium payments or a GMWB Step-Up is applied.**

There is a charge for this rider which can increase up to the guaranteed maximum charge for the rider (see *SUMMARY OF EXPENSE INFORMATION*).

Any ownership change, change of beneficiary or other change before the *annuitization date* which would cause a change in a covered life may result in termination of this rider. If *your* Contract is issued in California, after an ownership change, the benefits will continue and be based on the original *owner*. See *Covered Life Change* later in this section.

### **GMWB Terms**

We use the following definitions to describe the features of this rider:

- Excess Withdrawal — the portion of a withdrawal that exceeds the available *withdrawal benefit payment*.
- GMWB Bonus — a bonus credited to the *withdrawal benefit base*, provided certain conditions are met.
- GMWB Step-Up — an increase to the withdrawal benefit base to an amount equal to *your* Contract's *accumulated value* on the most recent Contract *anniversary*, provided certain conditions are met.
- Required minimum distribution ("RMD") amount — the amount required to be distributed each calendar year for purposes of satisfying the RMD rules of Section 401(a)(9) of the Internal Revenue Code of 1986, as amended, and related Code provisions in effect as of the rider effective date.
- Rider effective date — the date the Contract/rider is issued.
- Withdrawal — any partial surrender (including *surrender charges*, if any) and/or any partial *annuitization* of *your* Contract's *accumulated value*.
- Withdrawal benefit base (also referred to as For Life withdrawal benefit base) — the basis for determining the *withdrawal benefit payment* available each year.
- Withdrawal benefit payment (also referred to as For Life withdrawal benefit payment) — the amount that we guarantee *you* may withdraw each *contract year*.

### **Withdrawal Benefit Base**

The *withdrawal benefit base* is used to calculate the annual *withdrawal benefit payment*. We calculate the *withdrawal benefit base* on the rider effective date and each Contract *anniversary*.

The initial *withdrawal benefit base* is equal to the initial *premium payment*.

On each Contract *anniversary*, the *withdrawal benefit base* is reset to the greater of 1 or 2, where:

1. is the result of  $(a + b + c - d)$ , where:
  - a = prior year *withdrawal benefit base* (or initial *withdrawal benefit base* if first Contract *anniversary*);
  - b = additional premiums since the previous Contract *anniversary* (dollar-for-dollar);
  - c = any GMWB Bonus credited since the previous Contract *anniversary*;
  - d = any excess withdrawals taken since the previous Contract *anniversary*\*.
2. is the *accumulated value* on the Contract *anniversary*.

\* NOTE: The reduction for an excess withdrawal will be greater than dollar-for-dollar if the Contract *accumulated value* is less than the *withdrawal benefit base* at the time of the excess withdrawal. See *Excess Withdrawals* later in this section for information about the negative effect of excess withdrawals.

If *you* take withdrawals prior to the oldest *owner* attaining age 59½, the *For Life withdrawal benefit base* will be reduced for excess withdrawals. If the adjustment for any withdrawals causes the *For Life withdrawal benefit base* to reduce to zero, the rider will terminate at the next Contract *anniversary*, unless *you* make additional *premium payments* or a GMWB Step-Up is applied.

## Withdrawal Benefit Payment

*For Life withdrawal benefit payments* are available (i) on the rider effective date if the oldest *owner* (or oldest *annuitant*, if the Contract *owner* is not a natural person) is at least age 59½ or (ii) on the Contract *anniversary* following the date that the oldest *owner* (or oldest *annuitant*, if applicable) attains age 59½.

The *For Life withdrawal benefit payments* are automatically calculated as “Single Life” unless *you* provide *notice* and *good order* instructions to select “Joint Life” *withdrawal benefit payments*. If eligible, *you* may elect “Joint Life” *withdrawal benefit payments* anytime on or before *your* first withdrawal following the rider effective date. Once *you* take this first withdrawal, *you* cannot change *your* election of “Single Life” or “Joint Life” *withdrawal benefit payments*, regardless of any change in life events.

“Single Life” For Life withdrawal benefit payments. “Single Life” *withdrawal benefit payments* are based on one covered life. The covered life for “Single Life” is the

- a. *owner* if there is only one *owner*;
- b. *annuitant* if the *owner* is not a natural person;
- c. youngest *joint owner* if there are *joint owners*; or
- d. youngest *annuitant* if there are *joint annuitants* and the *owner* is not a natural person.

In addition, the covered life must satisfy this rider’s issue age requirements on the date the covered life is designated in accordance with the terms of this rider.

As long as the Contract is in effect, “Single Life” or “Joint Life” *withdrawal benefit payments* may be taken until the earlier of the date of the death of the first *owner* to die (first *annuitant*, if applicable) or the date the *For Life withdrawal benefit base* reduces to zero.

“Joint Life” For Life withdrawal benefit payments. “Joint Life” *withdrawal benefit payments* are based on two covered lives. *You* may only elect “Joint Life” *withdrawal benefit payments* if there are two covered lives that meet the eligibility requirements. There can be no more than two covered lives. The “Joint Life” election is not available if the *owner* is not a natural person.

To be eligible for “Joint Life” the covered lives must be

- a. the *owner* and the *owner’s* spouse, provided there is only one *owner* and the spouse is named as a primary beneficiary; or
- b. the *joint owners*, provided the *joint owners* are each other’s spouse.

NOTE: Under the Internal Revenue Code (the “Code”), spousal continuation and certain distribution options are available only to “spouses.” In satisfying such requirements, *we* will follow the U.S. Supreme Court’s ruling in United States v. Windsor, 133 S. Ct. 2675 (2013) and any applicable regulatory requirements implemented in response to the Windsor ruling. As a result of the Windsor case, same-sex couples who are legally married in their respective states have the same rights to benefits under federal law as all opposite-sex couples have. All Contract provisions will be interpreted and administered in accordance with the requirements of the Code and Windsor. For more information, please see *your* tax advisor.

NOTE: At the time a covered life is designated, that covered life must satisfy the age requirements.

As long as the Contract is in effect, “Joint Life” *withdrawal benefit payments* will continue until the earlier of the date of the death of the last covered life or the date the *For Life withdrawal benefit base* reduces to zero.

### Calculating the Withdrawal Benefit Payment

The *withdrawal benefit payment* is an amount equal to a percentage multiplied by the *withdrawal benefit base*.

The *withdrawal benefit payment* percentage depends on whether *you* have elected “Single Life” or “Joint Life” and the age of the covered life on the date of the first withdrawal following the rider effective date.

For applications signed on or after August 1, 2015, the following withdrawal benefit payment percentage tables apply:

- “Single Life”:

Age of Covered Life at First Withdrawal	For Life Withdrawal Benefit Payment Percentage
55-59	3.75%
60-64	4.50%
65+	5.00%

- “Joint Life”:

Age of Younger Covered Life at First Withdrawal	For Life Withdrawal Benefit Payment Percentage
55-59	3.25%
60-64	4.00%
65+	4.50%

For applications signed on or after August 1, 2013\* but before August 1, 2015, the following withdrawal benefit payment percentage tables apply:

- “Single Life”:

Age of Covered Life at First Withdrawal	For Life Withdrawal Benefit Payment Percentage
55-59	4.00%
60-74	5.00%
75+	5.25%

- “Joint Life”:

Age of Younger Covered Life at First Withdrawal	For Life Withdrawal Benefit Payment Percentage
55-59	3.50%
60-74	4.50%
75+	4.75%

\* For Illinois and Montana, August 15, 2013.



For applications signed before August 1, 2013\*, the following withdrawal benefit payment percentage tables apply:

- “Single Life”:

Age of Covered Life at First Withdrawal	For Life Withdrawal Benefit Payment Percentage
55-59	4.50%
60-64	5.00%
65-69	5.25%
70-74	5.50%
75-79	6.00%
80+	6.50%

- “Joint Life”:

Age of Younger Covered Life at First Withdrawal	For Life Withdrawal Benefit Payment Percentage
55-59	4.00%
60-64	4.50%
65-69	4.75%
70-74	5.00%
75-79	5.50%
80+	6.00%

\* For Illinois and Montana, August 15, 2013.

NOTE: All withdrawals prior to the Contract *anniversary* following the oldest *owner's* (oldest *annuitant's*, if applicable) age 59½ are treated as excess withdrawals when calculating the For Life withdrawal benefit. Under 72t of the Code, a customer can receive substantially equal payments without an IRS tax penalty, even if under age 59½. If you receive 72t distributions and have not reached the Contract *anniversary* after the oldest *owner's* (oldest *annuitant's*, if applicable) age 59½, these 72t distributions will be treated as excess withdrawals. See *Excess Withdrawals* for additional information.

Because the *withdrawal benefit payments* are tiered based on the age of the younger covered life at the time of the first withdrawal, you should carefully choose when you take the first withdrawal following the rider effective date. Once a withdrawal is taken, the *For Life withdrawal benefit payment* percentage is locked in for the life of this rider. In addition, when you take your first withdrawal, your election of “Single Life” or “Joint Life” remains locked in and cannot be changed. For example, if you have elected “Joint Life” *withdrawal benefit payments* and take the first withdrawal when the younger covered life is age 57 and your application was signed on or after August 1, 2015, your *For Life withdrawal benefit payment* percentage will be locked in at 3.25% for the remaining life of this rider and cannot be changed.

## Covered Life Change

For Contracts issued in all states except California:

Any ownership change, change of beneficiary or other change before the *annuitization date* which would cause a change in a covered life (a "Change") will result in termination of this rider, except for the following permissible Changes:

1. Spousal continuation of this rider as described in 7. *DEATH BENEFIT*.
2. If withdrawals have not been taken and *you* have not previously elected to continue this rider as described in 7. *DEATH BENEFIT*, then
  - a. *you* may add a *joint owner* (*non-qualified contracts* only) or primary beneficiary to *your* Contract as a covered life, provided that the new *joint owner* or primary beneficiary is an eligible covered life.
  - b. *you* may remove a *joint owner* or primary beneficiary as a covered life.
  - c. the *For Life withdrawal benefit payment* percentage will be based on the age of the covered lives and will lock in at the percentage applicable on the date of *your* first withdrawal.
3. If withdrawals have been taken and *you* have locked in "Single Life" *withdrawal benefit payments*, then
  - a. *you* may remove a *joint owner* as a covered life.
  - b. *you* may add a primary beneficiary to *your* Contract, however, *you* may not add a primary beneficiary as a covered life for purposes of this rider.
  - c. the *For Life withdrawal benefit payment* percentage will remain locked in at the percentage applicable on the date of *your* first withdrawal and will not be reset to reflect the removal of the covered life. *For Life withdrawal benefit payments* will cease upon *your* death.
4. If withdrawals have been taken and *you* have locked in "Joint Life" *withdrawal benefit payments*, then
  - a. *you* may remove a *joint owner* or primary beneficiary as a covered life.
  - b. *you* may add a primary beneficiary to *your* Contract; however, *you* may not add a primary beneficiary as a covered life for purposes of this rider.
  - c. the *For Life withdrawal benefit payment* percentage will remain locked in at the percentage applicable on the date of *your* first withdrawal and will not be reset to reflect the removal of the covered life. *For Life withdrawal benefit payments* will cease upon *your* death.
5. If *you* have previously elected to continue this rider as described in 7. *DEATH BENEFIT*, then *you* may add a primary beneficiary to *your* Contract; however, *you* may not add a primary beneficiary as a covered life for purposes of this rider. If the primary beneficiary that *you* add is *your* spouse, upon *your* death the spouse can continue the Contract, but the rider will terminate.

No Change is effective until approved by *us* in writing. Upon *our* approval, the Change is effective as of the date *you* signed the *notice* requesting the Change.

An assignment of the Contract or this rider shall be deemed a request for a Change. If the Change is not one of the above permissible Changes, this rider will be terminated as of the date of the assignment.

For Contracts issued in California only:

Any beneficiary designation or other Contract or rider change before the *annuitization date* which would cause a change in the covered life (a "Change") will result in termination of this rider, except for the following permissible Changes:

1. Spousal continuation of this rider as described in 7. *DEATH BENEFIT*.
2. If withdrawals have not been taken and *you* have not previously elected to continue this rider as described in 7. *DEATH BENEFIT*, then
  - a. *You* may add a *joint owner* or primary beneficiary as a covered life, provided that the new *joint owner* or primary beneficiary is an eligible covered life.
  - b. *You* may remove a *joint owner* or primary beneficiary as a covered life.
  - c. The *withdrawal benefit payment* percentage will be calculated based on the age of the covered lives and will lock in at the percentage applicable on the date of *your* first Withdrawal.

3. If withdrawals have been taken and *you* have locked in “Single Life” *withdrawal benefit payments*, then
  - a. *You* may remove a *joint owner* as a covered life and *withdrawal benefit payments* will cease upon *your* death.
  - b. *You* may add a primary beneficiary to *your* Contract; however, *you* may not add a primary beneficiary as a covered life for purposes of this rider.
  - c. The *For Life withdrawal benefit payment* percentage will remain locked at the percentage applicable on the date of *your* first withdrawal and will not be reset to reflect the removal of the covered life.
4. If withdrawals have been taken and *you* have locked in “Joint Life” *withdrawal benefit payments*, then
  - a. *You* may remove a *joint owner* or primary beneficiary as a covered life and *withdrawal benefit payments* will cease upon *your* death.
  - b. *You* may add a primary beneficiary to *your* Contract; however, *you* may not add a primary beneficiary as a covered life for purposes of this rider.
  - c. The *withdrawal benefit payment* percentage will remain locked at the percentage applicable on the date of *your* first withdrawal and will not be reset to reflect the removal of the covered life.
5. If *you* have previously elected to continue the Rider as provided in 7. *DEATH BENEFIT*, *you* may add a primary beneficiary to *your* Contract; however, *you* may not add a primary beneficiary as a covered life for purposes of this rider.

No change is effective until approved by *us* in writing. Upon *our* approval, the change is effective as of the date *you* signed the *notice* requesting the change.

### **Effect of Ownership Change for Contracts Issued in California only**

NOTE: An ownership change does not terminate a Contract in California; therefore, these slightly different provisions apply.

If an ownership change has taken place on a Contract after withdrawals have been taken, the following provisions apply:

“Single Life” and “Joint Life” withdrawal benefit payments (ownership change after withdrawals taken for Contracts issued in California):

“Single Life” *withdrawal benefit payments* continue until the earlier of:

1. the death of the first covered life to die; or
2. the *withdrawal benefit base* is zero.

“Joint Life” *withdrawal benefit payments* continue until the earlier of:

1. the death of the last covered life to die; or
2. the death of the owner; or
3. the withdrawal benefit base is zero.

Effect on Rider Benefits at Death (ownership change after withdrawals taken for Contracts issued in California):

If *you* die when the Contract *accumulated value* is greater than zero:

1. If *you* are the only *owner*, upon *your* death, *your* primary beneficiary may elect one of the following:
  - a. Receive the death benefit under the Contract; or
  - b. If the primary beneficiary is *your* spouse, *your* spouse may continue the Contract with or without this rider as set forth in 7. *DEATH BENEFIT*.
2. If there are *joint owners*, upon the death of the first *joint owner* to die, the surviving *joint owner* may elect one of the following:
  - a. Receive the death benefit under the Contract; or
  - b. If the surviving *joint owner* is *your* spouse, *your* spouse may continue the Contract with or without this rider as set forth in 7. *DEATH BENEFIT*.

If the Contract *accumulated value* has reduced to zero:

1. If "Single Life" *For Life withdrawal benefit payments* have been elected, upon the death of the covered life, all payments stop and the Contract is terminated. If *your* (for *joint owners*, the last surviving *joint owner*) death precedes the death of the covered life, payments will continue to the beneficiary until the death of the covered life.
2. If "Joint Life" *For Life withdrawal benefit payments* have been elected, upon the death of the last surviving covered life, all payments stop and the Contract is terminated. If *your* (for *joint owners*, the last surviving *joint owner*) death precedes the death of the last surviving covered life, payments will continue to the beneficiary until the death of the last surviving covered life.

Spousal Continuation (ownership change after withdrawals taken for Contracts issued in California):

If *you* die while this rider is attached to *your* Contract, *your* spouse may NOT continue the Contract with this rider if any of the following apply:

1. The Contract *accumulated value* is zero.
2. The Contract and this rider have been previously continued.
3. *You* were the sole *owner* and *your* spouse is not a primary beneficiary.
4. There were *joint owners* and *your* spouse is not the surviving *joint owner*.
5. *Your* spouse does not meet the minimum age requirement of *our* rider eligibility guidelines on the date of the continuation election.

NOTE: Although spousal continuation may be available under the Contract for a subsequent spouse, this rider may only be continued once.

NOTE: If *your* spouse is not eligible to continue this rider, or elects not to continue this rider, this rider and all rights, benefits and charges under the rider will terminate.

If none of the statements above apply and *your* spouse elects to continue the Contract with the rider:

If "Single Life" *withdrawal benefit payments* were locked in:

1. The *withdrawal benefit payment* percentage will continue to be based on the original covered lives.
2. *Withdrawal benefit payments* will continue to be available as long as the covered lives are alive.

If "Joint Life" *withdrawal benefit payments* were locked in:

1. The *withdrawal benefit payment* percentage will continue to be based on the original covered lives.
2. *Your* spouse may not add a new covered life.
3. *Withdrawal benefit payments* will continue to be available as long as covered lives are alive.

All other provisions of this rider will continue as in effect on the date of *your* death.

Covered Life Change (ownership change after withdrawals taken for Contracts issued in California):

Any beneficiary designation or other Contract or rider change before the *annuitization date* will not cause a change in the covered life.

## **Effect of Withdrawals**

This rider does not require *you* to take an available *withdrawal benefit payment*. If *you* want to take advantage of this rider's GMWB Bonus feature, withdrawals cannot be taken during the period the GMWB Bonus is available. See *GMWB Bonus* later in this section for more information.

If *you* elect not to take an available *withdrawal benefit payment*, that amount will not be carried forward to the next *contract year*.

Each time *you* take a withdrawal, it is reflected immediately in *your* Contract *accumulated value*. All scheduled withdrawals (scheduled partial surrenders) occurring on the Contract *anniversary* are reflected in the values for the prior *contract year*.

If *you* take excess withdrawals, the *withdrawal benefit base* will be reduced on the next Contract *anniversary*. See *Excess Withdrawals* later in this section for information about the negative effect of excess withdrawals.

To help *you* better understand the various features of this rider and to demonstrate how *premium payments* made and withdrawals taken from the Contract affect the values and benefits under this rider, we have provided several examples in *APPENDIX A*.

## Excess Withdrawals

Any withdrawals that exceed the available *withdrawal benefit payments* are excess withdrawals. Excess withdrawals decrease the *withdrawal benefit base*, which will reduce future *withdrawal benefit payments*. The reductions can be greater than dollar-for-dollar when the Contract *accumulated value* is less than the *withdrawal benefit base* at the time of the excess withdrawal, as shown below.

All withdrawals prior to the Contract *anniversary* following the oldest *owner's* (oldest *annuitant's*, if applicable) age 59½ are treated as excess withdrawals when calculating the For Life withdrawal benefit. Therefore, if *you* receive 72t distributions and have not reached the Contract *anniversary* after the oldest *owner's* (oldest *annuitant's*, if applicable) age 59½, these 72t distributions will be treated as excess withdrawals.

Effect on withdrawal benefit base. Excess withdrawals will reduce the *withdrawal benefit base* in an amount equal to the greater of:

- the excess withdrawal, or
- the result of (a divided by b) multiplied by c, where:
  - a = the amount withdrawn that exceeds the available *withdrawal benefit payment* prior to the withdrawal;
  - b = the Contract *accumulated value* after the *withdrawal benefit payment* is deducted, but prior to deducting the amount of the excess withdrawal; and
  - c = the *withdrawal benefit base* prior to the adjustment for the excess withdrawal.

NOTE: Withdrawals prior to age 59½ may be subject to a 10% IRS penalty tax.

## Required Minimum Distribution (RMD) Program for GMWB Riders

Tax-qualified Contracts are subject to certain federal tax rules requiring that RMD be taken on a calendar year basis (i.e., compared to a *contract year* basis), usually beginning after age 70½.

If *you* are eligible for and enroll in *our* RMD Program for GMWB Riders, as discussed below, a withdrawal taken to satisfy RMD for the Contract (an "*RMD amount*") that exceeds a *withdrawal benefit payment* for that *contract year* will not be deemed an excess withdrawal.

Eligibility in the RMD Program for GMWB Riders is determined by satisfaction of the following requirements:

- the amount required to be distributed each calendar year for purposes of satisfying the RMD rules of the Internal Revenue Code is based only on this Contract (the "*RMD amount*"); and
- *you* have elected scheduled withdrawal payments.

NOTE: Although enrollment in the RMD Program for GMWB Riders does not prevent *you* from taking an unscheduled withdrawal, an unscheduled withdrawal will cause *you* to lose the RMD Program protections for the remainder of the *contract year*. **This means that any withdrawals (scheduled or unscheduled) during the remainder of the *contract year* that exceed applicable *withdrawal benefit payments* will be treated as excess withdrawals, even if the purpose is to take the *RMD amount*.** *You* will automatically be re-enrolled in the RMD Program for GMWB Riders on *your* next Contract *anniversary*.

We reserve the right to modify or eliminate the RMD Program for GMWB Riders; for example, if there is a change to the Internal Revenue Code or Internal Revenue Service rules or interpretations relating to RMD, including the issuance of relevant IRS guidance. We will send *you* at least 30 days advance *notice* of any change in or elimination of the RMD Program for GMWB Riders. Any modifications or elimination of the RMD Program for GMWB Riders will take effect after *notice*. If we exercise *our* right to modify or eliminate the RMD Program for GMWB Riders, then any scheduled or unscheduled withdrawal in excess of a *withdrawal benefit payment* after the effective date of the program's modification or elimination will be deemed an excess withdrawal.

You may obtain more information regarding *our* RMD Program for GMWB Riders by contacting *your* registered representative or by calling *us* at 1-800-852-4450.

## GMWB Bonus

Under the GMWB Bonus, on each of the first two Contract *anniversaries* following the rider effective date, we will credit a bonus (“GMWB Bonus”) to the *withdrawal benefit base*, provided *you* have not taken any withdrawals since the rider effective date.

The GMWB Bonus is equal to the total of all *premium payments* made prior to the applicable Contract *anniversary* multiplied by the applicable percentage shown in the chart below.

Contract Anniversary (following the rider effective date)	GMWB Bonus Percentage
1	5.00%
2	5.00%

The GMWB Bonus is no longer available after the earlier of

- the 2<sup>nd</sup> Contract *anniversary* following the rider effective date; or
- the date *you* take a withdrawal following the rider effective date.

NOTE: The GMWB Bonus is used only for the purposes of calculating the *withdrawal benefit base*. **The GMWB Bonus is not added to *your* Contract *accumulated value*.**

## GMWB Step-Up

The GMWB Step-Up is automatic and applies annually. Under this rider, unless an *owner* opts out of the automatic GMWB Step-Up, the rider charge will increase if *our* then current rider charge is higher than when the rider was purchased. The rider charge will never be greater than the maximum GMWB rider charge (See *SUMMARY OF EXPENSE INFORMATION*).

If *you* satisfy the eligibility requirements on a Contract *anniversary* and *your* Contract *accumulated value* is greater than the *withdrawal benefit base*, we will Step-Up the *withdrawal benefit base* to *your* Contract *accumulated value* on that Contract *anniversary*. We will not reduce *your* *withdrawal benefit base* if *your* Contract *accumulated value* on a Contract *anniversary* is less than the *withdrawal benefit base*.

If *you* are eligible for a GMWB Step-Up of the *withdrawal benefit base*, *you* will be charged the then current rider charge. *You* may choose to opt out of the GMWB Step-Up feature if the charge for *your* rider will increase. We will send *you* advance *notice* if the charge for *your* rider will increase in order to give *you* the opportunity to opt out of the GMWB Step-Up feature. Once *you* opt out, *you* will no longer be eligible for future GMWB Step-Ups.

The GMWB Step-Up operates as follows:

On each Contract *anniversary* following the rider effective date, *you* are eligible for a GMWB Step-Up of the *withdrawal benefit base* if *you* satisfy all of the following requirements:

1. the Contract *anniversary* occurs before the later of
  - a. the Contract *anniversary* following the date the oldest *owner* (oldest *annuitant* if the *owner* is not a natural person) attains age 80; or
  - b. ten years after the rider effective date;
2. *you* have not declined any increases in the rider charge; and
3. *you* have not fully annuitized the Contract.

## Effect of Reaching the Maximum Annuitization Date Under the Rider

On or before the maximum *annuitization date*, you must elect one of the Contract or GMWB rider payment options described below:

1. Contract payment options:
  - Payments resulting from applying the Contract *accumulated value* to an annuity benefit payment option.
  - Payment of the Contract *accumulated value* as a single payment.
2. GMWB rider payment option:
  - Fixed scheduled payments each year in the amount of the *For Life withdrawal benefit payment* until the date of death of the last covered life.

See *Effect of Withdrawals* later in this section for information on how withdrawals prior to the maximum *annuitization date* affect the GMWB values.

We will send you written *notice* at least 30 days prior to the maximum *annuitization date* and ask you to select one of the available payment options listed above. If we have not received your election as of the maximum *annuitization date*, we will automatically apply your Contract *accumulated value* to an annuity benefit payment option:

- for Contracts with one *annuitant* — Life Income with payments guaranteed for a period of 10 years.
- for Contracts with *joint annuitants* — Joint and Full Survivor Life Income with payments guaranteed for a period of 10 years.

## Effect of the Contract Accumulated Value Reaching Zero Under the Rider

We will send you prior written *notice* whenever reasonably feasible if your Contract *accumulated value* is approaching zero.

In the event the Contract *accumulated value* reduces to zero, we will pay the *withdrawal benefit payments* as follows:

- If you have taken *withdrawal benefit payments* prior to the Contract *accumulated value* reaching zero, your For Life withdrawal option is either “Joint Life” or “Single Life” depending on your election at the time of your first withdrawal.
- If you have not taken *withdrawal benefit payments* prior to the Contract *accumulated value* reaching zero, you must elect either:
  - the “Single Life” withdrawal option: you will receive fixed scheduled payments each year in the amount of the “Single Life” *withdrawal benefit payment*, until the date of your death (*annuitant’s death* if the *owner* is not a natural person); or
  - the “Joint Life” withdrawal option: you will receive fixed scheduled payments each year in the amount of the “Joint Life” *withdrawal benefit payment*, until the date of the death of the last covered life.

