

In the Matter of Principal Life Insurance)
Company,)
Respondent.)

CONSENT AGREEMENT

.....
The North Dakota Securities Commissioner has advised the Respondent, Principal Life Insurance Company, that the Commissioner is prepared to commence formal action pursuant to N.D.C.C. Chapter 10-04 and has determined as follows:

1. Respondent, Principal Life Insurance Company, is an insurance company licensed with the North Dakota Insurance Department. Principal Life Insurance Company is not now and has never been registered as a dealer with the Securities Department, though several affiliates of the Respondent have been registered as dealers with the Securities Department.
2. Stephen Ohly is an insurance agent who, for all times relevant to this matter, has been licensed with the North Dakota Insurance Department and affiliated with the Respondent. Ohly has previously been registered, from time to time, as a securities agent with the Securities Department, but has not been registered as a securities agent since 1999.
3. Respondent has engaged in sales of its group variable annuity contracts, which contain a provision providing for separate accounts. Though these group variable annuity contracts are sold to companies to fund retirement benefits for the companies' employees, these retirement plans are funded through payroll deductions of salary deferrals and through employer contributions, including matching contributions, at the election of the respective employees, and the respective employees may direct the investments among

various plan investment options, including the separate accounts available through these group variable annuity contracts.

4. From 2001 through 2003, Respondent sold three group variable annuity contracts in North Dakota, by and through its agent, Ohly. These contracts permitted an unknown number of the companies' employees to direct the investments of plan assets in such separate accounts and other investment options of the respective retirement plans in which they participated.

5. These group variable annuity contracts are securities under North Dakota law, but they are exempt from registration, pursuant to N.D.C.C. §10-04-05(3), as they were issued by a licensed insurance company.

6. The Respondent has claimed that the transactions described above are exempt transactions pursuant to N.D.C.C. §10-04-06(5), which provides an exemption for "pension or profit-sharing trusts, or similar benefit plans". The Commissioner rejects the applicability of this exemption to the present situation.

7. Pursuant to N.D.C.C. §10-04-10(1), no person may offer for sale or sell any securities within or from this state unless registered as a dealer with the securities department or the securities are sold through exempt transactions under N.D.C.C. §10-04-06.

8. Pursuant to N.D.C.C. §10-04-10(2), no agent may offer for sale or sell any securities within or from this state, unless registered as an agent in North Dakota or the securities are sold through exempt transactions under N.D.C.C. §10-04-06.

9. Pursuant to N.D.C.C. §10-04-16, when it shall appear to the Commissioner that any person has engaged in, or is engaging in, or is about to engage in any act or practice which is declared illegal in this chapter, the Commissioner may issue any order and collect civil

penalties against any person found in an administrative action to have violated any provision of the chapter in an amount not to exceed \$10,000 for each violation. The Commissioner believes the violations alleged above are sufficient grounds to assess civil penalties against the Respondent pursuant to N.D.C.C. §10-04-16(1).

10. The Respondent and the Commissioner do not agree on whether applicable law requires agent registration for such sales, nor whether the applicable law includes these group variable annuity contracts as securities or "variable annuity contracts" for the regulatory purposes stated herein, but each agrees and both are willing to resolve this matter without conceding their respective positions on the law and rather than pursuing an administrative hearing or other formal proceeding. The Respondent specifically waives its right to a hearing with respect to this matter and agrees to resolve this matter informally with the Commissioner, without admitting or denying the factual determinations and legal conclusions set forth in this Agreement.

11. The following Agreement is necessary and appropriate in the public interest and for the protection of investors.

NOW, THEREFORE, IT IS AGREED, THAT:

1. Respondent shall not transact any securities business with any person in North Dakota unless the transactions are conducted through persons who are registered as dealers or agents, or the transactions are properly exempted under N.D.C.C. Chapter 10-04. Specifically, the respondent shall not sell the group variable annuity contracts in this state, except through registered dealers and agents.
2. Respondent shall remit a payment in the amount of \$30,000, made payable to the North Dakota Securities Department.

3. This Agreement shall be effective upon the latter date of the signature of the Commissioner and an officer of the Respondent, as set forth below.

Signed and Sealed this 22nd day of April, 2004.



[Signature]
Karen J. Tyler, Securities Commissioner
Office