NOTE: In the event that the Contract *accumulated value* reduces to zero, the *withdrawal benefit payments* elected above will continue, but all other rights and benefits under this rider and the Contract (including the death benefits) will terminate, and no additional *premium payments* will be accepted.

We will send you prior written *notice* whenever reasonably feasible if your Contract *accumulated value* is approaching zero.

## Termination and Reinstatement of the Rider

**You may not terminate this rider prior to the 5<sup>th</sup> Contract anniversary following the rider effective date.**

At any point in time, we will terminate this rider upon the earliest to occur:

- The date *you* send *us* notice to terminate the rider (after the 5<sup>th</sup> Contract anniversary following the rider effective date). This will terminate the rider, not the Contract.
- The date *you* fully annuitize, fully surrender or otherwise terminate the Contract.
- The *For Life withdrawal benefit base* is zero.
- The date the Contract *owner* is changed (*annuitant* is changed if the *owner* is not a natural person), except a change in *owner* due to a spousal continuation of the rider as described in 7. *DEATH BENEFIT* below or the removal/addition of a joint life as described in *Covered Life Change* earlier in this section.
- The date *your* surviving spouse elects to continue the Contract without this rider (even if prior to the fifth Contract anniversary following the Contract/rider effective date).
- The date *you* make an impermissible change in a covered life.

If this rider terminates for any reason other than full surrender of the Contract, this rider may not be reinstated. Upon termination of the GMWB Rider, any and all benefits and guarantees under the rider will no longer be available to you.

If *you* surrender the Contract with this rider attached and the Contract is later reinstated, this rider also must be reinstated. At the time this rider is reinstated, we will deduct rider charges scheduled during the period of termination and make any other adjustments necessary to reflect any changes in the amount reinstated and the Contract *accumulated value* as of the date of termination.

NOTE: If *your* Contract is issued in California, after an ownership change, the rider will not terminate and the benefits will continue based on the original *owner*.

## GMWB Upon Divorce

Generally, in the event of a divorce, the spouse who retains ownership of the Contract will continue to be entitled to all rights and benefits of this rider while the former spouse will no longer have any such rights or be entitled to any benefits under this rider. **If *you* take a withdrawal to satisfy a court order to pay a portion of the Contract to *your* former spouse, any portion of such withdrawal that exceeds the available *withdrawal benefit payments* will be deemed an excess withdrawal under this rider.**

NOTE: If this excess withdrawal causes the *For Life withdrawal benefit base* to go to zero, the rider will terminate at the next Contract anniversary unless *you* make additional *premium payments* or a GMWB Step-Up is applied. For further information, see *Excess Withdrawals*.



## GMWB Summary

Effective Period	Applications Signed Before August 1, 2013 (August 15, 2013 for Illinois and Montana)	Applications Signed August 1, 2013 (August 15, 2013 for Illinois and Montana) through July 31, 2015	Applications Signed on or after August 1, 2015
Issue Age	55-80  NOTE: Prior to January 21, 2013 the minimum issue age was 60.	55-80	55-80
Rider Charge	0.73% of average quarterly <i>For Life withdrawal benefit base</i>	0.95% of average quarterly <i>For Life withdrawal benefit base</i>	1.05% of average quarterly <i>For Life withdrawal benefit base</i>
Annual Withdrawal Limits	<ul style="list-style-type: none"> <li>• “Single Life” — tiered percentages based on age at first withdrawal, beginning at 4.50% and capping at a maximum of 6.50% of the <i>For Life withdrawal benefit base</i></li> <li>• “Joint Life” — tiered percentages based on age at first withdrawal, beginning at 4.00% and capping at a maximum of 6.00% of the <i>For Life withdrawal benefit base</i></li> </ul>	<ul style="list-style-type: none"> <li>• “Single Life” — tiered percentages based on age at first withdrawal, beginning at 4.00% and capping at a maximum of 5.25% of the <i>For Life withdrawal benefit base</i></li> <li>• “Joint Life” — tiered percentages based on age at first withdrawal, beginning at 3.50% and capping at a maximum of 4.75% of the <i>For Life withdrawal benefit base</i></li> </ul>	<ul style="list-style-type: none"> <li>• “Single Life” — tiered percentages based on age at first withdrawal, beginning at 3.75% and capping at a maximum of 5.00% of the <i>For Life withdrawal benefit base</i></li> <li>• “Joint Life” — tiered percentages based on age at first withdrawal, beginning at 3.25% and capping at a maximum of 4.50% of the <i>For Life withdrawal benefit base</i></li> </ul>
For Life Withdrawal Benefit Payments	<ul style="list-style-type: none"> <li>• “Single Life” or “Joint Life” (your life and the lifetime of <i>your</i> eligible spouse)</li> <li>• <i>For Life withdrawal benefit payments</i> default to “Single Life” unless “Joint Life” is elected</li> <li>• Available the Contract <i>anniversary</i> following the date the oldest <i>owner</i> turns 59½ — all withdrawals prior to that Contract <i>anniversary</i> are excess withdrawals under the For Life withdrawal option</li> </ul>	<ul style="list-style-type: none"> <li>• “Single Life” or “Joint Life” (your life and the lifetime of <i>your</i> eligible spouse)</li> <li>• <i>For Life withdrawal benefit payments</i> default to “Single Life” unless “Joint Life” is elected</li> <li>• Available the Contract <i>anniversary</i> following the date the oldest <i>owner</i> turns 59½ — all withdrawals prior to that Contract <i>anniversary</i> are excess withdrawals under the For Life withdrawal option</li> </ul>	<ul style="list-style-type: none"> <li>• “Single Life” or “Joint Life” (your life and the lifetime of <i>your</i> eligible spouse)</li> <li>• <i>For Life withdrawal benefit payments</i> default to “Single Life” unless “Joint Life” is elected</li> <li>• Available the Contract <i>anniversary</i> following the date the oldest <i>owner</i> turns 59½ — all withdrawals prior to that Contract <i>anniversary</i> are excess withdrawals under the For Life withdrawal option</li> </ul>

<b>Termination</b>	<ul style="list-style-type: none"> <li>You may terminate this rider anytime after the 5th Contract <i>anniversary</i> following the rider effective date</li> </ul>	<ul style="list-style-type: none"> <li>You may terminate this rider anytime after the 5th Contract <i>anniversary</i> following the rider effective date</li> </ul>	<ul style="list-style-type: none"> <li>You may terminate this rider anytime after the 5th Contract <i>anniversary</i> following the rider effective date</li> </ul>
<b>GMWB Step-Up</b>	<ul style="list-style-type: none"> <li>Automatic annual GMWB Step-Up available until the later of (a) the Contract <i>anniversary</i> prior to age 80 or (b) 10 years after the rider effective date.</li> </ul>	<ul style="list-style-type: none"> <li>Automatic annual GMWB Step-Up available until the later of (a) the Contract <i>anniversary</i> prior to age 80 or (b) 10 years after the rider effective date.</li> </ul>	<ul style="list-style-type: none"> <li>Automatic annual GMWB Step-Up available until the later of (a) the Contract <i>anniversary</i> prior to age 80 or (b) 10 years after the rider effective date.</li> </ul>
<b>GMWB Bonus</b>	<ul style="list-style-type: none"> <li>If no withdrawals are taken, a GMWB Bonus is applied to the <i>withdrawal benefit base</i> on each Contract <i>anniversary</i> as shown below.</li> <li>Year 1 — 5.00% of <i>premium payments</i></li> <li>Year 2 — 5.00% of <i>premium payments</i></li> </ul>	<ul style="list-style-type: none"> <li>If no withdrawals are taken, a GMWB Bonus is applied to the <i>withdrawal benefit base</i> on each Contract <i>anniversary</i> as shown below.</li> <li>Year 1 — 5.00% of <i>premium payments</i></li> <li>Year 2 — 5.00% of <i>premium payments</i></li> </ul>	<ul style="list-style-type: none"> <li>If no withdrawals are taken, a GMWB Bonus is applied to the <i>withdrawal benefit base</i> on each Contract <i>anniversary</i> as shown below.</li> <li>Year 1 — 5.00% of <i>premium payments</i></li> <li>Year 2 — 5.00% of <i>premium payments</i></li> </ul>
<b>Investment Restrictions</b>	<p>You must select either*:</p> <ul style="list-style-type: none"> <li>Diversified Balanced Managed Volatility;</li> <li>Diversified Growth Managed Volatility; or</li> <li>Diversified Income.</li> </ul> <p>There are no additional restrictions on allocations to the <i>Fixed Account</i>.</p>	<p>You must select either*:</p> <ul style="list-style-type: none"> <li>Diversified Balanced Managed Volatility;</li> <li>Diversified Growth Managed Volatility; or</li> <li>Diversified Income.</li> </ul> <p>There are no additional restrictions on allocations to the <i>Fixed Account</i>.</p>	<p>You must select either:</p> <ul style="list-style-type: none"> <li>Diversified Balanced Managed Volatility;</li> <li>Diversified Growth Managed Volatility; or</li> <li>Diversified Income.</li> </ul> <p>There are no additional restrictions on allocations to the <i>Fixed Account</i>.</p>
<b>Spousal Continuation</b>	<ul style="list-style-type: none"> <li>At the death of the first <i>owner</i> to die, a spouse who is a <i>joint owner</i> or primary beneficiary may have the option to continue the Contract with this rider.</li> </ul>	<ul style="list-style-type: none"> <li>At the death of the first <i>owner</i> to die, a spouse who is a <i>joint owner</i> or primary beneficiary may have the option to continue the Contract with this rider.</li> </ul>	<ul style="list-style-type: none"> <li>At the death of the first <i>owner</i> to die, a spouse who is a <i>joint owner</i> or primary beneficiary may have the option to continue the Contract with this rider.</li> </ul>

\* For Applications signed prior to December 1, 2013, the following Principal Variable Contracts Accounts (Class 2) were the only underlying funds available: Diversified Balanced Account; Diversified Growth Account; and Diversified Income Account. For applications signed on or after December 1, 2013, Diversified Balanced Account and Diversified Growth Account are no longer available.

## 5. TRANSFERS AND SURRENDERS

### Division Transfers

- You may request an unscheduled *transfer* or set up a scheduled *transfer* by
  - mailing *your* instructions to *us*;
  - calling *us* at 1-800-852-4450 (if telephone privileges apply);
  - faxing *your* instructions to *us* at 1-866-894-2093; or
  - visiting [www.principal.com](http://www.principal.com).
- You must specify the dollar amount or percentage to *transfer* from each *division*.
- The minimum *transfer* amount is the lesser of \$100 or the value of *your division*.
- In states where allowed, *we* reserve the right to reject *transfer* instructions from someone providing them for multiple contracts for which he or she is not the *owner*.

You may not make a *transfer* to the *Fixed Account* if:

- a *transfer* has been made from the *Fixed Account* to a *division* within six months; or
- following the *transfer*, the *Fixed Account value* would be greater than \$1,000,000.

#### Unscheduled Transfers

You may make unscheduled *division transfers* from one *division* to another *division* or to the *Fixed Account*.

- *Transfer values* are calculated using the price next determined after we receive your request.
- We reserve the right to impose a fee of the lesser of \$30 or 2% of the amount transferred on each unscheduled *transfer* after the first unscheduled *transfer* in a *contract year*.

**Limitations on Unscheduled Transfers.** We reserve the right to reject excessive exchanges or purchases if the trade would disrupt the management of the Separate Account, any *division* of the Separate Account or any *underlying mutual fund*. In addition, we may suspend or modify *transfer* privileges in our sole discretion at any time to prevent market timing efforts that could disadvantage other *owners*. These modifications could include, but not be limited to:

- requiring a minimum time period between each *transfer*;
- imposing the transaction fee;
- limiting the dollar amount that an *owner* may *transfer* at any one time; or
- not accepting *transfer* requests from someone providing requests for multiple Contracts for which he or she is not the *owner*.

#### Scheduled Transfers (Dollar Cost Averaging) – only applies after the GMWB rider is terminated

- You may elect to have *transfers* made on a scheduled basis.
- There is no charge for scheduled *transfers* and no charge for participating in the scheduled *transfer* program.
- You must specify the dollar amount of the *transfer*.
- You select the *transfer* date (other than the 29th, 30th or 31st) and the *transfer* period (monthly, quarterly, semi-annually or annually).
- If the selected date is not a *valuation date*, the *transfer* is completed on the next *valuation date*.
- If you want to stop a scheduled *transfer*, you must provide us *notice* prior to the date of the scheduled *transfer*.
- *Transfers* continue until your value in the *division* is zero or we receive *notice* to stop the *transfers*.
- The number of *divisions* available for simultaneous transfers will never be less than two. When we have more than two *divisions* available, we reserve the right to limit the number of *divisions* from which simultaneous *transfers* are made.

Scheduled *transfers* are designed to reduce the risks that result from market fluctuations. They do this by spreading out the allocation of your money to *investment options* over a longer period of time. This allows you to reduce the risk of investing most of your money at a time when market prices are high. The results of this strategy depend on market trends and are not guaranteed.

Example:

<u>Month</u>	<u>Amount Invested</u>	<u>Share Price</u>	<u>Shares Purchased</u>
January	\$100	\$25.00	4
February	\$100	\$20.00	5
March	\$100	\$20.00	5
April	\$100	\$10.00	10
May	\$100	\$25.00	4
June	<u>\$100</u>	<u>\$20.00</u>	<u>5</u>
Total	\$600	\$120.00	33

In the example above, the average share price is \$20.00 [total of share prices (\$120.00) divided by number of purchases (6)]. The average share cost is \$18.18 [amount invested (\$600.00) divided by number of shares purchased (33)].

## Fixed Account Transfers, Total and Partial Surrenders

*Transfers* and surrenders from the *Fixed Account* are subject to certain limitations. In addition, surrenders from the *Fixed Account* may be subject to a *surrender charge*.

You may *transfer* amounts from the *Fixed Account* to one of the *Separate Account divisions* before the *annuitization date* and as provided below. The *transfer* is effective on the *valuation date* following *our* receipt of *your* instructions. You may *transfer* amounts on either a scheduled or unscheduled basis. You may not make both scheduled and unscheduled *Fixed Account transfers* in the same *contract year*.

**Unscheduled Fixed Account Transfers.** The minimum *transfer* amount is \$100 (or entire *Fixed Account accumulated value* if less than \$100). Once per *contract year*, within the 30 days following the *Contract anniversary date*, you can:

- *transfer* an amount not to exceed 25% of *your Fixed Account value*; or
- *transfer* up to 100% of *your Fixed Account value* if:
  - *your Fixed Account value* is less than \$1,000; or
  - *a* minus *b* is greater than 1% where:
    - *a* = the weighted average of *your Fixed Account* interest rates for the preceding *contract year*; and
    - *b* = the renewal interest rate for the *Fixed Account*.

**Scheduled Fixed Account Transfers (Fixed Account Dollar Cost Averaging).** You may make scheduled *transfers* on a monthly basis from the *Fixed Account* to one of the *Separate Accounts* as follows:

- You may establish scheduled *transfers* by sending a written request or by telephoning the *home office* at 1-800-852-4450.
- *Transfers* occur on a date you specify (other than the 29th, 30th or 31st of any month).
- If the selected date is not a *valuation date*, the *transfer* is completed on the next *valuation date*.
- Scheduled *transfers* are only available if the *Fixed Account value* is \$5,000 or more at the time the scheduled *transfers* begin.
- Scheduled monthly *transfers* of a specified dollar amount will continue until the *Fixed Account accumulated value* is zero or until you notify us to discontinue the *transfers*. This specified dollar amount cannot exceed 2% of *your Fixed Account value*.
- The minimum *transfer* amount is \$100.
- If the *Fixed Account value* is less than \$100 at the time of *transfer*, the entire *Fixed Account value* will be transferred.
- If you stop the *transfers*, you may not start *transfers* again without *our* prior approval.

## Automatic Portfolio Rebalancing (APR)

APR allows you to maintain a specific percentage of *your Separate Account division accumulated value* in specified *divisions* over time. APR is available only if you have the option to invest in more than one *Separate Account division*; therefore, APR is currently not available with the GMWB rider. At any time, if the GMWB rider is terminated, APR is available. See 4. *LIVING BENEFIT – GUARANTEED MINIMUM WITHDRAWAL BENEFIT (GMWB) - Termination and Reinstatement of the Rider*. APR is not available for values in the *Fixed Account*.

## **Surrenders**

You may surrender *your* *Contract* by providing us *notice*. Surrender requests may be sent to us at:

Principal Life Insurance Company  
P.O. Box 9382  
Des Moines, Iowa 50306-9382

Surrenders result in the redemption of *units* and *your* receipt of the value of the redeemed *units* minus any applicable *surrender charge* and fees. *Surrender values* are calculated using the price next determined after we receive *your* request. Surrenders from the *Separate Account* are generally paid within seven days of the effective date of the request for surrender (or earlier if required by law). However, certain delays in payment are permitted (see 8. *ADDITIONAL INFORMATION ABOUT THE CONTRACT – Delay of Payments*). Surrenders before age 59½ may involve an income tax penalty (see 9. *FEDERAL TAX MATTERS*).

You may specify surrender allocation percentages with each partial surrender request. If *you* do not provide *us* with specific percentages, *we* will use *your premium payment* allocation percentages for the partial surrender. Surrenders may be subject to a *surrender charge* (see 2. CHARGES AND DEDUCTIONS — Surrender Charge).

#### Total Surrender

- You may surrender the Contract at any time before the *annuitization date*.
- *Surrender values* are calculated using the price next determined after *we* receive *your* request.
- The cash *surrender value* is *your accumulated value* minus any applicable fees and *surrender charges*.
- *We* reserve the right to require *you* to return the Contract.
- The written consent of all collateral assignees and irrevocable beneficiaries must be obtained prior to surrender.

#### Unscheduled Partial Surrender

- You may surrender a part of *your accumulated value* at any time before the *annuitization date*.
- You must specify the dollar amount of the surrender (which must be at least \$100).
- The surrender is effective at the end of the *valuation period* during which *we* receive *your* written request for surrender.
- The surrender is deducted from *your investment options* according to *your* surrender allocation percentages.
- If surrender allocation percentages are not specified, *we* use *your premium payment* allocation percentages.
- *We* surrender *units* from *your investment options* to equal the dollar amount of the surrender request plus any applicable *surrender charge* and transaction fee, if any.
- Your *accumulated value* after the unscheduled partial surrender must be equal to or greater than \$5,000; *we* reserve the right to increase this amount up to and including \$10,000.
- The written consent of all collateral assignees and irrevocable beneficiaries must be obtained prior to surrender.

#### Scheduled Partial Surrender

- You may elect partial surrenders from any of *your investment options* on a scheduled basis.
- Your *accumulated value* must be at least \$5,000 when the scheduled partial surrenders begin.
- You may specify monthly, quarterly, semi-annually or annually and choose a surrender date (other than the 29th, 30th or 31st).
- If the selected date is not a *valuation date*, the partial surrender is completed on the next *valuation date*.
- All scheduled withdrawals (scheduled partial surrenders) occurring on the Contract *anniversary* are reflected in the values for the prior *contract year*.
- *We* surrender *units* from *your investment options* to equal the dollar amount of the partial surrender request plus any applicable partial *surrender charge*.
- The partial surrenders continue until *your* value in the investment option is zero or *we* receive written *notice* to stop the partial surrenders.
- The written consent of all collateral assignees and irrevocable beneficiaries must be obtained prior to partial surrender.

## 6. THE ANNUITIZATION PERIOD

### Annuitization Date

You may specify an *annuitization date* in *your* application. *You* may change the *annuitization date* with *our* prior approval. The request must be in writing. *You* may not select an *annuitization date* prior to the first Contract *anniversary* or after the maximum *annuitization date* (the later of age 85 or ten years after Contract issue; state variations may apply) found on the *data page*. If *you* do not specify an *annuitization date*, the *annuitization date* is the maximum *annuitization date* shown on the *data page*.

### Full Annuitization

Any time after the first *contract year*, *you* may annuitize *your* Contract by electing to receive payments under an annuity benefit payment option. If the *accumulated value* on the *annuitization date* is less than \$2,000 or if the amount applied under an annuity benefit payment option is less than the minimum requirement, *we* may pay out the entire amount in a single payment. The Contract would then be canceled. *You* may select when *you* want the payments to begin (within the period that begins the business day following *our* receipt of *your* instruction and ends one year after *our* receipt of *your* instructions).

Once payments begin under the annuity benefit payment option *you* choose, the option may not be changed. In addition, once payments begin, *you* may not surrender or otherwise liquidate or commute any of the portion of *your accumulated value* that has been annuitized.

Depending on the type of annuity benefit payment option selected, payments that are initiated either before or after the *annuitization date* may be subject to penalty taxes (see 9. *FEDERAL TAX MATTERS*). *You* should consider this carefully when *you* select or change the annuity benefit payment commencement date.

## **Partial Annuitization**

After the first *contract year* and prior to the *annuitization date*, *you* may annuitize a portion of *your accumulated value* by sending *us* a *notice*.

The minimum partial *annuitization* amount is \$2,000. Any partial *annuitization* request that reduces the *accumulated value* to less than \$5,000 will be treated as a request for full *annuitization*.

*You* may select one of the annuity benefit payment options listed below. Once payments begin under the option *you* selected, the option may not be changed. In addition, once payments begin *you* may not surrender or otherwise liquidate or commute any portion of *your accumulated value* that has been annuitized.

## **Annuity Benefit Payment Options**

*We* offer fixed annuity benefit payments only. No *surrender charge* is imposed on any portion of *your accumulated value* that has been annuitized.

*You* may choose from several fixed annuity benefit payment options. Payments will be made on the frequency *you* choose. *You* may elect to have *your* annuity benefit payments made on a monthly, quarterly, semiannual or annual basis. The dollar amount of the payments is specified for the entire payment period according to the option selected. There is no right to take any total or partial surrenders after the *annuitization date*. The fixed annuity benefit payment must be made within one year of the annuity benefit election.

The amount of the fixed annuity benefit payment depends on the:

- amount of *accumulated value* applied to the annuity benefit payment option;
- annuity benefit payment option selected; and
- age and gender of the *annuitant* (unless fixed income option is selected).

The amount of the initial payment is determined by applying all or a portion of the *accumulated value* as of the date of the application to the annuity table for the *annuitant's* annuity benefit payment option, gender, and age. The annuity benefit payment tables contained in the Contract are based on the Annuity 2000 Mortality Table. These tables are guaranteed for the life of the Contract.

Annuity benefit payments generally are higher for male *annuitants* than for female *annuitants* with an otherwise identical Contract. This is because statistically females have longer life expectancies than males. In certain states, this difference may not be taken into consideration in determining the payment amount. Additionally, Contracts with no gender distinctions are made available for certain employer-sponsored plans because, under most such plans, gender discrimination is prohibited by law.

*You* may select an annuity benefit payment option by written request only. *Your* selection of an annuity benefit payment option for a partial *annuitization* must be in writing and may not be changed after payments begin. *Your* selection of an annuity benefit payment option for any portion not previously annuitized may be changed by written request prior to the *annuitization date*.

If an annuity benefit payment option is not selected, *we* will automatically apply:

- for Contracts with one *annuitant* — Life Income with payments guaranteed for a period of 10 years.
- for Contracts with *joint annuitants* — Joint and Full Survivor Life Income with payments guaranteed for a period of 10 years.

The available annuity benefit payment options for both full and partial *annuitizations* include:

- Fixed Period Income – Level payments continue for a fixed period. *You* may select a range from 5 to 30 years (state variations may apply). If the *annuitant* dies before the selected period expires, payments continue to *you* or the person(s) *you* designate until the end of the fixed period. Payments stop after all guaranteed payments are received.
- Life Income – Level payments continue for the *annuitant's* lifetime. If *you* defer the first payment date, it is possible that *you* would receive no payments if the *annuitant* dies before the first payment date. **NOTE: There is no death benefit value remaining and there are no further payments when the *annuitant* dies.**
- Life Income with Period Certain – Level payments continue during the *annuitant's* lifetime with a guaranteed payment period of 5 to 30 years. If the *annuitant* dies before all of the guaranteed payments have been made, the guaranteed payments continue to *you* or the person(s) *you* designate until the end of the guaranteed payment period.
- Joint and Survivor – Payments continue as long as either the *annuitant* or the *joint annuitant* is alive. *You* may also choose an option that lowers the amount of income after the death of a *joint annuitant*. It is possible that *you* would only receive one payment under this option if both *annuitants* die before the second payment is due. If *you* defer the first payment date, it is possible that *you* would receive no payments if both the *annuitants* die before the first payment date. **NOTE: There is no death benefit value remaining and there are no further payments after both *annuitants* die.**
- Joint and Survivor with Period Certain – Payments continue as long as either the *annuitant* or the *joint annuitant* is alive with a guaranteed payment period of 5 to 30 years. *You* may choose an option that lowers the amount of income after the death of a *joint annuitant*. If both *annuitants* die before all guaranteed payments have been made, the guaranteed payments continue to *you* or the person(s) *you* designate until the end of the guaranteed payment period.

Other annuity benefit payment options may be available.

## **Tax Considerations Regarding Annuity Benefit Payment Options**

If *you* own one or more tax qualified annuity contracts, *you* may avoid tax penalties if payments from at least one of *your* tax qualified contracts begin no later than April 1 following the calendar year in which *you* turn age 70½. The required minimum distribution payment must be in equal (or substantially equal) amounts over *your* life or over the joint lives of *you* and *your* designated beneficiary. These required minimum distribution payments must be made at least once a year. Tax penalties may apply at *your* death on certain excess accumulations. *You* should confer with *your* tax advisor about any potential tax penalties before *you* select an annuity benefit payment option or take other distributions from the Contract.

Additional rules apply to distributions under *non-qualified contracts*.

See 9. *FEDERAL TAX MATTERS* for more information.

## **Death of Annuitant (During the Annuitization Period)**

If the *annuitant* dies during the annuity benefit payment period, remaining payments are made to the *owner* throughout the guaranteed payment period, if any, or for the life of any *joint annuitant*, if any. If the *owner* is the *annuitant*, remaining payments are made to the contingent *owner*. In all cases the person entitled to receive payments also receives any rights and privileges under the annuity benefit payment option.

## 7. DEATH BENEFIT

This Contract provides a death benefit upon the death of the *owner*. The Contract will not provide death benefits upon the death of an *annuitant* unless the *annuitant* is also an *owner* or the *owner* is not a natural person.

The following tables illustrate the various situations and the resulting death benefit payment if death occurs before the *annuitization date*. If death occurs after the *annuitization date*, See 6. *The Annuitization Period*.

If you die and...	And...	Then...
You are the sole <i>owner</i>	Your spouse is not named as a primary beneficiary	<p>The beneficiary(ies) receives the death benefit under the Contract or the GMWB Death Benefit, whichever is applicable.</p> <p>If a beneficiary dies before you, on <i>your</i> death we will make equal payments to the surviving beneficiaries unless <i>you</i> provided <i>us</i> with other written instructions. If no beneficiary(ies) survives you, the death benefit is paid to <i>your</i> estate in a single payment.</p> <p>Upon <i>your</i> death, only <i>your</i> beneficiary's(ies') right to the death benefit or the GMWB Death Benefit will continue; all other rights and benefits under the Contract will terminate.</p>
You are the sole <i>owner</i>	Your spouse is named as a primary beneficiary	<p>Your spouse may either</p> <ol style="list-style-type: none"> <li>continue the Contract; or</li> <li>receive the death benefit under the Contract or the GMWB Death Benefit, whichever is applicable.</li> </ol> <p>All other beneficiaries receive the death benefit under the Contract or the GMWB Death Benefit, whichever is applicable.</p> <p>If a beneficiary dies before you, on <i>your</i> death we will make equal payments to the surviving beneficiaries unless <i>you</i> provided <i>us</i> with other written instructions. If no beneficiary(ies) survives you, the death benefit is paid to <i>your</i> estate in a single payment.</p> <p>Unless <i>your</i> spouse elects to continue the Contract, only <i>your</i> spouse's and any other beneficiary's(ies') right to the death benefit or the GMWB Death Benefit will continue; all other rights and benefits under the Contract will terminate.</p>
You are a <i>joint owner</i>	The surviving <i>joint owner</i> is not <i>your</i> spouse	<p>The surviving <i>owner</i> receives the death benefit under the Contract or the GMWB Death Benefit, whichever is applicable.</p> <p>Upon <i>your</i> death, only the surviving <i>owner's</i> right to the death benefit or the GMWB Death Benefit will continue; all other rights and benefits under the Contract will terminate.</p>
You are a <i>joint owner</i>	The surviving <i>joint owner</i> is <i>your</i> spouse	<p>Your spouse may either</p> <ol style="list-style-type: none"> <li>continue the Contract; or</li> <li>receive the death benefit under the Contract or the GMWB Death Benefit, whichever is applicable.</li> </ol> <p>Unless <i>your</i> surviving spouse <i>owner</i> elects to continue the Contract, upon <i>your</i> death, only <i>your</i> spouse's right to the death benefit or GMWB Death Benefit will continue; all other rights and benefits under the Contract will terminate.</p>
The <i>annuitant</i> dies	The <i>owner</i> is not a natural person	<p>The beneficiary(ies) receives the death benefit under the Contract or the GMWB Death Benefit, whichever is applicable.</p> <p>If a beneficiary dies before the <i>annuitant</i>, on the <i>annuitant's</i> death we will make equal payments to the surviving beneficiaries unless the <i>owner</i> provided <i>us</i> with other written instructions.</p> <p>Upon the <i>annuitant's</i> death, only the beneficiary's(ies') right to the death benefit or the GMWB Death Benefit will continue; all other rights and benefits under the Contract will terminate.</p>



Before the *annuitization date*, you may give us written instructions for payment under a death benefit option. If we do not receive your instructions, the death benefit is paid according to instructions from the beneficiary(ies). The beneficiary(ies) may elect to apply the death benefit under an annuity benefit payment option or receive the death benefit as a single payment. Generally, unless the beneficiary(ies) elects otherwise, we pay the death benefit in a single payment, subject to proof of your death.

No *surrender charge* applies when a death benefit is paid.

## Payment of Death Benefit

The death benefit is usually paid within five business days of our receiving all required documents (including proof of death) to process the claim. Payment is made according to benefit instructions provided by you. Some states require this payment to be made in less than five business days. Under certain circumstances, this payment may be delayed (see 8. *ADDITIONAL INFORMATION ABOUT THE CONTRACT*).

Note: Proof of death includes: a certified copy of a death certificate; a certified copy of a court order; a written statement by a medical doctor; or other proof satisfactory to us.

The *accumulated value* remains invested in the *divisions* until the *valuation period* during which we receive the required documents. If more than one beneficiary is named, each beneficiary's portion of the death benefit remains invested in the *divisions* until the *valuation period* during which we receive the required documents for that beneficiary. Unless otherwise required by law, We pay interest on the death benefit from the first day the accumulated value is no longer invested in the divisions until payment is made. After payment of all of the death benefit (including any applicable interest), the Contract is terminated.

## Standard Death Benefit Formula

The amount of the standard death benefit is the greatest of a, b or c, where:

a = the *accumulated value* on the date we receive proof of death and all required documents;

b = the total of *premium payments* minus an adjustment for each partial surrender (and any applicable *surrender charges* and fees) and minus an adjustment for each partial *annuitization* made prior to the date we receive proof of death and all required documents; and

c = the highest *accumulated value* on any Contract *anniversary* that is wholly divisible by seven (for example, Contract *anniversaries* 7, 14, 21, 28, etc.) plus any *premium payments* since that contract *anniversary* and minus an adjustment for each partial surrender (and any applicable *surrender charges* and fees) and minus an adjustment for each partial *annuitization* made after that Contract *anniversary*.

The adjustment for each partial surrender (and any applicable *surrender charges* and fees) and for each partial *annuitization* made prior to the date we receive proof of death and all required documents is equal to (x divided by y) multiplied by z, where:

x = the amount of the partial surrender (and any applicable *surrender charges* and fees) or the amount of the partial *annuitization*; and

y = the *accumulated value* immediately prior to the partial surrender or partial *annuitization*; and

z = the amounts determined in b or c above immediately prior to the partial surrender or partial *annuitization*.

Example: Your *accumulated value* is \$10,000 and you take a partial surrender of \$2,000 (20% of your *accumulated value*). For purposes of calculating the death benefit, we reduce the amounts determined in b or c above by 20%.

## GMWB Death Benefit

**NOTE: The GMWB Death Benefit is available for applications signed on or after August 1, 2013 (August 15, 2013 for Illinois and Montana).**

**While the GMWB rider is active, the GMWB Death Benefit replaces any other death benefit under the Contract. The GMWB Death Benefit terminates when the GMWB rider terminates.**

1. If *you* are the only *owner*, upon *your* death, *your* primary beneficiary may elect one of the following:
  - a. receive the GMWB Death Benefit as set forth below; or
  - b. if the primary beneficiary is *your spouse*, *your spouse* may continue the Contract with or without this rider as set forth later in this section.
2. If there are *joint owners*, upon the death of the first *joint owner* to die, the surviving *joint owner* may elect one of the following:
  - a. receive the GMWB Death Benefit as set forth below; or
  - b. if the surviving *joint owner* is *your spouse*, *your spouse* may continue the Contract with or without this rider as set forth later in this section.

The GMWB Death Benefit is equal to the greatest of:

1. the Contract *accumulated value* as of the *valuation date* on which we receive the proof of death and all required documents;
2. the total premium payments minus each withdrawal taken on or before the *valuation date* on which we receive the proof of death and all required documents;
3. the Contract *accumulated value* that was in effect on any prior Contract anniversary that is divisible equally by 7, plus any premium payments made after that Contract anniversary minus each withdrawal taken after that Contract anniversary.

NOTE: For 2. and 3. above, a withdrawal that is not a "For Life" Excess Withdrawal will reduce the GMWB Death Benefit by the amount of the withdrawal. Then, each "For Life" Excess Withdrawal will proportionately reduce the GMWB Death Benefit by the ratio of the "For Life" Excess Withdrawal taken to the Contract *accumulated value* immediately prior to the "For Life" Excess Withdrawal.

NOTE: For 2. and 3. above, withdrawals up to the *RMD amount* under the RMD Program for GMWB Riders are not considered excess withdrawals and reduce the GMWB Death Benefit by the amount of the withdrawal.

For details of the GMWB Death Benefit calculations, see *APPENDIX C*.

**If the Contract Accumulated Value is Greater than Zero.** The following table illustrates the various situations and the resulting outcomes if *your* Contract *accumulated value* is greater than zero upon *your* death.

<b>If you die and...</b>	<b>And...</b>	<b>Then...</b>
You are the sole <i>owner</i>	Your spouse is not named as a primary beneficiary	The primary beneficiary(ies) will receive the GMWB Death benefit under the Contract.  All other rights and benefits under the rider and Contract will terminate.
You are the sole <i>owner</i>	Your spouse is named as a primary beneficiary	Your spouse may <ul style="list-style-type: none"> <li>a. continue the Contract with or without this rider as set forth later in this section; or</li> <li>b. receive the GMWB death benefit under the Contract.</li> </ul> All other primary beneficiaries will receive the GMWB Death Benefit under the Contract.  Unless <i>your</i> spouse elects to continue the Contract with this rider, only <i>your</i> spouse's and beneficiary(ies)'s right to the above-selected payments will continue; all other rights and benefits under the rider and Contract will terminate.
You are a <i>joint owner</i>	The surviving <i>joint owner</i> is not <i>your</i> spouse	Your surviving <i>owner</i> will receive the GMWB death benefit under the Contract.  All other rights and benefits under the rider and Contract will terminate.

<b>If you die and...</b>	<b>And...</b>	<b>Then...</b>
You are a <i>joint owner</i>	The surviving <i>joint owner</i> is <i>your</i> spouse	Your spouse may <ul style="list-style-type: none"> <li>a. continue the Contract with or without this rider as set forth later in this section; or</li> <li>b. receive the GMWB Death Benefit under the Contract.</li> </ul> Unless the surviving spouse <i>owner</i> elects to continue the Contract with this rider, upon <i>your</i> death, only <i>your</i> spouse's right to the above-selected payments will continue; all other rights and benefits under the rider and Contract will terminate.

<b>If...</b>	<b>And...</b>	<b>Then...</b>
The <i>annuitant</i> dies	The <i>owner</i> is not a natural person	The beneficiary(ies) receive the GMWB Death Benefit under the Contract.  If a beneficiary dies before the <i>annuitant</i> , on the <i>annuitant's</i> death we will make equal payments to the surviving beneficiaries unless the <i>owner</i> provided us with other written instructions. If no beneficiary(ies) survive the <i>annuitant</i> , the GMWB Death Benefit is paid to the <i>owner</i> .  Upon the <i>annuitant's</i> death, only the beneficiary(ies) right to the GMWB Death Benefit will continue; all other rights and benefits under the Contract will terminate.

NOTE: The "Joint Life" withdrawal option is not available if the *owner* is not a natural person.

**If the Contract Accumulated Value is Zero.** The following table illustrates the various situations and the resulting outcomes if the Contract *accumulated value* is zero upon *your* death.

If you die and...	And...	Then...
You are the sole <i>owner</i>	You elected the "Single Life" withdrawal option*	All payments stop and all rights and benefits under the Contract terminate.
You are the sole <i>owner</i>	You elected the "Joint Life" withdrawal option*	We will continue payments to the surviving covered life according to the schedule established when <i>you</i> made <i>your</i> election until the date of the surviving covered life's death.  Upon the surviving covered life's death, all payments stop and all rights and benefits under the Contract terminate.
You are a <i>joint owner</i>	You elected the "Single Life" withdrawal option*	All payments stop and all rights and benefits under the Contract terminate.
You are a <i>joint owner</i>	You elected the "Joint Life" withdrawal option*	We will continue payments to the surviving covered life according to the schedule established when <i>you</i> made <i>your</i> election until the date of the surviving covered life's death.  Upon the surviving <i>joint owner's</i> death, all payments stop and all rights and benefits under the Contract terminate.

\* See *Effect of the Contract Accumulated Value Reaching Zero Under the Rider* in section 4 for details regarding election of the For Life withdrawal option.

If...	And...	Then...
The <i>annuitant</i> dies	The <i>owner</i> is not a natural person  The <i>owner</i> elected the "Single Life" Withdrawal option	The beneficiary(ies) receive the death benefit under the Contract.  All payments stop and all rights and benefits under the Contract terminate.

NOTE: The "Joint Life" withdrawal option is not available if the *owner* is not a natural person.

#### GMWB Spousal Continuation

This rider provides that the *For Life withdrawal benefit payment* may be available in certain situations to an eligible spouse who continues the Contract with the rider.

If *you* die while this rider is in effect and if *your* surviving spouse elects to continue the Contract in accordance with its terms, the surviving spouse may also elect to continue this rider if

1. the Contract *accumulated value* is greater than zero;
2. there has not been a previous spousal continuation of the Contract and this rider; and
3. your spouse is either
  - a. your primary beneficiary, if *you* were the sole *owner*; or
  - b. the surviving *joint owner*, if there were *joint owners*.

If *your* spouse elects to continue the Contract without this rider, this rider and all rights, benefits and charges under this rider will terminate and cannot be reinstated.

NOTE: Although spousal continuation may be available under federal tax laws for a subsequent spouse, this rider may be continued one time only.

The following table illustrates the various changes and the resulting outcomes associated with continuation of this rider by an eligible surviving spouse.

If you die and ...	And...	Then...
No withdrawals have been taken since the rider effective date	Your spouse meets the minimum issue age requirement	Your spouse may continue the rider and take withdrawals until the earlier of your spouse's death or the <i>For Life withdrawal benefit base</i> reduces to zero.  For Life withdrawal benefits will automatically be calculated as "Single Life" and <i>your</i> spouse will be the sole covered life. <i>Your</i> spouse may not add a new covered life or elect "Joint Life".  The For Life withdrawal benefit percentage will be based on <i>your</i> spouse's age and will lock in at the "Single Life" percentage applicable on the date of <i>your</i> spouse's first withdrawal.  All other provisions of this rider will continue as in effect on the date of <i>your</i> death.
No withdrawals have been taken since the rider effective date	Your spouse does not meet the minimum issue age requirement	The GMWB rider terminates upon <i>your</i> death. All other provisions of the Contract will continue as in effect on the date of <i>your</i> death.

If you die and ...	And...	And...	Then...
Withdrawals have been taken since the rider effective date	You have locked in "Single Life" withdrawal benefits	---	The GMWB rider terminates upon <i>your</i> death. All other provisions of the Contract will continue as in effect on the date of <i>your</i> death.
Withdrawals have been taken since the rider effective date	You have locked in "Joint Life" withdrawal benefits	Your spouse is the surviving covered life	Your spouse may continue the rider and take <i>For Life withdrawal benefit payments</i> until the earlier of your spouse's death or the <i>For Life withdrawal benefit base</i> reduces to zero.  For Life withdrawal benefits will continue to be calculated as "Joint Life".  The For Life withdrawal benefit percentage will remain locked in at the "Joint Life" percentage applicable on the date of <i>your</i> first withdrawal and will not be reset to reflect <i>your</i> death.  All other provisions of this rider will continue as in effect on the date of <i>your</i> death.
Withdrawals have been taken since the rider effective date	You have locked in "Joint Life" withdrawal benefits	There is no surviving covered life	The GMWB rider terminates upon <i>your</i> death. All other provisions of the Contract will continue as in effect on the date of <i>your</i> death.

## 8. ADDITIONAL INFORMATION ABOUT THE CONTRACT

### The Contract

The entire Contract is made up of the Contract, amendments, riders and endorsements and *data page*. Only *our* corporate officers can agree to change or waive any provisions of a Contract. Any change or waiver must be in writing and signed by an officer of the Company.

## Delay of Payments

Surrendered amounts are generally disbursed within seven calendar days after we receive *your* instruction for a surrender in a form acceptable to us. This period may be shorter where required by law. However, payment of any amount upon total or partial surrender, death, *annuitization* of the *accumulated value* or the *transfer* to or from a *division* may be deferred during any period when the right to sell mutual fund shares is suspended as permitted under provisions of the Investment Company Act of 1940 (as amended).

The right to sell shares may be suspended during any period when:

- trading on the NYSE is restricted as determined by the SEC or when the NYSE is closed for other than weekends and holidays; or
- an emergency exists, as determined by the SEC, as a result of which:
  - disposal by a mutual fund of securities owned by it is not reasonably practicable;
  - it is not reasonably practicable for a mutual fund to fairly determine the value of its net assets; or
  - the SEC permits suspension for the protection of security holders.

If payments are delayed the *transfer* will be processed on the first *valuation date* following the expiration of the permitted delay unless we receive *your* written instructions to cancel *your* surrender, *annuitization*, or *transfer*. *Your* written instruction must be received in the *home office* prior to the expiration of the permitted delay. The transaction will be completed within seven business days following the expiration of a permitted delay.

In addition, we reserve the right to defer payment of that portion of *your accumulated value* that is attributable to a *premium payment* made by check for a reasonable period of time (not to exceed 15 business days) to allow the check to clear the banking system.

We may also defer payment of surrender proceeds payable out of the *Fixed Account* for a period of up to six months.

## Misstatement of Age or Gender

If the age or, where applicable, gender of the *annuitant* has been misstated, we adjust the annuity benefit payment under *your* Contract to reflect the amount that would have been payable at the correct age and gender. If we make any overpayment because of incorrect information about age or gender, or any error or miscalculation, we deduct the overpayment from the next payment or payments due. Underpayments are added to the next payment.

## Assignment

If *your* Contract is part of *your* qualified plan, IRA, SEP, or SIMPLE-IRA, *you* may not assign ownership.

You may assign ownership of *your non-qualified contract*. Each assignment is subject to any payments made or action taken by the Company prior to *our* notification of the assignment. We assume no responsibility for the validity of any assignment. An assignment or pledge of a Contract may have adverse tax consequences.

An assignment must be made in writing and filed with us at *our home office*. The irrevocable beneficiary(ies), if any, must authorize any assignment in writing. *Your* rights, as well as those of the *annuitant* and beneficiary, are subject to any assignment on file with us. Any amount paid to an assignee is treated as a partial surrender and is paid in a single payment.

The Company may refuse any assignment or *transfer* at any time on a non-discriminatory basis and may refuse any assignment where it believes such assignment may cause the development of a trading market.

## Change of Owner or Annuitant

If *your* Contract is part of *your* qualified plan, IRA, SEP, or SIMPLE-IRA *you* may not change either the *owner* or the *annuitant*.

You may change the *owner* and/or *annuitant* of *your non-qualified contract* at any time. *Your* request must be in writing and approved by us. After approval, the change is effective as of the date *you* signed the request for change. If ownership is changed, the benefits under certain riders may be affected. We reserve the right to require that *you* send us the Contract so that we can record the change.

If an *annuitant* who is not an *owner* dies while the Contract is in force, a new *annuitant* may be named unless the *owner* is a corporation, trust or other entity.

## Beneficiary

While this Contract is in force, *you* have the right to name or change a beneficiary. This may be done as part of the application process or by sending *us* a written request. Unless *you* have named an irrevocable beneficiary, *you* may change *your* beneficiary designation by sending *us* notice.

Any beneficiary change before the *annuitization date* which would cause a change in the covered life will result in termination of the GMWB rider except in certain circumstances. See 4. *LIVING BENEFIT – GUARANTEED MINIMUM WITHDRAWAL BENEFIT (GMWB)*.

## Contract Termination

We reserve the right to terminate the Contract and make a single payment (without imposing any charges) to *you* if *your accumulated value* at the end of the accumulation period is less than \$2,000, unless *you* have the GMWB rider. Before the Contract is terminated, we will send *you* a *notice* to increase the *accumulated value* to \$2,000 within 60 days. Termination of the Contracts will not unfairly discriminate against any *owner*.

## Reinstatement

Reinstatement is only available if *you* have surrendered *your* Contract for *your* full *accumulated value*. Any *premium payments* *you* make after a partial surrender or partial *annuitization* will be deemed new *premium payments*.

If *you* have requested to replace this Contract with an annuity contract from another company and want to reinstate this Contract, the following apply:

- we reinstate the Contract effective on the original surrender date;
- we apply the amount received from the other company (“reinstatement amount”) and the amount of the *surrender charge* *you* paid when *you* surrendered the Contract;
- these amounts are priced on the *valuation date* the money from the other company is received by us;
- commissions are not paid on the reinstatement amounts; and
- new *data page* is sent to *your* address of record.

If *you* have the GMWB rider, rider fees will apply for the period between the date *you* requested termination and the date *your* Contract was reinstated. Rider benefits will be adjusted when the amount originally surrendered differs from the reinstatement amount.

## Reports

We will mail to *you* a statement, along with any reports required by state law, of *your* current *accumulated value* at least once per year prior to the *annuitization date*. After the *annuitization date*, any reports will be mailed to the person receiving the annuity benefit payments.

Quarterly statements reflect purchases and redemptions occurring during the quarter as well as the balance of *units* owned and *accumulated values*.

## Important Information About Customer Identification Procedures

To help the government fight the funding of terrorism and money laundering activities, Federal law requires financial institutions to obtain, verify, and record information that identifies each person who applies for a Contract. When *you* apply for a Contract, we will ask for *your* name, address, date of birth, and other information that will allow *us* to verify *your* identity. We may also ask to see *your* driver’s license or other identifying documents.

If concerns arise with verification of *your* identification, no transactions will be permitted while we attempt to reconcile the concerns. If we are unable to verify *your* identity within 30 days of *our* receipt of *your* original *premium payment*, the Contract will be terminated and any value surrendered in accordance with normal redemption procedures. We will not suspend *your* right of full redemption, or postponed the date of payment upon redemption except as permitted by Section 22(e) of the Investment Act of 1940 or as amended.

We do not knowingly sell annuities that are for the benefit of a business/organization that is illegal under Federal and/or State law (such as a marijuana clinic), or a person who owns or receives income from such an entity or whose source of funds is illegal.

## Frequent Trading and Market-Timing (Abusive Trading Practices)

This Contract is not designed for frequent trading or market timing activity of the *investment options*. If *you* intend to trade frequently and/or use market timing investment strategies, *you* should not purchase this Contract. The Company does not accommodate market timing.

We consider frequent trading and market timing activities to be abusive trading practices because they:

- Disrupt the management of the *underlying mutual funds* by:
  - forcing the fund to hold short-term (liquid) assets rather than investing for long term growth, which results in lost investment opportunities for the fund; and
  - causing unplanned portfolio turnover;
- Hurt the portfolio performance of the *underlying mutual funds*; and
- Increase expenses of the *underlying mutual fund* and separate account due to:
  - increased broker-dealer commissions; and
  - increased record keeping and related costs.

If we are not able to identify such abusive trading practices, the abuses described above will negatively impact the Contract and cause investors to suffer the harms described.

We have adopted policies and procedures to help *us* identify and prevent abusive trading practices. In addition, the *underlying mutual funds* monitor trading activity to identify and take action against abuses. While *our* policies and procedures are designed to identify and protect against abusive trading practices, there can be no certainty that *we* will identify and prevent abusive trading in all instances. When *we* do identify abusive trading, *we* will apply *our* policies and procedures in a fair and uniform manner.

If *we*, or an *underlying mutual fund* that is an investment option with the Contract, deem abusive trading practices to be occurring, *we* will take action that may include, but is not limited to:

- Rejecting *transfer* instructions from a Contract *owner* or other person authorized by the *owner* to direct *transfers*;
- Restricting submission of *transfer* requests by, for example, allowing *transfer* requests to be submitted by 1st class U.S. mail only and disallowing requests made via the internet, by facsimile, by overnight courier or by telephone;
- Limiting the number of unscheduled *transfers* during a *contract year* to no more than 12;
- Prohibiting *you* from requesting a *transfer* among the *divisions* for a minimum of thirty days where there is evidence of at least one round-trip transaction (exchange or redemption of shares that were purchased within 30 days of the exchange/redemption) by *you*; and
- Taking such other action as directed by the *underlying mutual fund*.

We support the *underlying mutual funds* right to accept, reject or restrict, without prior written *notice*, any *transfer* requests into a fund.

In some instances, a *transfer* may be completed prior to a determination of abusive trading. In those instances, *we* will reverse the *transfer* (within two business days of the *transfer*) and return the Contract to the investment option holdings it had prior to the *transfer*. *We* will give *you* *notice* in writing in this instance.

## Distribution of the Contract

The Company has appointed Principal Securities, Inc. ("PSI") formerly Princor Financial Services Corporation (Des Moines, Iowa 50392-0200), a broker-dealer registered under the Securities Exchange Act of 1934, a member of the Financial Industry Regulatory Authority and affiliate of the Company, as the distributor and principal underwriter of the Contract. PSI is paid 6.50% of *premium payments* by the Company for the distribution of the Contract. PSI also may receive 12b-1 fees in connection with purchases and sales of mutual funds underlying the Contracts. PSI currently receives 12b-1 fees for the Diversified Balanced Managed Volatility Account, Diversified Growth Managed Volatility Account, Diversified Balanced Account, Diversified Growth Account, and Diversified Income Account.

PSI is an affiliate of the Company. Both PSI and the Company are subsidiaries of Principal Financial Services, Inc.



Applications for the Contracts are solicited by registered representatives of PSI or such other broker-dealers as have entered into selling agreements with PSI. Such registered representatives act as appointed agents of the Company under applicable state insurance law and must be licensed to sell variable insurance products. The Company intends to offer the Contract in all jurisdictions where it is licensed to do business and where the Contract is approved.

The distributor and/or its affiliates provide services to and/or funding vehicles for retirement plans and employer sponsored benefit programs. The distributor and its affiliates may pay a bonus or other consideration or incentive to intermediaries if a participant in such a retirement plan establishes a rollover individual retirement account with the assistance of a registered representative of an affiliate of distributor, if the intermediary sold the funding vehicle the retirement plan utilizes or if the intermediary subsequently became the broker of record with regard to the retirement plan. The distributor and its affiliates may pay a bonus or other consideration or incentive to intermediaries if an employee covered under an employer sponsored benefit program purchases a product from an affiliate of distributor with the assistance of a registered representative of an affiliate of distributor, if the intermediary sold the funding vehicle the employer sponsored benefit program utilizes or if the intermediary subsequently became the broker of record with regard to the employer sponsored benefit program.

The intermediary may pay to its financial professionals some or all of the amounts the distributor and its affiliates pay to the intermediary.

## **Performance Calculation**

The Separate Account may publish advertisements containing information (including graphs, charts, tables and examples) about the hypothetical performance of its *divisions* for this Contract as if the Contract had been issued on or after the date the *underlying mutual fund* in which the *division* invests was first offered. The hypothetical performance from the date of the inception of the *underlying mutual fund* in which the *division* invests is calculated by reducing the actual performance of the *underlying mutual fund* by the fees and charges of this Contract as if it had been in existence.

The yield and total return figures described below vary depending upon market conditions, composition of the *underlying mutual fund's* portfolios and operating expenses. These factors and possible differences in the methods used in calculating yield and total return should be considered when comparing the Separate Account performance figures to performance figures published for other investment vehicles. The Separate Account may also quote rankings, yields or returns as published by independent statistical services or publishers and information regarding performance of certain market indices. Any performance data quoted for the Separate Account represents only historical performance and is not intended to indicate future performance. For further information on how the Separate Account calculates yield and total return figures, see the SAI.

From time to time the Separate Account advertises its Money Market Division's "yield" and "effective yield" for these Contracts. Both yield figures are based on historical earnings and are not intended to indicate future performance. The "yield" of the *division* refers to the income generated by an investment in the *division* over a 7-day period (which period is stated in the advertisement). This income is then "annualized." That is, the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The "effective yield" is calculated similarly but, when annualized, the income earned by an investment in the *division* is assumed to be reinvested. The "effective yield" is slightly higher than the "yield" because of the compounding effect of the assumed reinvestment.

The Separate Account also advertises the average annual total return of its various *divisions*. The average annual total return for any of the *divisions* is computed by calculating the average annual compounded rate of return over the stated period that would equate an initial \$1,000 investment to the ending redeemable *accumulated value*.

## **9. FEDERAL TAX MATTERS**

The following description is a general summary of the tax rules, primarily related to federal income taxes, which in *our* opinion are currently in effect. These rules are based on laws, regulations and interpretations which are subject to change at any time. This summary is not comprehensive and is not intended as tax advice. Federal estate and gift tax considerations, as well as state and local taxes, may also be material. *You* should consult a tax advisor about the tax implications of taking action under a Contract or related retirement plan.

## Taxation of Non-Qualified Contracts

### Non-Qualified Contracts

Section 72 of the Internal Revenue Code governs the income taxation of annuities in general.

- *Premium payments* made under *non-qualified contracts* are not excludable or deductible from *your* gross income or any other person's gross income.
- An increase in the *accumulated value* of a *non-qualified contract* owned by a natural person resulting from the investment performance of the Separate Account or interest credited to the DCA Plus Accounts and the *Fixed Account* is generally not taxable until paid out as surrender proceeds, death benefit proceeds, or otherwise.
- Generally, *owners* who are non-natural persons are immediately taxed on any increase in the *accumulated value* unless the non-natural person is acting as an agent for a natural person.

The following discussion applies generally to Contracts owned by natural persons.

- Surrenders or partial surrenders are taxed as ordinary income to the extent of the accumulated income or gain under the Contract.
- The value of the Contract pledged or assigned is taxed as ordinary income to the same extent as a partial surrender.

Annuity benefit payments:

- The basic rule for taxing annuity benefit payments is that part of each annuity benefit payment is considered a nontaxable return of the investment in the Contract and part is considered taxable income. An "exclusion ratio" is applied to each annuity benefit payment to determine how much of the payment is excludable from gross income. The remainder of the annuity benefit payment is includable in gross income for the year received.
- The "investment in the Contract" is generally the total of the *premium payments* made less any tax-free return of premiums.
- After the premium payment(s) in the Contract is paid out, the full amount of any annuity benefit payment is taxable.

For purposes of determining the amount of taxable income resulting from distributions, all Contracts and other annuity contracts issued by *us* or *our* affiliates to the same *owner* within the same calendar year are treated as if they are a single contract.

*Transfer* of ownership may have tax consequences to the *owner*. Please consult with *your* tax advisor before changing ownership of *your* Contract.

### Required Distributions for Non-Qualified Contracts

In order for a *non-qualified contract* to be treated as an annuity contract for federal income tax purposes, the Internal Revenue Code requires:

- If the person receiving payments dies on or after the *annuitization date* but prior to the time the entire interest in the Contract has been distributed, the remaining portion of the interest is distributed at least as rapidly as under the method of distribution being used as of the date of that person's death.
- If *you* die prior to the *annuitization date*, the entire interest in the Contract will be distributed:
  - within five years after the date of *your* death; or
  - as annuity benefit payments which begin within one year of *your* death and which are made over the life of *your* designated beneficiary or over a period not extending beyond the life expectancy of that beneficiary.
- If *you* take a premature distribution from the Contract, *you* may incur an income tax penalty, unless the distribution is:
  - made on or after *you* reach age 59½;
  - made to a beneficiary on or after *your* death;
  - made upon *your* disability;
  - part of a series of substantially equal periodic payments for the life or life expectancy of *you* or *you* and *your* beneficiary;
  - made under an immediate annuity contract; or
  - allocable to contributions made prior to August 14, 1982.

Generally, unless the beneficiary elects otherwise, the above requirements are satisfied prior to the *annuitization date* by paying the death benefit in a single payment, subject to proof of *your* death. The beneficiary may elect, by written request, to receive an annuity benefit payment option instead of a single payment.

If *your* designated beneficiary is *your* surviving spouse, the Contract may be continued with *your* spouse deemed to be the new *owner* for purposes of the Internal Revenue Code. Where the *owner* or other person receiving payments is not a natural person, the required distributions provided for in the Internal Revenue Code apply upon the death of the *annuitant*.

### Tax-Free Exchanges

Under Section 1035 of the Code, the exchange of one annuity contract for another is not a taxable transaction if the same owner is on each contract in the exchange, but is reportable to the IRS.

### Net Investment Income Tax Change for 2013

The Net Investment Income tax is imposed at a rate of 3.8% on net investment income for higher tax bracket individuals.

As part of the Health Care and Reconciliation Act of 2010, the new tax increase may apply to individuals' net investment income with an Adjustable Gross Income over \$200,000 (single filers) or \$250,000 for married couples filing jointly. The tax applies to income from interest, dividends, annuities, royalties and rents not obtained in a normal trade of business. The tax may also apply to certain trusts and estates with net investment income.

Income from annuities that are part of a qualified retirement plan (as described in the following section) are not treated as investment income for the purpose of this new tax and thus are not subject to the new 3.8% rate but may be includable for purposes of determining whether the applicable Net Investment Income Tax income limits are exceeded.

## **Taxation of Qualified Contracts**

### Tax-Qualified Contracts: IRA, SEP, and SIMPLE-IRA

The Contract may be used to fund IRAs, SEPs, and SIMPLE-IRAs.

- IRA – An Individual Retirement Annuity (IRA) is a retirement savings annuity. Contributions grow tax deferred.
- SEP-IRA – SEP stands for Simplified Employee Pension and is a form of IRA. A SEP allows you, as an employer, to provide retirement benefits for *your* employees by contributing to their IRAs.
- SIMPLE-IRA – SIMPLE stands for Savings Incentive Match Plan for Employees. A SIMPLE-IRA allows employees to save for retirement by deferring salary on a pre-tax basis and receiving predetermined company contributions.

The tax rules applicable to *owners*, *annuitants* and other payees vary according to the type of plan and the terms and conditions of the plan itself. In general, *premium payments* made under a retirement program recognized under the Internal Revenue Code are excluded from the participant's gross income for tax purposes prior to the annuity benefit payment date (subject to applicable state law). The portion, if any, of any *premium payment* made that is not excluded from their gross income is their investment in the Contract. Aggregate deferrals under all plans at the employee's option may be subject to limitations.

**Tax-qualified retirement arrangements, such as IRAs, SEPs, and SIMPLE-IRAs, are tax-deferred. You derive no additional benefit from the tax deferral feature of the annuity.** Consequently, an annuity should be used to fund an IRA, or other tax qualified retirement arrangement to benefit from the annuity's features other than tax deferral. These features may include guaranteed lifetime income, death benefits without *surrender charges*, guaranteed caps on fees, and the ability to *transfer* among *investment options* without sales or withdrawal charges.

The tax implications of these plans are further discussed in the SAI under the heading Taxation Under Certain Retirement Plans. Check with *your* tax advisor for the rules which apply to *your* specific situation.

**Premature Distributions:** There is a 10% excise tax under the Internal Revenue Code on the taxable portion of a “premature distribution” from IRAs, IRA rollovers, SEP-IRAs and SIMPLE-IRAs. The tax penalty is increased to 25% in the case of distributions from SIMPLE-IRAs during the first two years of participation. Generally, an amount is a “premature distribution” unless the distribution is:

- made on or after *you* reach age 59 ½;
- made to a beneficiary on or after *your* death;
- made upon *your* disability;
- part of a series of substantially equal periodic payments for the life or life expectancy of *you* or *you* and the beneficiary;
- made to pay certain medical expenses;
- for health insurance premiums while unemployed;
- for first home purchases (up to \$10,000);
- for qualified higher education expenses;
- for qualified disaster tax relief distributions;
- for qualified reservist distributions;
- for amounts levied by the IRS directly against *your* IRA;
- for earnings associated with refunds of excess IRA contributions paid prior to *your* tax filing deadline;
- for certain Roth IRA conversions; or
- for *transfer* of IRA incident to divorce.

For more information regarding premature distributions, please reference IRS Publication 590-B and consult *your* tax advisor.

### Rollover IRAs

If *you* receive a lump-sum distribution from a qualified retirement plan, tax-sheltered annuity or governmental 457(b) plan, *you* may maintain the tax-deferred status of the distribution by rolling it over into an eligible retirement plan or IRA. *You* can accomplish this by electing a direct rollover from the plan, or *you* can receive the distribution and roll it over into an eligible retirement plan or IRA within 60 days. However, if *you* do not elect a direct rollover from the plan, the plan is required to withhold 20% of the distribution. This amount is sent to the IRS as income tax withholding to be credited against *your* taxes. Amounts received prior to age 59 ½ and not rolled over may be subject to an additional 10% excise tax. *You* may roll over amounts from a qualified plan directly to a Roth IRA. As part of this rollover, previously taxed deferred funds from the qualified plan are converted to after-tax funds under a Roth IRA. Generally, the entire rollover is taxable (unless it includes after-tax dollars) and is included in gross income in the year of the rollover/conversion. For more information, please see *your* tax advisor.

In addition, not more frequently than once every twelve months, an owner may execute one tax-free indirect rollover from one IRA to another, subject to the 60-day limitation. The once-per-year limitation on rollovers does not apply to direct transfers of funds between IRA providers or to Roth IRA conversions. For more information, please see *your* tax advisor.

### Roth IRAs

The Contract may be purchased to fund a Roth IRA. Contributions to a Roth IRA are not deductible from taxable income. Subject to certain limitations, a traditional IRA, SIMPLE-IRA or SEP-IRA may be converted into a Roth IRA or a distribution from such an arrangement may be rolled over to a Roth IRA. However, a conversion or a rollover to a Roth IRA is not excludable from gross income. If certain conditions are met, qualified distributions from a Roth IRA are tax-free. For more information, please contact *your* tax advisor.

### Required Minimum Distributions for IRAs

The Required Minimum Distribution (RMD) regulations dictate when individuals must start taking payments from their IRA. Generally speaking, RMDs for IRAs must begin no later than April 1 following the close of the calendar year in which *you* turn 70½. Thereafter, the RMD is required no later than December 31 of each calendar year.

The RMD rules apply to traditional IRAs, as well as SEP-IRAs and SIMPLE-IRAs, during the lifetime and after the death of IRA *owners*. They do not, however, apply to Roth IRAs during the lifetime of the Roth IRA *owner*. If an individual owns more than one IRA, the *RMD amount* must be determined for each, but the actual distribution can be satisfied from a combination of one or more of the *owner's* IRAs. Roth IRAs may not be aggregated with other IRAs, but may be aggregated with other Roth IRAs.

NOTE: Contractual limitations exist that may limit the ability to satisfy an individual's multiple RMD obligations with this annuity. Please see 4. *LIVING BENEFIT – GUARANTEED MINIMUM WITHDRAWAL BENEFIT (GMWB) - Required Minimum Distribution (RMD) Program for GMWB Riders* for details.

Failure to comply with the RMD rules can result in excise tax penalty of 50% on the amount by which the RMD in any year exceeds the amount actually distributed in that year.

## **Withholding**

Annuity benefit payments and other amounts received under the Contract are subject to income tax withholding unless the recipient elects not to have taxes withheld. The amounts withheld vary among recipients depending on the tax status of the individual and the type of payments from which taxes are withheld.

Notwithstanding the recipient's election, withholding may be required on payments delivered outside the United States and in certain circumstances to payments made to non-natural persons. Moreover, special "backup withholding" rules may require *us* to disregard the recipient's election if the recipient fails to supply *us* with a "TIN" or taxpayer identification number (social security number for individuals), or if the Internal Revenue Service notifies *us* that the TIN provided by the recipient is incorrect.

## **10. GENERAL INFORMATION ABOUT THE COMPANY**

### **Corporate Organization and Operation**

#### **Principal Life Insurance Company**

Principal Life Insurance Company is a stock life insurance company with authority to transact life and annuity business in all states of the United States and the District of Columbia. *Our home office* is located at: Principal Financial Group, Des Moines, Iowa 50392-1770. *We* are a wholly owned subsidiary of Principal Financial Services, Inc., which in turn, is a wholly owned direct subsidiary of Principal Financial Group, Inc., a publicly-traded company. The Company is subject to the laws of the State of Iowa governing insurance companies and to regulation by the Insurance Department of the State of Iowa.

On June 24, 1879, *we* were incorporated under Iowa law as a mutual assessment life insurance company named Bankers Life Association. *We* became a legal reserve life insurance company and changed *our* name to Bankers Life Company in 1911. In 1986, *we* changed *our* name to Principal Mutual Life Insurance Company. In 1998, *we* became Principal Life Insurance Company, a subsidiary stock life insurance company of Principal Mutual Holding Company, as part of a reorganization into a mutual insurance holding company structure. In 2001, Principal Mutual Holding Company converted to a stock company through a process called demutualization, resulting in *our* current organizational structure.

#### **Principal Life Insurance Company Separate Account B**

The Separate Account was established under Iowa law on January 12, 1970 and was registered as a *Unit* investment trust with the SEC on July 17, 1970. This registration does not involve SEC supervision of the investments or investment policies of the Separate Account. *We* do not guarantee the investment results of the Separate Account. There is no assurance that the value of *your* Contract will equal the total of the payments *you* make to *us*.

The Separate Account is not affected by the rate of return of *our* General Account or by the investment performance of any of *our* other assets. Any income, gain, or loss (whether or not realized) from the assets of the Separate Account are credited to or charged against the Separate Account without regard to *our* other income, gains, or losses. Assets of the Separate Account attributed to the reserves and other liabilities under the Contract may not be charged with liabilities arising from any of *our* other businesses.

If the Separate Account is not able to meet its benefit payment obligations (for example, annuity benefit payments, death benefit payment(s) and guaranteed minimum withdrawal benefit payments), they will become obligations of the General Account and will be subject to the rights of the Company's other creditors and its overall claims paying ability.

The Separate Account is divided into *divisions*. The assets of each *division* invest in a corresponding *underlying mutual fund*. New *divisions* may be added and made available. *Divisions* may also be eliminated. These changes will be made in a manner that is consistent with applicable laws and regulations.

## The Underlying Mutual Funds

The *underlying mutual funds* are registered under the Investment Company Act of 1940 as open-end investment management companies. The *underlying mutual funds* provide the investment vehicles for the Separate Account. A full description of the *underlying mutual funds*, the investment objectives, policies and restrictions, charges and expenses and other operational information are contained in the accompanying prospectuses (which should be read carefully before investing) and the Statement of Additional Information (“SAI”). **You may request additional copies of these documents without charge from your registered representative or by calling us at 1-800-852-4450.**

We purchase and sell shares of the *underlying mutual fund* for the Separate Account at their net asset value. Shares represent interests in the *underlying mutual fund* available for investment by the Separate Account. Each *underlying mutual fund* corresponds to one of the *divisions*. The assets of each *division* are separate from the others. A *division's* performance has no effect on the investment performance of any other *division*.

The *underlying mutual funds* are NOT available to the general public directly. The *underlying mutual funds* are available only as *investment options* in variable life insurance policies or variable annuity contracts issued by life insurance companies and *qualified plans*. Some of the *underlying mutual funds* have been established by investment advisers that manage publicly traded mutual funds having similar names and investment objectives. While some of the *underlying mutual funds* may be similar to, and may in fact be modeled after publicly traded mutual funds, *you* should understand that the *underlying mutual funds* are not otherwise directly related to any publicly traded mutual fund. Consequently, the investment performance of any *underlying mutual fund* may differ substantially from the investment performance of a publicly traded mutual fund.

The Table of *Separate Account divisions* included later in this prospectus contains a brief summary of the investment objectives and a listing of the advisor and, if applicable, sub-advisor for each *division*.

### Deletion or Substitution of Separate Account Divisions

We reserve the right, within the law, to make additions, deletions and substitutions for the *divisions*. We will make no such substitution or deletion without first notifying *you* and obtaining approval of the appropriate insurance regulatory authorities and the SEC (to the extent required by 1940 Act).

If the shares of a *division* are no longer available for investment or, in the judgment of *our* management, investment in a *division* becomes inappropriate for the purposes of *our* contract, we may eliminate the shares of a *division* and substitute shares of another *division* of the Trust or another open-end registered investment company. Substitution may be made with respect to both existing investments and the investment of future *premium payments*.

If we eliminate *divisions*, *you* may change allocation percentages and *transfer* any value in an affected *division* to another *division(s)* without charge. *You* may exercise this exchange privilege until the later of 60 days after a) the effective date of the additions, deletions and/or substitutions of the change, or b) the date *you* receive *notice* of the options available. *You* may only exercise this right if *you* have any value in the affected *division(s)*.

We also reserve the right to establish additional *divisions*, each of which would invest in a separate *underlying mutual fund* with a specified investment objective.

### Voting Rights

We vote shares of the *underlying mutual funds* owned by the Separate Account according to the instructions of Contract *owners*.

We will notify *you* of shareholder meetings of the mutual funds underlying the *divisions* in which *you* hold *units*. We will send *you* proxy materials and instructions for *you* to provide voting instructions to us. We will arrange for the handling and tallying of proxies received from *you* and other *owners*. If *you* give no voting instructions, we will vote those shares in the same proportion as shares for which we received instructions. Because there is no required minimum number of votes, a small number of votes can have a disproportionate effect.

We determine the number of fund shares that *you* may instruct us to vote by allocating one vote for each \$100 of *accumulated value* in the *division*. Fractional votes are allocated for amounts less than \$100. We determine the number of underlying fund shares *you* may instruct us to vote as of the record date established by the *underlying mutual fund* for its shareholder meeting. In the event that applicable law changes or we are required by regulators to disregard voting instructions, we may decide to vote the shares of the *underlying mutual funds* in *our* own right.

## Legal Opinions

Legal matters applicable to the issue and sale of the Contracts, including *our* right to issue Contracts under Iowa Insurance Law, have been passed upon by Karen Shaff, Executive Vice President, General Counsel and Secretary.

## Legal Proceedings

There are no legal proceedings pending for which the following would be adversely affected in a material way: Separate Account B, the Company; any subsidiary of the Company; principal underwriter; or depositor.

## Other Variable Annuity Contracts

The Company currently offers other variable annuity contracts that participate in Separate Account B. In the future, we may designate additional group or individual variable annuity contracts as participating in Separate Account B.

## Householding

To avoid sending duplicate copies of materials to *owners*, only one copy of the prospectus and annual and semi-annual reports for the funds will be mailed to *owners* having the same name and address on *our* records. The consolidation of these mailings, called householding, benefits *us* through reduced mailing expense. If *you* want to receive multiple copies of these materials, *you* may call *us* at 1-800-852-4450. *You* may also notify *us* in writing. Individual copies of prospectuses and reports will be sent to *you* within thirty (30) days after *we* receive *your* request to stop householding.

## Payments to Financial Intermediaries

The Company pays compensation to broker-dealers, financial institutions, and other parties (“Financial Intermediaries”) for the sale of the Contract according to schedules in the sales agreements and other agreements reached between the Company and the Financial Intermediaries. Such compensation generally consists of commissions on premiums paid on the Contract. The Company and/or its affiliates may also pay other amounts (“Additional Payments”) that include, but are not limited to, marketing allowances, expense reimbursements, and educational payments. These Additional Payments are designed to provide incentives for the sale of the Contracts as well as other products sold by the Company and may influence the Financial Intermediaries or their registered representatives to recommend the purchase of this Contract over competing annuity contracts or other investment products. *You* may ask *your* registered representative about these differing and divergent interests, how *your* registered representative is personally compensated, and how *your* registered representative’s broker-dealer is compensated for soliciting applications for the Contract.

*We* and/or *our* affiliates provide services to and/or funding vehicles for welfare benefit plans, retirement plans and employer sponsored benefits. *We* and *our* affiliates may pay a bonus or other consideration or incentive to brokers or dealers:

- if a participant in such a welfare benefit or retirement plan or an employee covered under an employer sponsored benefit purchases an individual product with the assistance of a registered representative of an affiliate of ours;
- if a participant in such a retirement plan establishes a rollover individual retirement account with the assistance of a registered representative of an affiliate of ours;
- if the broker or dealer sold the funding vehicle the welfare benefit or retirement plan or employer sponsored benefit utilizes; or
- based on the broker's or dealer's relationship to the welfare benefit or retirement plan or employer sponsored benefit.

The broker or dealer may pay to its financial professionals some or all of the amounts *we* pay to the broker or dealer.

## **Service Arrangements and Compensation**

The Company has entered into agreements with the distributors, advisers, and/or the affiliates of some of the mutual funds underlying the Contract and receives compensation for providing certain services including, but not limited to, distribution and operational support services, to the *underlying mutual fund*. Fees for these services are paid periodically (typically, quarterly or monthly) based on the average daily net asset value of shares of each fund held by the Separate Account and purchased at the Contract *owners'* instructions. Because the Company receives such fees, it may be subject to competing interests in making these funds available as *investment options* under the Contract. The Company takes into consideration the anticipated payments from *underlying mutual funds* when it determines the charges assessed under the Contract. Without these payments, charges under the Contract are expected to be higher.

## **Mutual Fund Diversification**

The United States Treasury Department has adopted regulations under Section 817(h) of the Internal Revenue Code which establishes standards of diversification for the investments underlying the Contracts. Under this Internal Revenue Code Section, Separate Account investments must be adequately diversified in order for the increase in the value of *non-qualified contracts* to receive tax-deferred treatment. In order to be adequately diversified, the portfolio of each *underlying mutual fund* must, as of the end of each calendar quarter or within 30 days thereafter, have no more than 55% of its assets invested in any one investment, 70% in any two investments, 80% in any three investments and 90% in any four investments. Failure of an *underlying mutual fund* to meet the diversification requirements could result in tax liability to *non-qualified contract* holders.

The investment opportunities of the *underlying mutual funds* could conceivably be limited by adhering to the above diversification requirements. This would affect all *owners*, including *owners* of Contracts for whom diversification is not a requirement for tax-deferred treatment.

## **State Regulation**

The Company is subject to the laws of the State of Iowa governing insurance companies and to regulation by the Insurance Department of the State of Iowa. An annual statement in a prescribed form must be filed by March 1 in each year covering *our* operations for the preceding year and *our* financial condition on December 31 of the prior year. *Our* books and assets are subject to examination by the Commissioner of Insurance of the State of Iowa, or the Commissioner's representatives, at all times. A full examination of *our* operations is conducted periodically by the National Association of Insurance Commissioners. Iowa law and regulations also prescribe permissible investments, but this does not involve supervision of the investment management or policy of the Company.

In addition, we are subject to the insurance laws and regulations of other states and jurisdictions where we are licensed to operate. Generally, the insurance departments of these states and jurisdictions apply the laws of the state of domicile in determining the field of permissible investments.

## **Independent Registered Public Accounting Firm**

The financial statements of Principal Life Insurance Company Separate Account B and the consolidated financial statements of Principal Life Insurance Company are included in the SAI. Those statements have been audited by Ernst & Young LLP, independent registered public accounting firm, for the periods indicated in their reports which also appear in the SAI.

## **Financial Statements**

The consolidated financial statements of Principal Life Insurance Company which are included in the SAI should be considered only as they relate to *our* ability to meet *our* obligations under the Contract. They do not relate to investment performance of the assets held in the Separate Account.



## 11. TABLE OF SEPARATE ACCOUNT DIVISIONS

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**Diversified Balanced Division (This *underlying mutual fund* is a fund of funds.) (No longer available to new investors with an application date on or after 12/01/2013)**

**Invests in:** Principal Variable Contracts Funds Diversified Balanced Account – Class 2

**Investment Advisor:** Principal Management Corporation

**Investment Objective:** seeks to provide as high a level of total return (consisting of reinvested income and capital appreciation) as is consistent with reasonable risk.

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**Diversified Balanced Managed Volatility Division (This *underlying mutual fund* is a fund of funds.)**

**Invests in:** Principal Variable Contracts Funds Diversified Balanced Managed Volatility Account – Class 2

**Investment Advisor:** Principal Management Corporation

**Investment Objective:** seeks to provide as high a level of total return (consisting of reinvested income and capital appreciation) as is consistent with reasonable risk, with an emphasis on managing volatility.

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**Diversified Growth Division (This *underlying mutual fund* is a fund of funds.) (No longer available to new investors with an application date on or after 12/01/2013)**

**Invests in:** Principal Variable Contracts Funds Diversified Growth Account – Class 2

**Investment Advisor:** Principal Management Corporation

**Investment Objective:** seeks to provide long-term capital appreciation.

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**Diversified Growth Managed Volatility Division (This *underlying mutual fund* is a fund of funds.)**

**Invests in:** Principal Variable Contracts Funds Diversified Growth Managed Volatility Account – Class 2

**Investment Advisor:** Principal Management Corporation

**Investment Objective:** seeks to provide long-term capital appreciation, with an emphasis on managing volatility.

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**Diversified Income Division (This *underlying mutual fund* is a fund of funds.)**

**Invests in:** Principal Variable Contracts Funds Diversified Income Account – Class 2

**Investment Advisor:** Principal Management Corporation

**Investment Objective:** seeks to provide as high a level of total return (consisting of reinvested income and capital appreciation).

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**Fidelity VIP Government Money Market Division**

**Invests in:** Fidelity VIP Government Money Market Portfolio – Initial Class

**Investment Advisor:** Fidelity Management & Research Company

**Investment Objective:** seeks as high a level of current income as is consistent with preservation of capital and liquidity.

## 12. REGISTRATION STATEMENT

This prospectus (Part A of the registration statement) omits some information contained in the Statement of Additional Information (Part B of the registration statement) and Part C of the registration statement which the Company has filed with the SEC. The SAI is hereby incorporated by reference into this prospectus. *You* may request a free copy of the SAI by contacting *your* registered representative or calling *us* at 1-800-852-4450.

Information about the Contract (including the Statement of Additional Information and Part C of the registration statement) can be reviewed and copied at the Securities and Exchange Commission's Public Reference Room in Washington, D.C. Information on the operation of the public reference room may be obtained by calling the Commission at 202-551-8090. Reports and other information about the Contract are available on the Commission's internet site at <http://www.sec.gov>. Copies of this information may be obtained, upon payment of a duplicating fee, by writing the Public Reference Section of the Commission, 100 F Street NE, Washington, D.C. 20549-0102.

The registration numbers for the Contract are 333-171650 and 811-02091.

## 13. TABLE OF CONTENTS OF THE SAI

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To obtain a copy of the Statement of Additional Information, free of charge, write or telephone:

Principal Securities, Inc.  
a company of  
the Principal Financial Group  
Des Moines, IA 50392-2080  
Telephone: 1-800-852-4450

## APPENDIX A — GMWB EXAMPLES (for applications signed on or after August 1, 2015)

For applications signed before August 1, 2015, refer to Appendix B for GMWB examples.

These examples have been provided to assist *you* in understanding the various features of the GMWB rider and to demonstrate how *premium payments* received and withdrawals taken from the Contract affect the values and benefits under the GMWB rider. These examples are based on certain hypothetical assumptions and are for illustrative purposes only. These examples are not intended to serve as projections of future investment returns.

NOTE: The *owner's* actions determine the benefits received.

NOTE: For the purpose of the following examples, a partial *annuitization* has the same effect as a partial surrender and both are referred to as a withdrawal in the following examples.

### Examples Without Excess Withdrawals (Examples 1-5)

The examples without excess withdrawals assume the following:

- the client is age 62 and the client's spouse is age 60 on the rider effective date.
- initial *premium payment* = \$100,000.
- the *withdrawal benefit base* prior to partial surrender = \$100,000.
- "Single Life" For Life (4.50%) *withdrawal benefit payment* = \$4,500.
- "Joint Life" For Life (4.00%) *withdrawal benefit payment* = \$4,000.

#### Example 1

In *contract year one*, no withdrawals are taken and no *For Life withdrawal benefit payment* election has been designated. Because the client has not made a *For Life withdrawal benefit payment* election, we automatically calculate the *For Life withdrawal benefit payment* as "Single Life".

On the first Contract *anniversary*:

- a 5% GMWB bonus is credited to the *withdrawal benefit base*. The credit is  $\$100,000 \times 0.05 = \$5,000$ .
- there is no GMWB Step-Up because the *withdrawal benefit base* after the bonus is credited is larger than the Contract's *accumulated value*.
- the new *withdrawal benefit base* is  $\$100,000 + 5,000 = \$105,000$ ;
- the new *withdrawal benefit payment* is  $\$105,000 \times 0.0450 = \$4,725$ .

#### Example 2

In *contract year one*:

- no withdrawals are taken and no *For Life withdrawal benefit payment* election has been designated. Because the client has not made a *For Life withdrawal benefit payment* election, we automatically calculate the *For Life withdrawal benefit payment* as "Single Life".
- the client makes a *premium payment* of \$50,000.

On the first Contract *anniversary*:

- a 5% GMWB bonus is credited to the *withdrawal benefit base*. The credit is  $(\$100,000 + \$50,000) \times 0.05 = \$7,500$ .
- there is no GMWB Step-Up because the *withdrawal benefit base* after the bonus is credited is larger than the Contract's *accumulated value*.
- the new *withdrawal benefit base* is  $\$100,000 + \$50,000 + \$7,500 = \$157,500$ ;
- the new *withdrawal benefit payment* is  $\$157,500 \times 0.0450 = \$7,087.50$ .

#### Example 3

In *contract year one*, the client elects the "Joint Life" *For Life withdrawal benefit payment* and takes a withdrawal of \$4,000. The "Joint Life" *For Life withdrawal benefit payment* percentage is locked-in at 4.00%.

On the first Contract *anniversary*:

- Since a withdrawal was taken in *contract year one*, no GMWB bonus is credited.
- there is no GMWB Step-Up because the *withdrawal benefit base* is larger than the Contract's *accumulated value*.
- the *withdrawal benefit base* remains the same (\$100,000);
- the *withdrawal benefit payment* for the next *contract year* remains the same  $(\$100,000 \times 0.0400 = \$4,000)$ .

**Example 4**

In *contract year one*, no withdrawals are taken and no *For Life withdrawal benefit payment* election has been designated. Because the client has not made a *For Life withdrawal benefit payment* election, we automatically calculate the *For Life withdrawal benefit payment* as “Single Life”.

On the first *Contract anniversary*:

- a 5% GMWB bonus is credited to the *withdrawal benefit base*. The credit is  $\$100,000 \times 0.05 = \$5,000$ .
- there is no GMWB Step-Up because the *withdrawal benefit base* after the bonus is credited is larger than the *Contract’s accumulated value*.
- the new *withdrawal benefit base* is  $\$100,000 + 5,000 = \$105,000$ ;
- the new *withdrawal benefit payment* is  $\$105,000 \times 0.0450 = \$4,725$ .

In *contract year two*, the client elects the “Joint Life” *For Life withdrawal benefit payment* and takes a withdrawal of \$4,200. The “Joint Life” *For Life withdrawal benefit payment* percentage is locked-in at 4.00%.

On the second *Contract anniversary*:

- Since a withdrawal was taken in *contract year two*, no GMWB bonus is credited.
- there is no GMWB Step-Up because the *withdrawal benefit base* is larger than the *Contract’s accumulated value*.
- the *withdrawal benefit base* remains the same (\$105,000);
- the *withdrawal benefit payment* for the next *contract year* is  $\$105,000 \times 0.0400 = \$4,200$ .

In *contract year three*, no withdrawals are taken. The “Joint Life” *For Life withdrawal benefit payment* percentage remains locked-in at 4.00%.

On the third *Contract anniversary*:

- Since a withdrawal was taken in *contract year two*, no GMWB bonus is credited.
- there is no GMWB Step-Up because the *withdrawal benefit base* is larger than the *Contract’s accumulated value*.
- the *withdrawal benefit base* remains the same (\$105,000);
- the *withdrawal benefit payment* for the next *contract year* remains the same ( $\$105,000 \times 0.0400 = \$4,200$ ).

**Example 5**

The client elects the “Single Life” *For Life withdrawal benefit payment*, and in each of the first two *contract years*, takes a withdrawal of \$4,500. Assume there is no GMWB Step-Up on the first *Contract anniversary*. On the 2nd *Contract anniversary*, the client will receive a GMWB Step-Up if the *Contract’s accumulated value* is greater than the *withdrawal benefit base*.

If the accumulated value on the second contract anniversary is:	\$95,000	\$110,000
<b>For Life (“Single Life”)</b>		
<b>Prior to step-up</b>		
<i>Withdrawal benefit base</i>	\$100,000	\$100,000
<i>Withdrawal benefit payment</i>	$\$100,000 \times 0.0450 = \$4,500$	$\$100,000 \times 0.0450 = \$4,500$
<b>After step-up</b>		
<i>Withdrawal benefit base</i>	\$100,000	\$110,000
<i>Withdrawal benefit payment</i>	$\$100,000 \times 0.0450 = \$4,500$	$\$110,000 \times 0.0450 = \$4,950$

**Examples With Excess Withdrawals (Examples 6-7)**

The excess withdrawal examples assume the following:

- the client is age 62 and elected “Single Life” *For Life withdrawal benefit payments* at the first withdrawal and therefore, locks-in the “Single Life” *For Life withdrawal benefit payment* percentage at 4.50%.
- the initial *premium payment* is \$100,000
- the *withdrawal benefit base* prior to partial surrender = \$100,000
- “Single Life” *For Life (4.50%) withdrawal benefit payment* = \$4,500
- Withdrawal taken = \$8,000
  - excess amount is \$3,500

### Example 6

In this example, assume the *accumulated value* prior to the withdrawal is \$90,000.

#### **Withdrawal Benefit Base Calculation**

On the Contract *anniversary* following the withdrawal, the *withdrawal benefit base* is adjusted for any excess withdrawals.

The amount of the adjustment\* is \$4,093.57. The new *For Life withdrawal benefit base* is \$100,000 - \$4,093.57 = \$95,906.43.

\* The amount of the adjustment for the excess withdrawal is the greater of a or b where:

- a = \$3,500 (the amount of the excess withdrawal); and
- b = \$4,093.57 (the result of (1 divided by 2) multiplied by 3) where:
  - 1 = the amount of the withdrawal greater than the "Single Life" *For Life withdrawal benefit payment* remaining prior to the withdrawal (\$3,500);
  - 2 = the *accumulated value* after the "Single Life" *For Life withdrawal benefit payment* is deducted but prior to the withdrawal of the excess amount (\$90,000 - \$4,500); and
  - 3 = the *For Life withdrawal benefit base* prior to the adjustment for the excess amount (\$100,000).

#### **Withdrawal Benefit Payment Calculation (for the next Contract year)**

The *withdrawal benefit payment* is the new *withdrawal benefit base* (calculated on the Contract *anniversary*) multiplied by the associated percentage. The "Single Life" *For Life withdrawal benefit payment* percentage is locked-in at 4.50%.

The new "Single Life" *For Life withdrawal benefit payment* is \$95,906.43 x 0.0450 = \$4,315.79.

### Example 7

In this example, assume the *accumulated value* prior to the withdrawal is \$110,000.

#### **Withdrawal Benefit Base Calculation**

On the Contract *anniversary* following the withdrawal, the *withdrawal benefit base* is adjusted for any excess withdrawals.

The amount of the adjustment\* is \$3,500 (the amount of the excess withdrawal). The new *For Life withdrawal benefit base* is \$100,000 - \$3,500 = \$96,500.

\* The amount of the adjustment for the excess withdrawal is the greater of a or b where:

- a = \$3,500 (the amount of the excess withdrawal); and
- b = \$3,317.54 (the result of (1 divided by 2) multiplied by 3) where:
  - 1 = the amount of the withdrawal greater than the "Single Life" *For Life withdrawal benefit payment* available prior to the withdrawal (\$3,500);
  - 2 = the *accumulated value* after the "Single Life" *For Life withdrawal benefit payment* is deducted but prior to the withdrawal of the excess amount (\$110,000 minus \$4,500); and
  - 3 = the *For Life withdrawal benefit base* prior to the adjustment for the excess amount (\$100,000).

#### **Withdrawal Benefit Payment Calculation (for the next Contract year)**

The *withdrawal benefit payment* is the new *withdrawal benefit base* (calculated on the Contract *anniversary*) multiplied by the associated percentage. The "Single Life" *For Life withdrawal benefit payment* percentage is locked-in at 4.50%.

The new "Single Life" *For Life withdrawal benefit payment* is \$96,500 x 0.0450 = \$4,342.50.

## APPENDIX B — GMWB EXAMPLES (for applications signed before August 1, 2015)

These examples have been provided to assist *you* in understanding the various features of the GMWB rider and to demonstrate how *premium payments* received and withdrawals taken from the Contract affect the values and benefits under the GMWB rider. These examples are based on certain hypothetical assumptions and are for illustrative purposes only. These examples are not intended to serve as projections of future investment returns.

NOTE: The *owner's* actions determine the benefits received.

NOTE: For the purpose of the following examples, a partial *annuitization* has the same effect as a partial surrender and both are referred to as a withdrawal in the following examples.

### Examples Without Excess Withdrawals (Examples 1-5)

The examples without excess withdrawals assume the following:

- the client is age 62 and the client's spouse is age 60 on the rider effective date.
- initial *premium payment* = \$100,000.
- the *withdrawal benefit base* prior to partial surrender = \$100,000.
- "Single Life" For Life (5.00%) *withdrawal benefit payment* = \$5,000.
- "Joint Life" For Life (4.50%) *withdrawal benefit payment* = \$4,500.

#### Example 1

In *contract year one*, no withdrawals are taken and no *For Life withdrawal benefit payment* election has been designated. Because the client has not made a *For Life withdrawal benefit payment* election, we automatically calculate the *For Life withdrawal benefit payment* as "Single Life".

On the first Contract *anniversary*:

- a 5% GMWB bonus is credited to the *withdrawal benefit base*. The credit is  $\$100,000 \times 0.05 = \$5,000$ .
- there is no GMWB Step-Up because the *withdrawal benefit base* after the bonus is credited is larger than the Contract's *accumulated value*.
- the new *withdrawal benefit base* is  $\$100,000 + 5,000 = \$105,000$ ;
- the new *withdrawal benefit payment* is  $\$105,000 \times 0.05 = \$5,250$ .

#### Example 2

In *contract year one*:

- no withdrawals are taken and no *For Life withdrawal benefit payment* election has been designated. Because the client has not made a *For Life withdrawal benefit payment* election, we automatically calculate the *For Life withdrawal benefit payment* as "Single Life".
- the client makes a *premium payment* of \$50,000.

On the first Contract *anniversary*:

- a 5% GMWB bonus is credited to the *withdrawal benefit base*. The credit is  $(\$100,000 + \$50,000) \times 0.05 = \$7,500$ .
- there is no GMWB Step-Up because the *withdrawal benefit base* after the bonus is credited is larger than the Contract's *accumulated value*.
- the new *withdrawal benefit base* is  $\$100,000 + \$50,000 + \$7,500 = \$157,500$ ;
- the new *withdrawal benefit payment* is  $\$157,500 \times 0.05 = \$7,875$ .

#### Example 3

In *contract year one*, the client elects the "Joint Life" *For Life withdrawal benefit payment* and takes a withdrawal of \$4,500. The "Joint Life" *For Life withdrawal benefit payment* percentage is locked-in at 4.50%.

On the first Contract *anniversary*:

- Since a withdrawal was taken in *contract year one*, no GMWB bonus is credited.
- there is no GMWB Step-Up because the *withdrawal benefit base* is larger than the Contract's *accumulated value*.
- the *withdrawal benefit base* remains the same (\$100,000);
- the *withdrawal benefit payment* for the next *contract year* remains the same  $(\$100,000 \times 0.0450 = \$4,500)$ .

**Example 4**

In *contract year one*, no withdrawals are taken and no *For Life withdrawal benefit payment* election has been designated. Because the client has not made a *For Life withdrawal benefit payment* election, we automatically calculate the *For Life withdrawal benefit payment* as “Single Life”.

On the first *Contract anniversary*:

- a 5% GMWB bonus is credited to the *withdrawal benefit base*. The credit is  $\$100,000 \times 0.05 = \$5,000$ .
- there is no GMWB Step-Up because the *withdrawal benefit base* after the bonus is credited is larger than the *Contract’s accumulated value*.
- the new *withdrawal benefit base* is  $\$100,000 + 5,000 = \$105,000$ ;
- the new *withdrawal benefit payment* is  $\$105,000 \times 0.05 = \$5,250$ .

In *contract year two*, the client elects the “Joint Life” *For Life withdrawal benefit payment* and takes a withdrawal of \$4,500. The “Joint Life” *For Life withdrawal benefit payment* percentage is locked-in at 4.50%.

On the second *Contract anniversary*:

- Since a withdrawal was taken in *contract year two*, no GMWB bonus is credited.
- there is no GMWB Step-Up because the *withdrawal benefit base* is larger than the *Contract’s accumulated value*.
- the *withdrawal benefit base* remains the same (\$105,000);
- the *withdrawal benefit payment* for the next *contract year* is  $\$105,000 \times 0.0450 = \$4,725$ .

In *contract year three*, no withdrawals are taken. The “Joint Life” *For Life withdrawal benefit payment* percentage remains locked-in at 4.50%.

On the third *Contract anniversary*:

- Since a withdrawal was taken in *contract year two*, no GMWB bonus is credited.
- there is no GMWB Step-Up because the *withdrawal benefit base* is larger than the *Contract’s accumulated value*.
- the *withdrawal benefit base* remains the same (\$105,000);
- the *withdrawal benefit payment* for the next *contract year* remains the same ( $\$105,000 \times 0.0450 = \$4,725$ ).

**Example 5**

The client elects the “Single Life” *For Life withdrawal benefit payment*, and in each of the first two *contract years*, takes a withdrawal of \$5,000. Assume there is no GMWB Step-Up on the first *Contract anniversary*. On the 2nd *Contract anniversary*, the client will receive a GMWB Step-Up if the *Contract’s accumulated value* is greater than the *withdrawal benefit base*.

If the accumulated value on the second contract anniversary is:	\$95,000	\$110,000
<b>For Life (“Single Life”)</b>		
<b>Prior to step-up</b>		
<i>Withdrawal benefit base</i>	\$100,000	\$100,000
<i>Withdrawal benefit payment</i>	$\$100,000 \times 0.05 = \$5,000$	$\$100,000 \times 0.05 = \$5,000$
<b>After step-up</b>		
<i>Withdrawal benefit base</i>	\$100,000	\$110,000
<i>Withdrawal benefit payment</i>	$\$100,000 \times 0.05 = \$5,000$	$\$110,000 \times 0.05 = \$5,500$

**Examples With Excess Withdrawals (Examples 6-7)**

The excess withdrawal examples assume the following:

- the client is age 62 and elected “Single Life” *For Life withdrawal benefit payments* at the first withdrawal and therefore, locks-in the “Single Life” *For Life withdrawal benefit payment* percentage at 5.00%.
- the initial *premium payment* is \$100,000
- the *withdrawal benefit base* prior to partial surrender = \$100,000
- “Single Life” For Life (5.00%) *withdrawal benefit payment* = \$5,000
- Withdrawal taken = \$8,000
  - excess amount is \$3,000

### Example 6

In this example, assume the *accumulated value* prior to the withdrawal is \$90,000.

#### **Withdrawal Benefit Base Calculation**

On the Contract *anniversary* following the withdrawal, the *withdrawal benefit base* is adjusted for any excess withdrawals.

The amount of the adjustment\* is \$3,529.41. The new *For Life withdrawal benefit base* is \$100,000 - \$3,529.41 = \$96,470.59.

\* The amount of the adjustment for the excess withdrawal is the greater of a or b where:

- a = \$3,000 (the amount of the excess withdrawal); and
- b = \$3,529.41 (the result of (1 divided by 2) multiplied by 3) where:
  - 1 = the amount of the withdrawal greater than the "Single Life" *For Life withdrawal benefit payment* remaining prior to the withdrawal (\$3,000);
  - 2 = the *accumulated value* after the "Single Life" *For Life withdrawal benefit payment* is deducted but prior to the withdrawal of the excess amount (\$90,000 - \$5,000); and
  - 3 = the *For Life withdrawal benefit base* prior to the adjustment for the excess amount (\$100,000).

#### **Withdrawal Benefit Payment Calculation (for the next Contract year)**

The *withdrawal benefit payment* is the new *withdrawal benefit base* (calculated on the Contract *anniversary*) multiplied by the associated percentage. The "Single Life" *For Life withdrawal benefit payment* percentage is locked-in at 5%.

The new "Single Life" *For Life withdrawal benefit payment* is \$96,470.59 x 0.05 = \$4,823.53.

### Example 7

In this example, assume the *accumulated value* prior to the withdrawal is \$110,000.

#### **Withdrawal Benefit Base Calculation**

On the Contract *anniversary* following the withdrawal, the *withdrawal benefit base* is adjusted for any excess withdrawals.

The amount of the adjustment\* is \$3,000 (the amount of the excess withdrawal). The new *For Life withdrawal benefit base* is \$100,000 - \$3,000 = \$97,000.

\* The amount of the adjustment for the excess withdrawal is the greater of a or b where:

- a = \$3,000 (the amount of the excess withdrawal); and
- b = \$2,857.14 (the result of (1 divided by 2) multiplied by 3) where:
  - 1 = the amount of the withdrawal greater than the "Single Life" *For Life withdrawal benefit payment* available prior to the withdrawal (\$3,000);
  - 2 = the *accumulated value* after the "Single Life" *For Life withdrawal benefit payment* is deducted but prior to the withdrawal of the excess amount (\$110,000 minus \$5,000); and
  - 3 = the *For Life withdrawal benefit base* prior to the adjustment for the excess amount (\$100,000).

#### **Withdrawal Benefit Payment Calculation (for the next Contract year)**

The *withdrawal benefit payment* is the new *withdrawal benefit base* (calculated on the Contract *anniversary*) multiplied by the associated percentage. The "Single Life" *For Life withdrawal benefit payment* percentage is locked-in at 5.00%.

The new "Single Life" *For Life withdrawal benefit payment* is \$97,000 x 0.05 = \$4,850.



## APPENDIX C — GMWB DEATH BENEFIT EXAMPLES

These examples have been provided to assist *you* in understanding the GMWB Death Benefit and to demonstrate how *premium payments* received and withdrawals taken from the Contract affect the GMWB Death Benefit. These examples are based on certain hypothetical assumptions and are for illustrative purposes only. These examples are not intended to serve as projections of future investment returns.

NOTE: The *owner's* actions determine the benefits received.

NOTE: For the purpose of the following examples, a partial *annuitization* has the same effect as a partial surrender and both are referred to as a withdrawal in the following examples.

Withdrawals impact the GMWB Death Benefit as follows:

- A withdrawal that is not a "For Life" Excess Withdrawal will reduce the GMWB Death Benefit by the amount of the withdrawal. Then, each "For Life" Excess Withdrawal will proportionately reduce the GMWB Death Benefit.
- A withdrawal up to the *RMD amount* under the RMD Program for GMWB Riders is not considered an excess withdrawal and will reduce the GMWB Death Benefit by the amount of the withdrawal.

### Example 1

Contract issue date = September 1

Initial *premium payment* = \$100,000

Available For Life *withdrawal benefit payment* = \$4,000

Additional *premium payments* = \$0

Withdrawals = \$0

On the contract anniversary in the following calendar year, assume the Contract *accumulated value* is \$90,000.

The GMWB Death Benefit is the greatest of 1, 2, and 3 below.

1. \$90,000 = *accumulated value*
2. \$100,000 = \$100,000 - \$0 = total *premium payments* minus each withdrawal taken
3. N/A – Contract has not reached 7<sup>th</sup> Contract *anniversary*

The GMWB Death Benefit on the first contract anniversary is \$100,000.

### Example 2

Contract issue date = August 15

Initial *premium payment* = \$50,000

Available For Life *withdrawal benefit payment* = \$4,000

Additional *premium payment* received on October 3 of the same calendar year = \$25,000

Withdrawals = \$0

On the contract anniversary in the following calendar year, assume the Contract *accumulated value* is \$110,000.

The GMWB Death Benefit is the greatest of 1, 2, and 3 below.

1. \$110,000 = *accumulated value*
2. \$75,000 = \$50,000 + \$25,000 - \$0 = total *premium payments* minus each withdrawal taken
3. N/A – Contract has not reached 7<sup>th</sup> Contract *anniversary*

The GMWB Death Benefit on the first contract anniversary is \$110,000.

Example 3

Contract issue date = August 31

Initial *premium payment* = \$75,000

Available For Life *withdrawal benefit payment* = \$4,000

Additional *premium payment* = \$0

Withdrawal on November 3 of same calendar year = \$2,500

Withdrawal on January 15 of following calendar year = \$8,000

On November 3, assume the *accumulated value* prior to the withdrawal is \$85,000.

The GMWB Death Benefit on November 3 is the greatest of 1, 2, and 3 below.

1. \$82,500 = *accumulated value* (\$85,000 - \$2,500)
2. \$72,500 = \$75,000 - \$2,500 = total *premium payments* minus each withdrawal taken
3. N/A – Contract has not reached 7<sup>th</sup> *Contract anniversary*

On November 3, the GMWB Death Benefit is \$82,500. The available For Life *withdrawal benefit payment* is reduced to \$1,500 (\$4,000 - \$2,500).

On January 15, assume the accumulated value prior to the withdrawal is \$88,000. Since the available For Life *withdrawal benefit payment* is \$1,500, an excess withdrawal of \$6,500 is taken.

*Accumulated Value* after \$1,500 withdrawal = \$86,500

Excess withdrawal death benefit proportion =  $(\$6,500 / \$86,500) = 0.0751$

The GMWB Death Benefit after the withdrawal on January 15 is the greatest of 1, 2, and 3 below.

1. \$80,000 = *accumulated value* (\$88,000 - \$8,000)
2. \$65,667.90 = \$75,000 - \$2,500 - \$1,500 - [(\$75,000 - \$2,500 - \$1,500) \* 0.0751] = total *premium payments* minus each withdrawal taken
3. N/A – Contract has not reached 7<sup>th</sup> *Contract anniversary*

On January 15, the GMWB death benefit is \$80,000.

Example 4

Contract issue date = October 25

Initial *premium payment* = \$75,000

Available For Life *withdrawal benefit payment* = \$4,000

Additional *premium payment* = \$0

Withdrawal on November 3 of same calendar year = \$2,500

Withdrawal on January 15 of following calendar year = \$8,000

On November 3, assume the *accumulated value* prior to the withdrawal is \$62,500.

The GMWB Death Benefit on November 3 is the greatest of 1, 2, and 3 below.

1. \$62,500 = *accumulated value*
2. \$72,500 = \$75,000 - \$2,500 = total *premium payments* minus each withdrawal taken
3. N/A – Contract has not reached 7<sup>th</sup> Contract *anniversary*

On November 3, the GMWB Death Benefit is \$72,500. The available For Life *withdrawal benefit payment* is reduced to \$1,500 (\$4,000 - \$2,500).

On January 15, assume the accumulated value prior to the withdrawal is \$58,000. Since the available For Life *withdrawal benefit payment* is \$1,500, an excess withdrawal of \$6,500 is taken.

*Accumulated Value* after \$1,500 withdrawal = \$56,500

Excess withdrawal death benefit proportion =  $(\$6,500 / \$56,500) = 0.1150$

The GMWB Death Benefit after the withdrawal on January 15 is the greatest of 1, 2, and 3 below.

1. \$50,000 = *accumulated value* (\$58,000 - \$8,000)
2. \$62,835.00 = \$75,000 - \$2,500 - \$1,500 - [(\$75,000 - \$2,500 - \$1,500) \* 0.1150] = total *premium payments* minus each withdrawal taken
3. N/A – Contract has not reached 7<sup>th</sup> Contract *anniversary*

On January 15, the GMWB death benefit is \$62,835.00.

Example 5

Contract issue date = November 3

Initial *premium payment* = \$75,000

Available For Life *withdrawal benefit payment* = \$3,000

Additional *premium payment* = \$0

Withdrawal on December 30 of same calendar year = \$5,000

*Accumulated Value* on Contract anniversary divisible equally by 7 = \$53,750

On December 30, assume the *accumulated value* prior to the withdrawal is \$65,000. Since the available For Life *withdrawal benefit payment* is \$3,000, an excess withdrawal of \$2,000 is taken.

*Accumulated value* after \$3,000 withdrawal = \$62,000

Excess withdrawal death benefit proportion =  $(\$2,000 / \$62,000) = 0.0323$

The GMWB Death Benefit on December 30 is the greatest of 1, 2, and 3 below.

1. \$62,000 = *accumulated value*
2. \$69,674.40 = \$75,000 - \$3,000 - [(\$75,000 - \$3,000) \* 0.0323] = total *premium payments* minus each withdrawal taken

\$49,110.77 = \$53,750 + \$0 - \$3,000 - [(\$53,750 - \$3,000) \* 0.0323] = the Contract *accumulated value* that was in effect on any prior Contract anniversary that is divisible equally by 7, plus any *premium payments* made after that Contract anniversary minus each withdrawal taken after that Contract anniversary.

## APPENDIX D — CONDENSED FINANCIAL INFORMATION

Financial statements are included in the Statement of Additional Information.

The following table contains the *unit values* for the Contract for the periods ended December 31.

For Contracts Without the Premium Payment Credit Rider				
Division	Accumulation <i>Unit Value</i>		Percentage Change from Prior Period	Number of Accumulation <i>Units</i> Outstanding End of Period (in thousands)
	Beginning of Period	End of Period		
Diversified Balanced				
2015	\$14.248	\$14.072	-1.24%	2,186
2014	13.452	14.248	5.92	2,341
2013	12.066	13.452	11.49	2,402
2012	11.137	12.066	8.34	964
2011 <sup>(1)</sup>	10.883	11.137	2.33	99
Diversified Balanced Managed Volatility				
2015	10.616	10.470	-1.38	2,280
2014	10.071	10.616	5.41	1,437
2013 <sup>(2)</sup>	9.917	10.071	1.55	23
Diversified Growth				
2015	15.205	15.019	-1.22	2,394
2014	14.299	15.205	6.34	2,496
2013	12.281	14.299	16.43	2,594
2012	11.141	12.281	10.23	427
2011 <sup>(1)</sup>	11.031	11.141	1.00	9
Diversified Growth Managed Volatility				
2015	10.684	10.542	-1.33	2,609
2014	10.120	10.684	5.57	1,884
2013 <sup>(2)</sup>	9.877	10.120	2.46	59
Diversified Income				
2015	11.801	11.656	-1.23	589
2014	11.196	11.801	5.40	593
2013	10.490	11.196	6.73	474
2012 <sup>(3)</sup>	10.031	10.490	4.57	94
Money Market				
2015	13.421	13.235	-1.39	-
2014	13.611	13.421	-1.40	-
2013	13.791	13.611	-1.31	-
2012	13.965	13.791	-1.25	-
2011 <sup>(1)</sup>	14.140	13.965	-1.24	-

<sup>(1)</sup> Operations commenced May 24, 2011.

<sup>(2)</sup> Operations commenced October 31, 2013.

<sup>(3)</sup> Operations commenced May 15, 2012.



**PRINCIPAL  
VARIABLE CONTRACTS  
FUNDS, INC.**

/////// **SUMMARY PROSPECTUS**

**Diversified Balanced Account - Class 2 Shares**

**Principal Variable Contracts Funds, Inc. Summary Prospectus May 1, 2016**

Before you invest, you may want to review the Account's prospectus, which contains more information about the Account and its risks. You can find the Account's prospectus and other information about the Account online at [www.principalfunds.com/pvcprospectus](http://www.principalfunds.com/pvcprospectus). You can also get this information at no cost by calling 1-800-222-5852 or by sending an email request to [prospectus@principalfunds.com](mailto:prospectus@principalfunds.com).

This Summary Prospectus incorporates by reference the Statutory Prospectus dated May 1, 2016, and the Statement of Additional Information dated May 1, 2016 (which may be obtained in the same manner as the Prospectus).

**Objective:** The Account seeks to provide as high a level of total return (consisting of reinvested income and capital appreciation) as is consistent with reasonable risk.

**Fees and Expenses of the Account**

This table describes the fees and expenses that you may pay if you buy and hold shares of the Account. These fees and expenses do not reflect the fees and expenses of any variable insurance contract that may invest in the Account and would be higher if they did.

**Annual Account Operating Expenses**

**(expenses that you pay each year as a percentage of the value of your investment)**

	<b>Class 2</b>
Management Fees	0.05%
Distribution and/or Service (12b-1) Fees	0.25%
Other Expenses	—%
Acquired Fund Fees and Expenses	0.25%
<b>Total Annual Account Operating Expenses</b>	<b>0.55%</b>

**Example**

This Example is intended to help you compare the cost of investing in the Account with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Account for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Account's operating expenses remain the same. If separate account expenses and contract level expenses were included, expenses would be higher. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	Number of years you own your shares			
	1	3	5	10
<b>Diversified Balanced Account - Class 2</b>	\$56	\$176	\$307	\$689

### **Portfolio Turnover**

As a fund of funds, the Account does not pay transaction costs, such as commissions, when it buys and sells shares of underlying funds (or “turns over” its portfolio). An underlying fund does pay transaction costs when it buys and sells portfolio securities, and a higher portfolio turnover may indicate higher transaction costs. These costs, which are not reflected in annual account operating expenses or in the examples, affect the performance of the underlying fund and the Account. During its most recent fiscal year, the Account's portfolio turnover rate was 14.3% of the average value of its portfolio.

### **Principal Investment Strategies**

The Account operates as a fund of funds and invests in underlying funds, each of which tracks an index. In pursuing its investment objective, the Account typically allocates its assets, within predetermined percentage ranges, among the “underlying funds”: Funds of Principal Funds, Inc. ("PFI") (Institutional Class shares) - the International Equity Index, MidCap S&P 400 Index, and SmallCap S&P 600 Index Funds - and Accounts of Principal Variable Contracts Funds, Inc. ("PVC") (Class 1 shares) - the Bond Market Index and LargeCap S&P 500 Index Accounts. The Account generally allocates approximately 50% of its assets to the equity index funds to gain broad market capitalization exposure to both U.S. and non-U.S investments and approximately 50% to the Bond Market Index Account for intermediate duration fixed-income exposure. The percentages reflect the extent to which the Account normally invests in the particular market segment represented by the underlying funds, and the asset allocation strategy influences the potential investment risk and reward of the Account.

Without shareholder approval, Principal Management Corporation ("Principal"), the manager for PVC and PFI, may alter the percentage ranges and/or substitute or remove underlying funds (including investing in other investment companies) when it deems appropriate in order to achieve the Account's investment objective. The assets of the Account are allocated among underlying funds in accordance with its investment objective, while considering Principal's outlook for the economy, the financial markets, and the relative market valuations of the underlying funds.

In selecting underlying funds and their target weights, Principal considers, among other things, quantitative measures, such as past performance, expected levels of risk and returns, expense levels, diversification of existing funds, and style consistency. The Account is re-balanced monthly.

The net asset value of the Account's shares is affected by changes in the value of the shares of the underlying funds it owns. The Account's investments are invested in the underlying funds and, as a result, the Account's performance is directly related to their performance. The Account's ability to meet its investment objective depends on the ability of the underlying funds to achieve their investment objectives.

The Account's underlying funds utilize derivative strategies. A derivative is a financial arrangement, the value of which is derived from, or based on, a traditional security, asset, or market index. Specifically, the underlying funds invest in equity index futures and exchange-traded funds (ETFs) to manage the equity exposure.

### **Principal Risks**

The diversification of the Account is designed to cushion losses in any one investment sector and moderate overall price volatility. However, the Account is subject to the particular risks of the underlying funds in the proportions in which the Account invests in them, and its share prices will fluctuate as the prices of underlying fund shares rise or fall with changing market conditions. If you sell your shares when their value is less than the price you paid, you will lose money. The Account operates as a fund of funds and thus bears both its own expenses and, indirectly, its proportionate share of the expenses of the underlying funds in which it invests. An investment in the Account is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The principal risks of investing in the Account that are inherent in the fund of funds, in alphabetical order, are:

**Asset Allocation Risk.** A fund's selection and weighting of asset classes may cause it to underperform other funds with a similar investment objective.

**Conflict of Interest Risk.** The Advisor and its affiliates earn different fees from different underlying funds and may have an incentive to allocate more fund-of-fund assets to underlying funds from which they receive higher fees.

**Fund of Funds Risk.** The performance and risks of a fund of funds directly correspond to the performance and risks of the underlying funds in which the fund invests. Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

The principal risks of investing in the Account that are inherent in the underlying funds, in alphabetical order, are:

**Derivatives Risk.** Derivatives may not move in the direction anticipated by the portfolio manager. Transactions in derivatives may increase volatility, cause the liquidation of portfolio positions when not advantageous to do so and result in disproportionate losses that may be substantially greater than a fund's initial investment.

- **Futures.** Futures involve specific risks, including: the imperfect correlation between the change in market value of the instruments held by the fund and the price of the future,; possible lack of a liquid secondary market for a future and the resulting inability to close a future when desired; counterparty risk; and if the fund has insufficient cash, it may have to sell securities from its portfolio to meet daily variation margin requirements.

**Equity Securities Risk.** The value of equity securities could decline if the issuer's financial condition declines or in response to overall market and economic conditions. A fund's principal market segment (such as market capitalization or style), may underperform other market segments or the equity markets as a whole.

- **Small and Medium Market Capitalization Companies.** Investments in small and medium sized companies may involve greater risk and price volatility than investments in larger, more mature companies.

**Exchange-Traded Funds ("ETFs") Risk.** An ETF is subject to the risks associated with direct ownership of the securities in which the ETF invests or that comprise the index on which the ETF is based. Fund shareholders indirectly bear their proportionate share of the expenses of the ETFs in which the fund invests.

**Fixed-Income Securities Risk.** Fixed-income securities are subject to interest rate risk and credit quality risk. The market value of fixed-income securities generally declines when interest rates rise, and an issuer of fixed-income securities could default on its payment obligations.

**Index Fund Risk.** More likely than not, an index fund will underperform the index due to cashflows and the fees and expenses of the fund. The correlation between fund performance and index performance may also be affected by changes in securities markets, changes in the composition of the index and the timing of purchases and sales of fund shares.

**Investment Company Securities Risk.** Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

**Portfolio Duration Risk.** Portfolio duration is a measure of the expected life of a fixed-income security and its sensitivity to changes in interest rates. The longer a fund's average portfolio duration, the more sensitive the fund will be to changes in interest rates.

**Real Estate Securities Risk.** Investing in real estate securities subjects the fund to the risks associated with the real estate market (which are similar to the risks associated with direct ownership in real estate), including declines in real estate values, loss due to casualty or condemnation, property taxes, interest rate changes, increased expenses, cash flow of underlying real estate assets, regulatory changes (including zoning, land use and rents), and environmental problems, as well as to the risks related to the management skill and creditworthiness of the issuer.

**Redemption Risk.** A fund that serves as an underlying fund for a fund of funds is subject to certain risks. When a fund of funds reallocates or rebalances its investments, an underlying fund may experience relatively large redemptions or investments. These transactions may cause the underlying fund to sell portfolio securities to meet such redemptions, or to invest cash from such investments, at times it would not otherwise do so, and may as a result increase transaction costs and adversely affect underlying fund performance.

**Securitized Products Risk.** Investments in securitized products are subject to risks similar to traditional fixed income securities, such as credit, interest rate, liquidity, prepayment, extension, and default risk, as well as additional risks associated with the nature of the assets and the servicing of those assets. Unscheduled prepayments on securitized products may have to be reinvested at lower rates. A reduction in prepayments may increase the effective maturities of these securities, exposing them to the risk of decline in market value over time (extension risk).

**U.S. Government Securities Risk.** Yields available from U.S. government securities are generally lower than yields from many other fixed-income securities.

**U.S. Government-Sponsored Securities Risk.** Securities issued by U.S. government-sponsored or -chartered enterprises such as the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Federal Home Loan Banks are not issued or guaranteed by the U.S. Treasury.

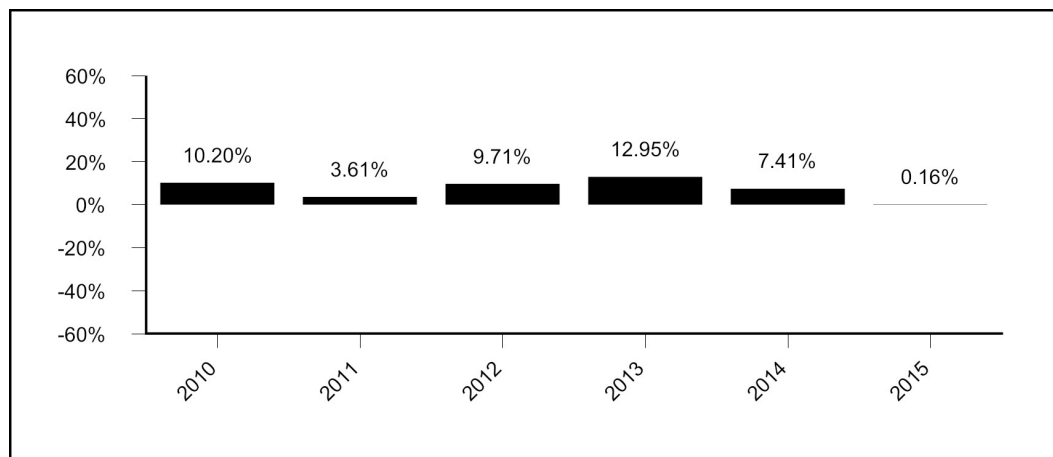
**Performance**

The following information provides some indication of the risks of investing in the Account. Past performance is not necessarily an indication of how the Account will perform in the future. You may get updated performance information online at [www.principal.com](http://www.principal.com).

The bar chart shows changes in the Account's performance from year to year. The table shows how the Account's average annual returns for 1, 5, and 10 years (or, if shorter, the life of the Account) compare with those of one or more broad measures of market performance. Performance figures for the Accounts do not include any separate account expenses, cost of insurance, or other contract-level expenses; total returns for the Accounts would be lower if such expenses were included.

Life of Account results are measured from the date the Account's shares were first sold (December 30, 2009).

**Total Returns as of December 31 (Class 2 Shares)**



<b>Highest return for a quarter during the period of the bar chart above:</b>	<b>Q3 '10</b>	<b>6.79 %</b>
<b>Lowest return for a quarter during the period of the bar chart above:</b>	<b>Q3 '11</b>	<b>(6.34)%</b>



**Average Annual Total Returns**

<b>For the periods ended December 31, 2015</b>	<b>Past 1 Year</b>	<b>Past 5 Years</b>	<b>Life of Account</b>
<b>Diversified Balanced Account - Class 2</b>	<b>0.16%</b>	<b>6.67%</b>	<b>7.25%</b>
Barclays U.S. Aggregate Bond Index (reflects no deduction for fees, expenses, or taxes)	0.55%	3.25%	3.76%
S&P 500 Index (reflects no deduction for fees, expenses, or taxes)	1.38%	12.57%	12.79%
MSCI EAFE Index NDTR D (reflects no deduction for fees, expenses, or taxes)	(0.81)%	3.60%	4.37%
S&P Midcap 400 Index (reflects no deduction for fees, expenses, or taxes)	(2.18)%	10.68%	12.94%
S&P Smallcap 600 Index (reflects no deduction for fees, expenses, or taxes)	(1.97)%	11.48%	13.55%
Diversified Balanced Custom Index (reflects no deduction for fees, expenses, or taxes)	0.79%	7.32%	7.95%

The Barclays U.S. Aggregate Bond Index is used to show performance of domestic, taxable fixed-income securities performance. The S&P 500 Index is used to show large cap U.S. equity market performance. The MSCI EAFE Index NDTR D is used to show international stock performance. The S&P Midcap 400 Index is used to show mid cap U.S. equity market performance. The S&P Smallcap 600 Index is used to show small cap U.S. equity market performance. The custom index (as defined below) is used to show the performance of the various asset classes used by the Account, and the Average Annual Total Returns table shows performance of the components of the custom index. The weightings for the Diversified Balanced Custom Index are 50% Barclays U.S. Aggregate Bond Index, 35% S&P 500 Index, 7% MSCI EAFE Index NDTR D, 4% S&P Midcap 400 Index, and 4% S&P Smallcap 600 Index.

**Management**

**Investment Advisor and Portfolio Managers:**

Principal Management Corporation

- James W. Fennessey (since 2009), Portfolio Manager
- Randy L. Welch (since 2009), Portfolio Manager

**Tax Information**

The Fund intends to comply with applicable variable asset diversification regulations. Taxation to you will depend on what you do with your variable life insurance or variable annuity contract. See your variable product prospectus for information about the tax implications of investing in the Accounts.

**Payments to Broker-Dealers and Other Financial Intermediaries**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank, insurance company, investment adviser, etc.), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment, to recommend one share class of the Fund over another share class, or to recommend one variable annuity, variable life insurance policy or mutual fund over another. Ask your salesperson or visit your financial intermediary's website for more information.



**PRINCIPAL  
VARIABLE CONTRACTS  
FUNDS, INC.**

||||||| SUMMARY PROSPECTUS

**Diversified Balanced Managed Volatility Account - Class 2 Shares**

**Principal Variable Contracts Funds, Inc. Summary Prospectus May 1, 2016**

Before you invest, you may want to review the Account's prospectus, which contains more information about the Account and its risks. You can find the Account's prospectus and other information about the Account online at [www.principalfunds.com/pvcprospectus](http://www.principalfunds.com/pvcprospectus). You can also get this information at no cost by calling 1-800-222-5852 or by sending an email request to [prospectus@principalfunds.com](mailto:prospectus@principalfunds.com).

This Summary Prospectus incorporates by reference the Statutory Prospectus dated May 1, 2016, and the Statement of Additional Information dated May 1, 2016 (which may be obtained in the same manner as the Prospectus).

**Objective:** The Account seeks to provide as high a level of total return (consisting of reinvested income and capital appreciation) as is consistent with reasonable risk, with an emphasis on managing volatility.

**Fees and Expenses of the Account**

This table describes the fees and expenses that you may pay if you buy and hold shares of the Account. These fees and expenses do not reflect the fees and expenses of any variable insurance contract that may invest in the Account and would be higher if they did.

**Annual Account Operating Expenses  
(expenses that you pay each year as a percentage of the value of your investment)**

	<b>Class 2</b>
Management Fees	0.05%
Distribution and/or Service (12b-1) Fees	0.25%
Other Expenses	0.01%
Acquired Fund Fees and Expenses	0.33%
<b>Total Annual Account Operating Expenses</b>	<b>0.64%</b>
Expense Reimbursement <sup>(1)</sup>	—%
<b>Total Annual Account Operating Expenses after Expense Reimbursement</b>	<b>0.64%</b>

<sup>(1)</sup> Principal Management Corporation ("Principal"), the investment advisor, has contractually agreed to limit the Account's expenses by paying, if necessary, expenses normally payable by the Account, (excluding interest expense, expenses related to fund investments, acquired fund fees and expenses, and other extraordinary expenses) to maintain a total level of operating expenses (expressed as a percent of average net assets on an annualized basis) not to exceed 0.31% for Class 2 shares. It is expected that the expense limit will continue through the period ending April 30, 2017; however, Principal Variable Contracts Funds, Inc. and Principal, the parties to the agreement, may mutually agree to terminate the expense limit prior to the end of the period.

**Example**

This Example is intended to help you compare the cost of investing in the Account with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Account for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Account's operating expenses remain the same. If separate account expenses and contract level expenses were included, expenses would be higher. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	Number of years you own your shares			
	1	3	5	10
Diversified Balanced Managed Volatility Account - Class 2	\$65	\$205	\$357	\$798

### Portfolio Turnover

As a fund of funds, the Account does not pay transaction costs, such as commissions, when it buys and sells shares of underlying funds (or “turns over” its portfolio). An underlying fund does pay transaction costs when it buys and sells portfolio securities, and a higher portfolio turnover may indicate higher transaction costs. These costs, which are not reflected in annual account operating expenses or in the examples, affect the performance of the underlying fund and the Account. During its most recent fiscal year, the Account's portfolio turnover rate was 14.1% of the average value of its portfolio.

### Principal Investment Strategies

The Account operates as a fund of funds and invests in underlying funds. In pursuing its investment objective, the Account typically allocates its assets, within predetermined percentage ranges, among the “underlying funds”: Funds of Principal Funds, Inc. (“PFI”) (Institutional Class shares) - the International Equity Index, MidCap S&P 400 Index, and SmallCap S&P 600 Index Funds - and Accounts of Principal Variable Contracts Funds, Inc. (“PVC”) (Class 1 shares) - the Bond Market Index and LargeCap S&P 500 Managed Volatility Index Accounts. The Account generally allocates approximately 50% of its assets to the equity index funds to gain broad market capitalization exposure to both U.S. and non-U.S investments and approximately 50% to the Bond Market Index Account for intermediate duration fixed-income exposure. The percentages reflect the extent to which the Account normally invests in the particular market segment represented by the underlying funds, and the asset allocation strategy influences the potential investment risk and reward of the Account.

Without shareholder approval, Principal Management Corporation (“Principal”), the manager for PVC and PFI, may alter the percentage ranges and/or substitute or remove underlying funds (including investing in other investment companies) when it deems appropriate in order to achieve the Account's investment objective. The assets of the Account are allocated among underlying funds in accordance with its investment objective, while considering Principal's outlook for the economy, the financial markets, and the relative market valuations of the underlying funds. In selecting underlying funds and their target weights, Principal considers, among other things, quantitative measures, such as past performance, expected levels of risk and returns, expense levels, diversification of existing funds, and style consistency. The Account is re-balanced monthly.

The net asset value of the Account's shares is affected by changes in the value of the shares of the underlying funds it owns. The Account's investments are invested in the underlying funds and, as a result, the Account's performance is directly related to their performance. The Account's ability to meet its investment objective depends on the ability of the underlying funds to achieve their investment objectives.

The Account's underlying funds utilize derivative strategies. A derivative is a financial arrangement, the value of which is derived from, or based on, a traditional security, asset, or market index. Specifically, the underlying funds invest in equity index futures and exchange-traded funds (ETFs) to manage the equity exposure. An underlying fund also buys vertical call spreads and vertical put spreads as part of an active strategy intended to reduce volatility. Vertical spreads are the simultaneous purchase and sale of two options of the same type with the same expiration date but two different strike prices. The strike price is the fixed price at which the owner of the option can buy (in the case of a call), or sell (in the case of a put), the underlying security.

### Principal Risks

The diversification of the Account is designed to cushion losses in any one investment sector and moderate overall price volatility. However, the Account is subject to the particular risks of the underlying funds in the proportions in which the Account invests in them, and its share prices will fluctuate as the prices of underlying fund shares rise or fall with changing market conditions. If you sell your shares when their value is less than the price you paid, you will lose money. The Account operates as a fund of funds and thus bears both its own expenses and, indirectly, its proportionate share of the expenses of the underlying funds in which it invests. An investment in the Account is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The principal risks of investing in the

Account that are inherent in the fund of funds, in alphabetical order, are:

**Asset Allocation Risk.** A fund's selection and weighting of asset classes may cause it to underperform other funds with a similar investment objective.

**Conflict of Interest Risk.** The Advisor and its affiliates earn different fees from different underlying funds and may have an incentive to allocate more fund-of-fund assets to underlying funds from which they receive higher fees.

**Fund of Funds Risk.** The performance and risks of a fund of funds directly correspond to the performance and risks of the underlying funds in which the fund invests. Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

The principal risks of investing in the Account that are inherent in the underlying funds, in alphabetical order, are:

**Derivatives Risk.** Derivatives may not move in the direction anticipated by the portfolio manager. Transactions in derivatives may increase volatility, cause the liquidation of portfolio positions when not advantageous to do so and result in disproportionate losses that may be substantially greater than a fund's initial investment.

- **Futures.** Futures involve specific risks, including: the imperfect correlation between the change in market value of the instruments held by the fund and the price of the future,; possible lack of a liquid secondary market for a future and the resulting inability to close a future when desired; counterparty risk; and if the fund has insufficient cash, it may have to sell securities from its portfolio to meet daily variation margin requirements.
- **Options.** Options involve specific risks, including: imperfect correlation between the change in market value of the instruments held by the fund and the price of the options, counterparty risk, difference in trading hours for the options markets and the markets for the underlying securities (rate movements can take place in the underlying markets that cannot be reflected in the options markets), and an insufficient liquid secondary market for particular options.

**Equity Securities Risk.** The value of equity securities could decline if the issuer's financial condition declines or in response to overall market and economic conditions. A fund's principal market segment (such as market capitalization or style), may underperform other market segments or the equity markets as a whole.

- **Small and Medium Market Capitalization Companies.** Investments in small and medium sized companies may involve greater risk and price volatility than investments in larger, more mature companies.

**Exchange-Traded Funds ("ETFs") Risk.** An ETF is subject to the risks associated with direct ownership of the securities in which the ETF invests or that comprise the index on which the ETF is based. Fund shareholders indirectly bear their proportionate share of the expenses of the ETFs in which the fund invests.

**Fixed-Income Securities Risk.** Fixed-income securities are subject to interest rate risk and credit quality risk. The market value of fixed-income securities generally declines when interest rates rise, and an issuer of fixed-income securities could default on its payment obligations.

**Hedging Risk.** A fund that implements a hedging strategy using derivatives and/or securities could expose the fund to the risk that can arise when a change in the value of a hedge does not match a change in the value of the asset it hedges. In other words, the change in value of the hedge could move in a direction that does not match the change in value of the underlying asset, resulting in a risk of loss to the fund.

**Index Fund Risk.** More likely than not, an index fund will underperform the index due to cashflows and the fees and expenses of the fund. The correlation between fund performance and index performance may also be affected by changes in securities markets, changes in the composition of the index and the timing of purchases and sales of fund shares.

**Investment Company Securities Risk.** Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

**Portfolio Duration Risk.** Portfolio duration is a measure of the expected life of a fixed-income security and its sensitivity to changes in interest rates. The longer a fund's average portfolio duration, the more sensitive the fund will be to changes in interest rates.

**Real Estate Securities Risk.** Investing in real estate securities subjects the fund to the risks associated with the real estate market (which are similar to the risks associated with direct ownership in real estate), including declines in real estate values, loss due to casualty or condemnation, property taxes, interest rate changes, increased expenses, cash flow of underlying real estate assets, regulatory changes (including zoning, land use and rents), and environmental problems, as well as to the risks related to the management skill and creditworthiness of the issuer.

**Redemption Risk.** A fund that serves as an underlying fund for a fund of funds is subject to certain risks. When a fund of funds reallocates or rebalances its investments, an underlying fund may experience relatively large redemptions or investments. These transactions may cause the underlying fund to sell portfolio securities to meet such redemptions, or to invest cash from such investments, at times it would not otherwise do so, and may as a result increase transaction costs and adversely affect underlying fund performance.

**Securitized Products Risk.** Investments in securitized products are subject to risks similar to traditional fixed income securities, such as credit, interest rate, liquidity, prepayment, extension, and default risk, as well as additional risks associated with the nature of the assets and the servicing of those assets. Unscheduled prepayments on securitized products may have to be reinvested at lower rates. A reduction in prepayments may increase the effective maturities of these securities, exposing them to the risk of decline in market value over time (extension risk).

**U.S. Government Securities Risk.** Yields available from U.S. government securities are generally lower than yields from many other fixed-income securities.

**U.S. Government-Sponsored Securities Risk.** Securities issued by U.S. government-sponsored or -chartered enterprises such as the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Federal Home Loan Banks are not issued or guaranteed by the U.S. Treasury.

**Volatility Mitigation Risk.** Volatility mitigation strategies may increase fund transaction costs, which could increase losses or reduce gains. These strategies may not protect the fund from market declines and may reduce the fund's participation in market gains.

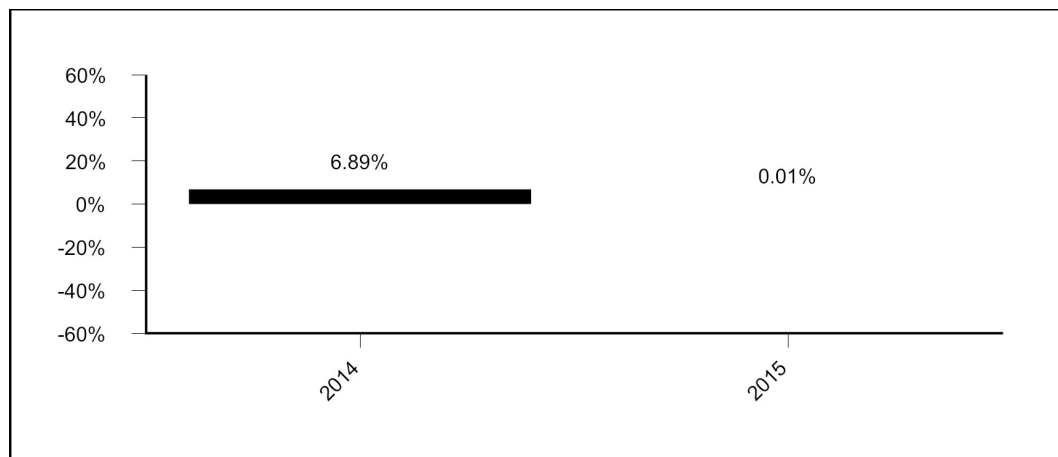
#### **Performance**

The following information provides some indication of the risks of investing in the Account. Past performance is not necessarily an indication of how the Account will perform in the future. You may get updated performance information online at [www.principal.com](http://www.principal.com).

The bar chart shows changes in the Account's performance from year to year. The table shows how the Account's average annual returns for 1, 5, and 10 years (or, if shorter, the life of the Account) compare with those of one or more broad measures of market performance. Performance figures for the Accounts do not include any separate account expenses, cost of insurance, or other contract-level expenses; total returns for the Accounts would be lower if such expenses were included.

Life of Account results are measured from the date the Account's shares were first sold (October 31, 2013).

## Total Returns as of December 31 (Class 2 Shares)



Highest return for a quarter during the period of the bar chart above: **Q4 '14 2.93%**  
 Lowest return for a quarter during the period of the bar chart above: **Q3 '15 (3.03)%**

### Average Annual Total Returns

For the periods ended December 31, 2015	Past 1 Year	Life of Account
<b>Diversified Balanced Managed Volatility Account - Class 2</b>	<b>0.01%</b>	<b>3.98%</b>
Barclays U.S. Aggregate Bond Index (reflects no deduction for fees, expenses, or taxes)	0.55%	2.53%
S&P 500 Index (reflects no deduction for fees, expenses, or taxes)	1.38%	9.53%
MSCI EAFE Index NDTR D (reflects no deduction for fees, expenses, or taxes)	(0.81)%	(1.65)%
S&P Midcap 400 Index (reflects no deduction for fees, expenses, or taxes)	(2.18)%	5.44%
S&P Smallcap 600 Index (reflects no deduction for fees, expenses, or taxes)	(1.97)%	4.45%
Diversified Balanced Managed Volatility Custom Index (reflects no deduction for fees, expenses, or taxes)	0.79%	5.01%

The Barclays U.S. Aggregate Bond Index is used to show performance of domestic, taxable fixed-income securities performance. The S&P 500 Index is used to show large cap U.S. equity market performance. The MSCI EAFE Index NDTR D is used to show international stock performance. The S&P Midcap 400 Index is used to show mid cap U.S. equity market performance. The S&P Smallcap 600 Index is used to show small cap U.S. equity market performance. The custom index (as defined below) is used to show the performance of the various asset classes used by the Account, and the Average Annual Total Returns table shows performance of the components of the custom index. The weightings for the Diversified Balanced Managed Volatility Custom Index are 50% Barclays U.S. Aggregate Bond Index, 35% S&P 500 Index, 7% MSCI EAFE Index NDTR D, 4% S&P Midcap 400 Index, and 4% S&P Smallcap 600 Index.

## Management

### Investment Advisor and Portfolio Managers:

Principal Management Corporation

- James W. Fennessey (since 2013), Portfolio Manager
- Randy L. Welch (since 2013), Portfolio Manager

### Tax Information

The Fund intends to comply with applicable variable asset diversification regulations. Taxation to you will depend on what you do with your variable life insurance or variable annuity contract. See your variable product prospectus for information about the tax implications of investing in the Accounts.

**Payments to Broker-Dealers and Other Financial Intermediaries**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank, insurance company, investment adviser, etc.), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment, to recommend one share class of the Fund over another share class, or to recommend one variable annuity, variable life insurance policy or mutual fund over another. Ask your salesperson or visit your financial intermediary's website for more information.



**PRINCIPAL  
VARIABLE CONTRACTS  
FUNDS, INC.**

||||||| SUMMARY PROSPECTUS

**Diversified Growth Account - Class 2 Shares**

**Principal Variable Contracts Funds, Inc. Summary Prospectus May 1, 2016**

Before you invest, you may want to review the Account's prospectus, which contains more information about the Account and its risks. You can find the Account's prospectus and other information about the Account online at [www.principalfunds.com/pvcprospectus](http://www.principalfunds.com/pvcprospectus). You can also get this information at no cost by calling 1-800-222-5852 or by sending an email request to [prospectus@principalfunds.com](mailto:prospectus@principalfunds.com).

This Summary Prospectus incorporates by reference the Statutory Prospectus dated May 1, 2016, and the Statement of Additional Information dated May 1, 2016 (which may be obtained in the same manner as the Prospectus).

**Objective:** The Account seeks to provide long-term capital appreciation.

**Fees and Expenses of the Account**

This table describes the fees and expenses that you may pay if you buy and hold shares of the Account. These fees and expenses do not reflect the fees and expenses of any variable insurance contract that may invest in the Account and would be higher if they did.

**Annual Account Operating Expenses  
(expenses that you pay each year as a percentage of the value of your investment)**

	<b>Class 2</b>
Management Fees	0.05%
Distribution and/or Service (12b-1) Fees	0.25%
Other Expenses	—%
Acquired Fund Fees and Expenses	0.25%
<b>Total Annual Account Operating Expenses</b>	<b>0.55%</b>

**Example**

This Example is intended to help you compare the cost of investing in the Account with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Account for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Account's operating expenses remain the same. If separate account expenses and contract level expenses were included, expenses would be higher. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	<b>Number of years you own your shares</b>			
	<b>1</b>	<b>3</b>	<b>5</b>	<b>10</b>
<b>Diversified Growth Account - Class 2</b>	\$56	\$176	\$307	\$689



### **Portfolio Turnover**

As a fund of funds, the Account does not pay transaction costs, such as commissions, when it buys and sells shares of underlying funds (or “turns over” its portfolio). An underlying fund does pay transaction costs when it buys and sells portfolio securities, and a higher portfolio turnover may indicate higher transaction costs. These costs, which are not reflected in annual account operating expenses or in the examples, affect the performance of the underlying fund and the Account. During its most recent fiscal year, the Account's portfolio turnover rate was 10.7% of the average value of its portfolio.

### **Principal Investment Strategies**

The Account operates as a fund of funds and invests in underlying funds. In pursuing its investment objective, the Account typically allocates its assets, within predetermined percentage ranges, among the “underlying funds”: Funds of Principal Funds, Inc. (“PFI”) (Institutional Class shares) - the International Equity Index, MidCap S&P 400 Index, and SmallCap S&P 600 Index Funds - and Accounts of Principal Variable Contracts Funds, Inc. (“PVC”) (Class 1 shares) – the Bond Market Index and LargeCap S&P 500 Index Accounts. The Account generally allocates approximately 65% of its assets to the equity index funds to gain broad market capitalization exposure to both U.S. and non-U.S investments and approximately 35% to the Bond Market Index Account for intermediate duration fixed-income exposure. The percentages reflect the extent to which the Account normally invests in the particular market segment represented by the underlying funds, and the asset allocation strategy influences the potential investment risk and reward of the Account.

Without shareholder approval, Principal Management Corporation (“Principal”), the manager for PVC and PFI, may alter the percentage ranges and/or substitute or remove underlying funds (including investing in other investment companies) when it deems appropriate in order to achieve the Account's investment objective. The assets of the Account are allocated among underlying funds in accordance with its investment objective, while considering Principal's outlook for the economy, the financial markets, and the relative market valuations of the underlying funds. In selecting underlying funds and their target weights, Principal considers, among other things, quantitative measures, such as past performance, expected levels of risk and returns, expense levels, diversification of existing funds, and style consistency. The Account is re-balanced monthly.

The net asset value of the Account's shares is affected by changes in the value of the shares of the underlying funds it owns. The Account's investments are invested in the underlying funds and, as a result, the Account's performance is directly related to their performance. The Account's ability to meet its investment objective depends on the ability of the underlying funds to achieve their investment objectives.

The Account's underlying funds utilize derivative strategies. A derivative is a financial arrangement, the value of which is derived from, or based on, a traditional security, asset, or market index. Specifically, the underlying funds invest in equity index futures and exchange-traded funds (ETFs) to manage the equity exposure.

### **Principal Risks**

The diversification of the Account is designed to cushion losses in any one investment sector and moderate overall price volatility. However, the Account is subject to the particular risks of the underlying funds in the proportions in which the Account invests in them, and its share prices will fluctuate as the prices of underlying fund shares rise or fall with changing market conditions. If you sell your shares when their value is less than the price you paid, you will lose money. The Account operates as a fund of funds and thus bears both its own expenses and, indirectly, its proportionate share of the expenses of the underlying funds in which it invests. An investment in the Account is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The principal risks of investing in the Account that are inherent in the fund of funds, in alphabetical order, are:

**Asset Allocation Risk.** A fund's selection and weighting of asset classes may cause it to underperform other funds with a similar investment objective.

**Conflict of Interest Risk.** The Advisor and its affiliates earn different fees from different underlying funds and may have an incentive to allocate more fund-of-fund assets to underlying funds from which they receive higher fees.

**Fund of Funds Risk.** The performance and risks of a fund of funds directly correspond to the performance and risks of the underlying funds in which the fund invests. Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

The principal risks of investing in the Account that are inherent in the underlying funds, in alphabetical order, are:

**Derivatives Risk.** Derivatives may not move in the direction anticipated by the portfolio manager. Transactions in derivatives may increase volatility, cause the liquidation of portfolio positions when not advantageous to do so and result in disproportionate losses that may be substantially greater than a fund's initial investment.

- **Futures.** Futures involve specific risks, including: the imperfect correlation between the change in market value of the instruments held by the fund and the price of the future,; possible lack of a liquid secondary market for a future and the resulting inability to close a future when desired; counterparty risk; and if the fund has insufficient cash, it may have to sell securities from its portfolio to meet daily variation margin requirements.

**Equity Securities Risk.** The value of equity securities could decline if the issuer's financial condition declines or in response to overall market and economic conditions. A fund's principal market segment (such as market capitalization or style), may underperform other market segments or the equity markets as a whole.

- **Small and Medium Market Capitalization Companies.** Investments in small and medium sized companies may involve greater risk and price volatility than investments in larger, more mature companies.

**Exchange-Traded Funds ("ETFs") Risk.** An ETF is subject to the risks associated with direct ownership of the securities in which the ETF invests or that comprise the index on which the ETF is based. Fund shareholders indirectly bear their proportionate share of the expenses of the ETFs in which the fund invests.

**Fixed-Income Securities Risk.** Fixed-income securities are subject to interest rate risk and credit quality risk. The market value of fixed-income securities generally declines when interest rates rise, and an issuer of fixed-income securities could default on its payment obligations.

**Foreign Currency Risk.** Risks of investing in securities denominated in, or that trade in, foreign (non-U.S.) currencies include changes in foreign exchange rates and foreign exchange restrictions.

**Foreign Securities Risk.** The risks of foreign securities include loss of value as a result of: political or economic instability; nationalization, expropriation or confiscatory taxation; settlement delays; and limited government regulation (including less stringent reporting, accounting, and disclosure standards than are required of U.S. companies).

**Index Fund Risk.** More likely than not, an index fund will underperform the index due to cashflows and the fees and expenses of the fund. The correlation between fund performance and index performance may also be affected by changes in securities markets, changes in the composition of the index and the timing of purchases and sales of fund shares.

**Investment Company Securities Risk.** Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

**Portfolio Duration Risk.** Portfolio duration is a measure of the expected life of a fixed-income security and its sensitivity to changes in interest rates. The longer a fund's average portfolio duration, the more sensitive the fund will be to changes in interest rates.

**Real Estate Securities Risk.** Investing in real estate securities subjects the fund to the risks associated with the real estate market (which are similar to the risks associated with direct ownership in real estate), including declines in real estate values, loss due to casualty or condemnation, property taxes, interest rate changes, increased expenses, cash flow of underlying real estate assets, regulatory changes (including zoning, land use and rents), and environmental problems, as well as to the risks related to the management skill and creditworthiness of the issuer.

**Redemption Risk.** A fund that serves as an underlying fund for a fund of funds is subject to certain risks. When a fund of funds reallocates or rebalances its investments, an underlying fund may experience relatively large redemptions or investments. These transactions may cause the underlying fund to sell portfolio securities to meet such redemptions, or to invest cash from such investments, at times it would not otherwise do so, and may as a result increase transaction costs and adversely affect underlying fund performance.

**Securitized Products Risk.** Investments in securitized products are subject to risks similar to traditional fixed income securities, such as credit, interest rate, liquidity, prepayment, extension, and default risk, as well as additional risks associated with the nature of the assets and the servicing of those assets. Unscheduled prepayments on securitized products may have to be reinvested at lower rates. A reduction in prepayments may increase the effective maturities of these securities, exposing them to the risk of decline in market value over time (extension risk).

**U.S. Government Securities Risk.** Yields available from U.S. government securities are generally lower than yields from many other fixed-income securities.

**U.S. Government-Sponsored Securities Risk.** Securities issued by U.S. government-sponsored or -chartered enterprises such as the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Federal Home Loan Banks are not issued or guaranteed by the U.S. Treasury.

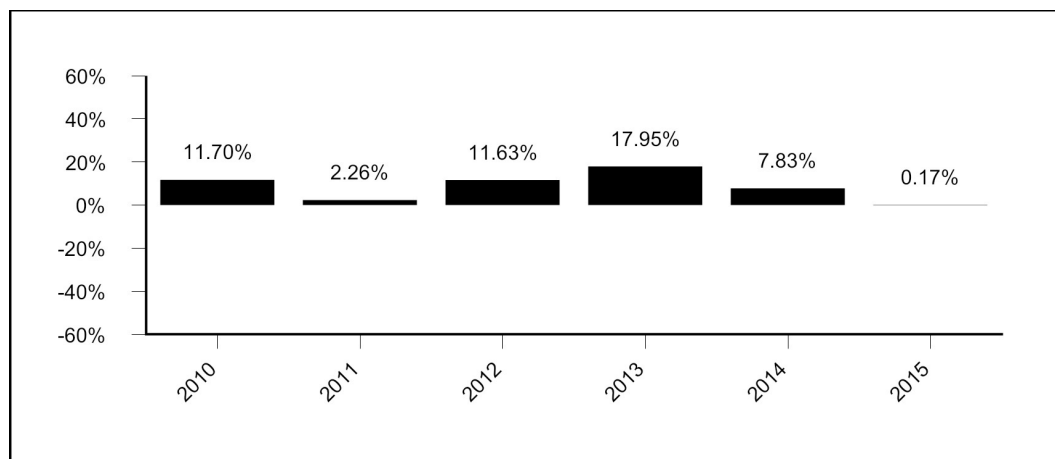
**Performance**

The following information provides some indication of the risks of investing in the Account. Past performance is not necessarily an indication of how the Account will perform in the future. You may get updated performance information online at [www.principal.com](http://www.principal.com).

The bar chart shows changes in the Account's performance from year to year. The table shows how the Account's average annual returns for 1, 5, and 10 years (or, if shorter, the life of the Account) compare with those of one or more broad measures of market performance. Performance figures for the Accounts do not include any separate account expenses, cost of insurance, or other contract-level expenses; total returns for the Accounts would be lower if such expenses were included.

Life of Account results are measured from the date the Account's shares were first sold (December 30, 2009).

**Total Returns as of December 31 (Class 2 Shares)**



Highest return for a quarter during the period of the bar chart above:

Q3 '10 8.57 %

Lowest return for a quarter during the period of the bar chart above:

Q3 '11 (9.31)%

**Average Annual Total Returns**

<b>For the periods ended December 31, 2015</b>	<b>Past 1 Year</b>	<b>Past 5 Years</b>	<b>Life of Account</b>
<b>Diversified Growth Account - Class 2</b>	<b>0.17%</b>	<b>7.78%</b>	<b>8.42%</b>
S&P 500 Index (reflects no deduction for fees, expenses, or taxes)	1.38%	12.57%	12.79%
Barclays U.S. Aggregate Bond Index (reflects no deduction for fees, expenses, or taxes)	0.55%	3.25%	3.76%
MSCI EAFE Index NDTR D (reflects no deduction for fees, expenses, or taxes)	(0.81)%	3.60%	4.37%
S&P Midcap 400 Index (reflects no deduction for fees, expenses, or taxes)	(2.18)%	10.68%	12.94%
S&P Smallcap 600 Index (reflects no deduction for fees, expenses, or taxes)	(1.97)%	11.48%	13.55%
Diversified Growth Custom Index (reflects no deduction for fees, expenses, or taxes)	0.77%	8.42%	9.05%

The S&P 500 Index is used to show large cap U.S. equity market performance. The Barclays U.S. Aggregate Bond Index is used to show performance of domestic, taxable fixed-income securities performance. The MSCI EAFE Index NDTR D is used to show international stock performance. The S&P Midcap 400 Index is used to show mid cap U.S. equity market performance. The S&P Smallcap 600 Index is used to show small cap U.S. equity market performance. The custom index (as defined below) is used to show the performance of the various asset classes used by the Account, and the Average Annual Total Returns table shows performance of the components of the custom index. The weightings for the Diversified Growth Custom Index are 45% S&P 500 Index, 35% Barclays U.S. Aggregate Bond Index, 10% MSCI EAFE Index NDTR D, 5% S&P Midcap 400 Index, and 5% S&P Smallcap 600 Index.

**Management**

**Investment Advisor and Portfolio Managers:**

Principal Management Corporation

- James W. Fennessey (since 2009), Portfolio Manager
- Randy L. Welch (since 2009), Portfolio Manager

**Tax Information**

The Fund intends to comply with applicable variable asset diversification regulations. Taxation to you will depend on what you do with your variable life insurance or variable annuity contract. See your variable product prospectus for information about the tax implications of investing in the Accounts.

**Payments to Broker-Dealers and Other Financial Intermediaries**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank, insurance company, investment adviser, etc.), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment, to recommend one share class of the Fund over another share class, or to recommend one variable annuity, variable life insurance policy or mutual fund over another. Ask your salesperson or visit your financial intermediary's website for more information.



**PRINCIPAL  
VARIABLE CONTRACTS  
FUNDS, INC.**

||||||| SUMMARY PROSPECTUS

**Diversified Growth Managed Volatility Account - Class 2 Shares**

**Principal Variable Contracts Funds, Inc. Summary Prospectus May 1, 2016**

Before you invest, you may want to review the Account's prospectus, which contains more information about the Account and its risks. You can find the Account's prospectus and other information about the Account online at [www.principalfunds.com/pvcprospectus](http://www.principalfunds.com/pvcprospectus). You can also get this information at no cost by calling 1-800-222-5852 or by sending an email request to [prospectus@principalfunds.com](mailto:prospectus@principalfunds.com).

This Summary Prospectus incorporates by reference the Statutory Prospectus dated May 1, 2016, and the Statement of Additional Information dated May 1, 2016 (which may be obtained in the same manner as the Prospectus).

**Objective:** The Account seeks to provide long-term capital appreciation, with an emphasis on managing volatility.

**Fees and Expenses of the Account**

This table describes the fees and expenses that you may pay if you buy and hold shares of the Account. These fees and expenses do not reflect the fees and expenses of any variable insurance contract that may invest in the Account and would be higher if they did.

**Annual Account Operating Expenses  
(expenses that you pay each year as a percentage of the value of your investment)**

	<b>Class 2</b>
Management Fees	0.05%
Distribution and/or Service (12b-1) Fees	0.25%
Other Expenses	—%
Acquired Fund Fees and Expenses	0.35%
<b>Total Annual Account Operating Expenses</b>	<b>0.65%</b>
Expense Reimbursement <sup>(1)</sup>	—%
<b>Total Annual Account Operating Expenses after Expense Reimbursement</b>	<b>0.65%</b>

<sup>(1)</sup> Principal Management Corporation ("Principal"), the investment advisor, has contractually agreed to limit the Account's expenses by paying, if necessary, expenses normally payable by the Account, (excluding interest expense, expenses related to fund investments, acquired fund fees and expenses, and other extraordinary expenses) to maintain a total level of operating expenses (expressed as a percent of average net assets on an annualized basis) not to exceed 0.31% for Class 2 shares. It is expected that the expense limit will continue through the period ending April 30, 2017; however, Principal Variable Contracts Funds, Inc. and Principal, the parties to the agreement, may mutually agree to terminate the expense limit prior to the end of the period.

**Example**

This Example is intended to help you compare the cost of investing in the Account with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Account for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Account's operating expenses remain the same. If separate account expenses and contract level expenses were included, expenses would be higher. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	Number of years you own your shares			
	1	3	5	10
Diversified Growth Managed Volatility Account - Class 2	\$66	\$208	\$362	\$810

### Portfolio Turnover

As a fund of funds, the Account does not pay transaction costs, such as commissions, when it buys and sells shares of underlying funds (or “turns over” its portfolio). An underlying fund does pay transaction costs when it buys and sells portfolio securities, and a higher portfolio turnover may indicate higher transaction costs. These costs, which are not reflected in annual account operating expenses or in the examples, affect the performance of the underlying fund and the Account. During its most recent fiscal year, the Account's portfolio turnover rate was 11.5% of the average value of its portfolio.

### Principal Investment Strategies

The Account operates as a fund of funds and invests in underlying funds. In pursuing its investment objective, the Account typically allocates its assets, within predetermined percentage ranges, among the “underlying funds”: Funds of Principal Funds, Inc. (“PFI”) (Institutional Class shares) - the International Equity Index, MidCap S&P 400 Index, and SmallCap S&P 600 Index Funds - and Accounts of Principal Variable Contracts Funds, Inc. (“PVC”) (Class 1 shares) - the Bond Market Index and LargeCap S&P 500 Managed Volatility Index Accounts. The Account generally allocates approximately 65% of its assets to the equity index funds to gain broad market capitalization exposure to both U.S. and non-U.S investments and approximately 35% to the Bond Market Index Account for intermediate duration fixed-income exposure. The percentages reflect the extent to which the Account normally invests in the particular market segment represented by the underlying funds, and the asset allocation strategy influences the potential investment risk and reward of the Account.

Without shareholder approval, Principal Management Corporation (“Principal”), the manager for PVC and PFI, may alter the percentage ranges and/or substitute or remove underlying funds (including investing in other investment companies) when it deems appropriate in order to achieve the Account's investment objective. The assets of the Account are allocated among underlying funds in accordance with its investment objective, while considering Principal's outlook for the economy, the financial markets, and the relative market valuations of the underlying funds. In selecting underlying funds and their target weights, Principal considers, among other things, quantitative measures, such as past performance, expected levels of risk and returns, expense levels, diversification of existing funds, and style consistency. The Account is re-balanced monthly.

The net asset value of the Account's shares is affected by changes in the value of the shares of the underlying funds it owns. The Account's investments are invested in the underlying funds and, as a result, the Account's performance is directly related to their performance. The Account's ability to meet its investment objective depends on the ability of the underlying funds to achieve their investment objectives.

The Account's underlying funds utilize derivative strategies. A derivative is a financial arrangement, the value of which is derived from, or based on, a traditional security, asset, or market index. Specifically, the underlying funds invest in equity index futures and exchange-traded funds (ETFs) to manage the equity exposure. An underlying fund also buys vertical call spreads and vertical put spreads as part of an active strategy intended to reduce volatility. Vertical spreads are the simultaneous purchase and sale of two options of the same type with the same expiration date but two different strike prices. The strike price is the fixed price at which the owner of the option can buy (in the case of a call), or sell (in the case of a put), the underlying security.

### Principal Risks

The diversification of the Account is designed to cushion losses in any one investment sector and moderate overall price volatility. However, the Account is subject to the particular risks of the underlying funds in the proportions in which the Account invests in them, and its share prices will fluctuate as the prices of underlying fund shares rise or fall with changing market conditions. If you sell your shares when their value is less than the price you paid, you will lose money. The Account operates as a fund of funds and thus bears both its own expenses and, indirectly, its proportionate share of the expenses of the underlying funds in which it invests. An investment in the Account is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The principal risks of investing in the

Account that are inherent in the fund of funds, in alphabetical order, are:

**Asset Allocation Risk.** A fund's selection and weighting of asset classes may cause it to underperform other funds with a similar investment objective.

**Conflict of Interest Risk.** The Advisor and its affiliates earn different fees from different underlying funds and may have an incentive to allocate more fund-of-fund assets to underlying funds from which they receive higher fees.

**Fund of Funds Risk.** The performance and risks of a fund of funds directly correspond to the performance and risks of the underlying funds in which the fund invests. Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

The principal risks of investing in the Account that are inherent in the underlying funds, in alphabetical order, are:

**Derivatives Risk.** Derivatives may not move in the direction anticipated by the portfolio manager. Transactions in derivatives may increase volatility, cause the liquidation of portfolio positions when not advantageous to do so and result in disproportionate losses that may be substantially greater than a fund's initial investment.

- **Futures.** Futures involve specific risks, including: the imperfect correlation between the change in market value of the instruments held by the fund and the price of the future,; possible lack of a liquid secondary market for a future and the resulting inability to close a future when desired; counterparty risk; and if the fund has insufficient cash, it may have to sell securities from its portfolio to meet daily variation margin requirements.
- **Options.** Options involve specific risks, including: imperfect correlation between the change in market value of the instruments held by the fund and the price of the options, counterparty risk, difference in trading hours for the options markets and the markets for the underlying securities (rate movements can take place in the underlying markets that cannot be reflected in the options markets), and an insufficient liquid secondary market for particular options.

**Equity Securities Risk.** The value of equity securities could decline if the issuer's financial condition declines or in response to overall market and economic conditions. A fund's principal market segment (such as market capitalization or style), may underperform other market segments or the equity markets as a whole.

- **Small and Medium Market Capitalization Companies.** Investments in small and medium sized companies may involve greater risk and price volatility than investments in larger, more mature companies.

**Exchange-Traded Funds ("ETFs") Risk.** An ETF is subject to the risks associated with direct ownership of the securities in which the ETF invests or that comprise the index on which the ETF is based. Fund shareholders indirectly bear their proportionate share of the expenses of the ETFs in which the fund invests.

**Fixed-Income Securities Risk.** Fixed-income securities are subject to interest rate risk and credit quality risk. The market value of fixed-income securities generally declines when interest rates rise, and an issuer of fixed-income securities could default on its payment obligations.

**Foreign Currency Risk.** Risks of investing in securities denominated in, or that trade in, foreign (non-U.S.) currencies include changes in foreign exchange rates and foreign exchange restrictions.

**Foreign Securities Risk.** The risks of foreign securities include loss of value as a result of: political or economic instability; nationalization, expropriation or confiscatory taxation; settlement delays; and limited government regulation (including less stringent reporting, accounting, and disclosure standards than are required of U.S. companies).

**Hedging Risk.** A fund that implements a hedging strategy using derivatives and/or securities could expose the fund to the risk that can arise when a change in the value of a hedge does not match a change in the value of the asset it hedges. In other words, the change in value of the hedge could move in a direction that does not match the change in value of the underlying asset, resulting in a risk of loss to the fund.

**Index Fund Risk.** More likely than not, an index fund will underperform the index due to cashflows and the fees and expenses of the fund. The correlation between fund performance and index performance may also be affected by changes in securities markets, changes in the composition of the index and the timing of purchases and sales of fund shares.

**Investment Company Securities Risk.** Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

**Portfolio Duration Risk.** Portfolio duration is a measure of the expected life of a fixed-income security and its sensitivity to changes in interest rates. The longer a fund's average portfolio duration, the more sensitive the fund will be to changes in interest rates.

**Real Estate Securities Risk.** Investing in real estate securities subjects the fund to the risks associated with the real estate market (which are similar to the risks associated with direct ownership in real estate), including declines in real estate values, loss due to casualty or condemnation, property taxes, interest rate changes, increased expenses, cash flow of underlying real estate assets, regulatory changes (including zoning, land use and rents), and environmental problems, as well as to the risks related to the management skill and creditworthiness of the issuer.

**Redemption Risk.** A fund that serves as an underlying fund for a fund of funds is subject to certain risks. When a fund of funds reallocates or rebalances its investments, an underlying fund may experience relatively large redemptions or investments. These transactions may cause the underlying fund to sell portfolio securities to meet such redemptions, or to invest cash from such investments, at times it would not otherwise do so, and may as a result increase transaction costs and adversely affect underlying fund performance.

**Securitized Products Risk.** Investments in securitized products are subject to risks similar to traditional fixed income securities, such as credit, interest rate, liquidity, prepayment, extension, and default risk, as well as additional risks associated with the nature of the assets and the servicing of those assets. Unscheduled prepayments on securitized products may have to be reinvested at lower rates. A reduction in prepayments may increase the effective maturities of these securities, exposing them to the risk of decline in market value over time (extension risk).

**U.S. Government Securities Risk.** Yields available from U.S. government securities are generally lower than yields from many other fixed-income securities.

**U.S. Government-Sponsored Securities Risk.** Securities issued by U.S. government-sponsored or -chartered enterprises such as the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Federal Home Loan Banks are not issued or guaranteed by the U.S. Treasury.

**Volatility Mitigation Risk.** Volatility mitigation strategies may increase fund transaction costs, which could increase losses or reduce gains. These strategies may not protect the fund from market declines and may reduce the fund's participation in market gains.

## **Performance**

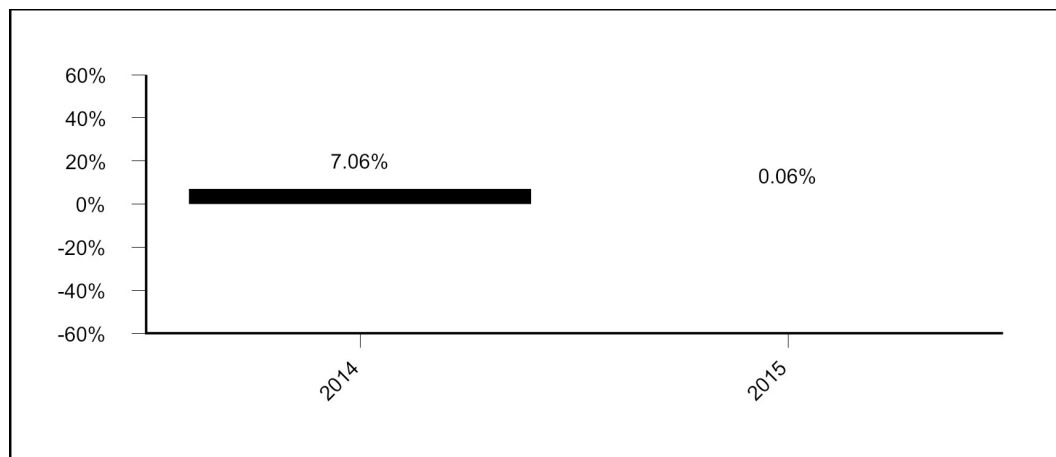
The following information provides some indication of the risks of investing in the Account. Past performance is not necessarily an indication of how the Account will perform in the future. You may get updated performance information online at [www.principal.com](http://www.principal.com).

The bar chart shows changes in the Account's performance from year to year. The table shows how the Account's average annual returns for 1, 5, and 10 years (or, if shorter, the life of the Account) compare with those of one or more broad measures of market performance. Performance figures for the Accounts do not include any separate account expenses, cost of insurance, or other contract-level expenses; total returns for the Accounts would be lower if such expenses were included.

Life of Account results are measured from the date the Account's shares were first sold (October 31, 2013).



## Total Returns as of December 31 (Class 2 Shares)



Highest return for a quarter during the period of the bar chart above: **Q4 '15** **3.35 %**  
 Lowest return for a quarter during the period of the bar chart above: **Q3 '15** **(4.23)%**

### Average Annual Total Returns

For the periods ended December 31, 2015	Past 1 Year	Life of Account
<b>Diversified Growth Managed Volatility Account - Class 2</b>	<b>0.06%</b>	<b>4.50%</b>
S&P 500 Index (reflects no deduction for fees, expenses, or taxes)	1.38%	9.53%
Barclays U.S. Aggregate Bond Index (reflects no deduction for fees, expenses, or taxes)	0.55%	2.53%
MSCI EAFE Index NDTR D (reflects no deduction for fees, expenses, or taxes)	(0.81)%	(1.65)%
S&P Midcap 400 Index (reflects no deduction for fees, expenses, or taxes)	(2.18)%	5.44%
S&P Smallcap 600 Index (reflects no deduction for fees, expenses, or taxes)	(1.97)%	4.45%
Diversified Growth Managed Volatility Custom Index (reflects no deduction for fees, expenses, or taxes)	0.77%	5.62%

The S&P 500 Index is used to show large cap U.S. equity market performance. The Barclays U.S. Aggregate Bond Index is used to show performance of domestic, taxable fixed-income securities performance. The MSCI EAFE Index NDTR D is used to show international stock performance. The S&P Midcap 400 Index is used to show mid cap U.S. equity market performance. The S&P Smallcap 600 Index is used to show small cap U.S. equity market performance. The custom index (as defined below) is used to show the performance of the various asset classes used by the Account, and the Average Annual Total Returns table shows performance of the components of the custom index. The weightings for the Diversified Growth Managed Volatility Custom Index are 45% S&P 500 Index, 35% Barclays U.S. Aggregate Bond Index, 10% MSCI EAFE Index NDTR D, 5% S&P Midcap 400 Index, and 5% S&P Smallcap 600 Index.

## Management

### Investment Advisor and Portfolio Managers:

Principal Management Corporation

- James W. Fennessey (since 2013), Portfolio Manager
- Randy L. Welch (since 2013), Portfolio Manager

### Tax Information

The Fund intends to comply with applicable variable asset diversification regulations. Taxation to you will depend on what you do with your variable life insurance or variable annuity contract. See your variable product prospectus for information about the tax implications of investing in the Accounts.

**Payments to Broker-Dealers and Other Financial Intermediaries**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank, insurance company, investment adviser, etc.), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment, to recommend one share class of the Fund over another share class, or to recommend one variable annuity, variable life insurance policy or mutual fund over another. Ask your salesperson or visit your financial intermediary's website for more information.



**PRINCIPAL  
VARIABLE CONTRACTS  
FUNDS, INC.**

||||||| SUMMARY PROSPECTUS

**Diversified Income Account - Class 2 Shares**

**Principal Variable Contracts Funds, Inc. Summary Prospectus May 1, 2016**

Before you invest, you may want to review the Account's prospectus, which contains more information about the Account and its risks. You can find the Account's prospectus and other information about the Account online at [www.principalfunds.com/pvcprospectus](http://www.principalfunds.com/pvcprospectus). You can also get this information at no cost by calling 1-800-222-5852 or by sending an email request to [prospectus@principalfunds.com](mailto:prospectus@principalfunds.com).

This Summary Prospectus incorporates by reference the Statutory Prospectus dated May 1, 2016, and the Statement of Additional Information dated May 1, 2016 (which may be obtained in the same manner as the Prospectus).

**Objective:** The Account seeks to provide a high level of total return (consisting of reinvestment of income with some capital appreciation).

**Fees and Expenses of the Account**

This table describes the fees and expenses that you may pay if you buy and hold shares of the Account. These fees and expenses do not reflect the fees and expenses of any variable insurance contract that may invest in the Account and would be higher if they did.

**Annual Account Operating Expenses  
(expenses that you pay each year as a percentage of the value of your investment)**

	<b>Class 2</b>
Management Fees	0.05%
Distribution and/or Service (12b-1) Fees	0.25%
Other Expenses	—%
Acquired Fund Fees and Expenses	0.25%
<b>Total Annual Account Operating Expenses</b>	<b>0.55%</b>

**Example**

This Example is intended to help you compare the cost of investing in the Account with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Account for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Account's operating expenses remain the same. If separate account expenses and contract level expenses were included, expenses would be higher. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	Number of years you own your shares			
	1	3	5	10
Diversified Income Account - Class 2	\$56	\$176	\$307	\$689

### **Portfolio Turnover**

As a fund of funds, the Account does not pay transaction costs, such as commissions, when it buys and sells shares of underlying funds (or “turns over” its portfolio). An underlying fund does pay transaction costs when it buys and sells portfolio securities, and a higher portfolio turnover may indicate higher transaction costs. These costs, which are not reflected in annual account operating expenses or in the examples, affect the performance of the underlying fund and the Account. During its most recent fiscal year, the Account's portfolio turnover rate was 20.1% of the average value of its portfolio.

### **Principal Investment Strategies**

The Account operates as a fund of funds and invests in underlying funds. In pursuing its investment objective, the Account typically allocates its assets, within predetermined percentage ranges, among the “underlying funds”: Funds of Principal Funds, Inc. (“PFI”) (Institutional Class shares) - the International Equity Index, MidCap S&P 400 Index, and SmallCap S&P 600 Index Funds - and Accounts of Principal Variable Contracts Funds, Inc. (“PVC”) (Class 1 shares) – the Bond Market Index and LargeCap S&P 500 Index Accounts. The Account generally allocates approximately 35% of its assets to the equity index funds to gain broad market capitalization exposure to both U.S. and non-U.S investments and approximately 65% to the Bond Market Index Account for intermediate duration fixed-income exposure. The percentages reflect the extent to which the Account normally invests in the particular market segment represented by the underlying funds, and the asset allocation strategy influences the potential investment risk and reward of the Account.

Without shareholder approval, Principal Management Corporation (“Principal”), the manager for PVC and PFI, may alter the percentage ranges and/or substitute or remove underlying funds (including investing in other investment companies) when it deems appropriate in order to achieve the Account's investment objective. The assets of the Account are allocated among underlying funds in accordance with its investment objective, while considering Principal's outlook for the economy, the financial markets, and the relative market valuations of the underlying funds.

In selecting underlying funds and their target weights, Principal considers, among other things, quantitative measures, such as past performance, expected levels of risk and returns, expense levels, diversification of existing funds, and style consistency. The Account is re-balanced monthly.

The net asset value of the Account's shares is affected by changes in the value of the shares of the underlying funds it owns. The Account's investments are invested in the underlying funds and, as a result, the Account's performance is directly related to their performance. The Account's ability to meet its investment objective depends on the ability of the underlying funds to achieve their investment objectives.

The Account's underlying funds utilize derivative strategies. A derivative is a financial arrangement, the value of which is derived from, or based on, a traditional security, asset, or market index. Specifically, the underlying funds invest in equity index futures and exchange-traded funds (ETFs) to manage the equity exposure.

### **Principal Risks**

The diversification of the Account is designed to cushion losses in any one investment sector and moderate overall price volatility. However, the Account is subject to the particular risks of the underlying funds in the proportions in which the Account invests in them, and its share prices will fluctuate as the prices of underlying fund shares rise or fall with changing market conditions. If you sell your shares when their value is less than the price you paid, you will lose money. The Account operates as a fund of funds and thus bears both its own expenses and, indirectly, its proportionate share of the expenses of the underlying funds in which it invests. An investment in the Account is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The principal risks of investing in the Account that are inherent in the fund of funds, in alphabetical order, are:

**Asset Allocation Risk.** A fund's selection and weighting of asset classes may cause it to underperform other funds with a similar investment objective.

**Conflict of Interest Risk.** The Advisor and its affiliates earn different fees from different underlying funds and may have an incentive to allocate more fund-of-fund assets to underlying funds from which they receive higher fees.

**Fund of Funds Risk.** The performance and risks of a fund of funds directly correspond to the performance and risks of the underlying funds in which the fund invests. Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

The principal risks of investing in the Account that are inherent in the underlying funds, in alphabetical order, are:

**Derivatives Risk.** Derivatives may not move in the direction anticipated by the portfolio manager. Transactions in derivatives may increase volatility, cause the liquidation of portfolio positions when not advantageous to do so and result in disproportionate losses that may be substantially greater than a fund's initial investment.

- **Futures.** Futures involve specific risks, including: the imperfect correlation between the change in market value of the instruments held by the fund and the price of the future,; possible lack of a liquid secondary market for a future and the resulting inability to close a future when desired; counterparty risk; and if the fund has insufficient cash, it may have to sell securities from its portfolio to meet daily variation margin requirements.

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**Fixed-Income Securities Risk.** Fixed-income securities are subject to interest rate risk and credit quality risk. The market value of fixed-income securities generally declines when interest rates rise, and an issuer of fixed-income securities could default on its payment obligations.

**Index Fund Risk.** More likely than not, an index fund will underperform the index due to cashflows and the fees and expenses of the fund. The correlation between fund performance and index performance may also be affected by changes in securities markets, changes in the composition of the index and the timing of purchases and sales of fund shares.

**Investment Company Securities Risk.** Fund shareholders bear indirectly their proportionate share of the expenses of other investment companies in which the fund invests.

**Portfolio Duration Risk.** Portfolio duration is a measure of the expected life of a fixed-income security and its sensitivity to changes in interest rates. The longer a fund's average portfolio duration, the more sensitive the fund will be to changes in interest rates.

**Real Estate Securities Risk.** Investing in real estate securities subjects the fund to the risks associated with the real estate market (which are similar to the risks associated with direct ownership in real estate), including declines in real estate values, loss due to casualty or condemnation, property taxes, interest rate changes, increased expenses, cash flow of underlying real estate assets, regulatory changes (including zoning, land use and rents), and environmental problems, as well as to the risks related to the management skill and creditworthiness of the issuer.

**Redemption Risk.** A fund that serves as an underlying fund for a fund of funds is subject to certain risks. When a fund of funds reallocates or rebalances its investments, an underlying fund may experience relatively large redemptions or investments. These transactions may cause the underlying fund to sell portfolio securities to meet such redemptions, or to invest cash from such investments, at times it would not otherwise do so, and may as a result increase transaction costs and adversely affect underlying fund performance.

**Securitized Products Risk.** Investments in securitized products are subject to risks similar to traditional fixed income securities, such as credit, interest rate, liquidity, prepayment, extension, and default risk, as well as additional risks associated with the nature of the assets and the servicing of those assets. Unscheduled prepayments on securitized products may have to be reinvested at lower rates. A reduction in prepayments may increase the effective maturities of these securities, exposing them to the risk of decline in market value over time (extension risk).

**U.S. Government Securities Risk.** Yields available from U.S. government securities are generally lower than yields from many other fixed-income securities.

**U.S. Government-Sponsored Securities Risk.** Securities issued by U.S. government-sponsored or -chartered enterprises such as the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Federal Home Loan Banks are not issued or guaranteed by the U.S. Treasury.

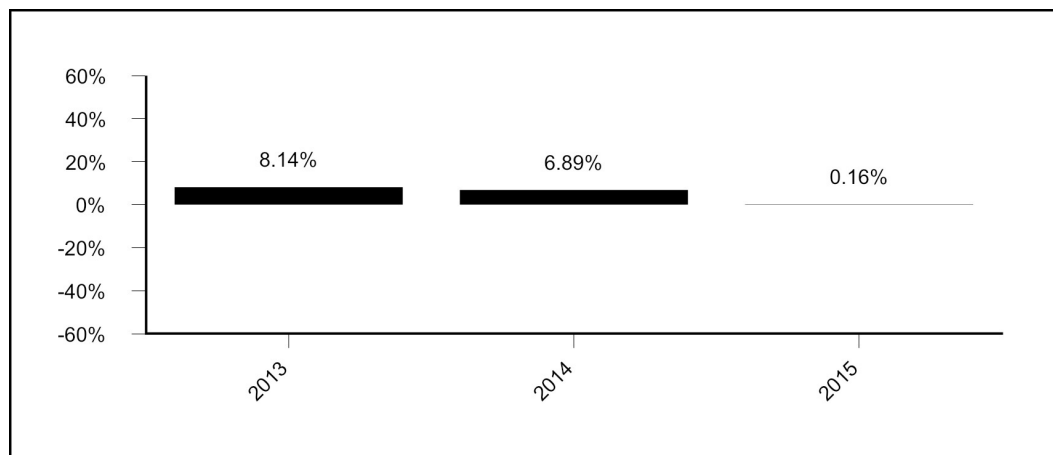
**Performance**

The following information provides some indication of the risks of investing in the Account. Past performance is not necessarily an indication of how the Account will perform in the future. You may get updated performance information online at [www.principal.com](http://www.principal.com).

The bar chart shows changes in the Account's performance from year to year. The table shows how the Account's average annual returns for 1, 5, and 10 years (or, if shorter, the life of the Account) compare with those of one or more broad measures of market performance. Performance figures for the Accounts do not include any separate account expenses, cost of insurance, or other contract-level expenses; total returns for the Accounts would be lower if such expenses were included.

Life of Account results are measured from the date the Account's shares were first sold (May 15, 2012).

**Total Returns as of December 31 (Class 2 Shares)**



Highest return for a quarter during the period of the bar chart above:	<b>Q1 '13</b>	<b>3.23 %</b>
Lowest return for a quarter during the period of the bar chart above:	<b>Q3 '15</b>	<b>(1.85)%</b>

**Average Annual Total Returns**

<b>For the periods ended December 31, 2015</b>	<b>Past 1 Year</b>	<b>Life of Account</b>
<b>Diversified Income Account - Class 2</b>	<b>0.16%</b>	<b>5.64%</b>
Barclays U.S. Aggregate Bond Index (reflects no deduction for fees, expenses, or taxes)	0.55%	1.83%
S&P 500 Index (reflects no deduction for fees, expenses, or taxes)	1.38%	14.99%
MSCI EAFE Index NDTR D (reflects no deduction for fees, expenses, or taxes)	(0.81)%	8.53%
S&P Midcap 400 Index (reflects no deduction for fees, expenses, or taxes)	(2.18)%	13.00%
S&P Smallcap 600 Index (reflects no deduction for fees, expenses, or taxes)	(1.97)%	13.90%
Diversified Income Custom Index (reflects no deduction for fees, expenses, or taxes)	0.77%	6.09%

The Barclays U.S. Aggregate Bond Index is used to show performance of domestic, taxable fixed-income securities performance. The S&P 500 Index is used to show large cap U.S. equity market performance. The MSCI EAFE Index NDTR D is used to show international stock performance. The S&P Midcap 400 Index is used to show mid cap U.S. equity market performance. The S&P Smallcap 600 Index is used to show small cap U.S. equity market performance. The custom index (as defined below) is used to show the performance of the various asset classes used by the Account, and the Average Annual Total Returns table shows performance of the components of the custom index. The weightings for the Diversified Income Custom Index are 65% Barclays U.S. Aggregate Bond Index, 25% S&P 500 Index, 4% MSCI EAFE Index NDTR D, 3% S&P Midcap 400 Index, and 3% S&P Smallcap 600 Index.

**Management**

**Investment Advisor and Portfolio Managers:**

Principal Management Corporation

- James W. Fennessey (since 2012), Portfolio Manager
- Randy L. Welch (since 2012), Portfolio Manager

**Tax Information**

The Fund intends to comply with applicable variable asset diversification regulations. Taxation to you will depend on what you do with your variable life insurance or variable annuity contract. See your variable product prospectus for information about the tax implications of investing in the Accounts.

**Payments to Broker-Dealers and Other Financial Intermediaries**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank, insurance company, investment adviser, etc.), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment, to recommend one share class of the Fund over another share class, or to recommend one variable annuity, variable life insurance policy or mutual fund over another. Ask your salesperson or visit your financial intermediary's website for more information.

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

Variable annuity contracts are issued by Principal Life Insurance Company and distributed through Principal Securities Inc., 800/852-4450, Member SIPC. Principal Life and Principal Securities are members of the Principal Financial Group<sup>®</sup>, Des Moines, IA 50392.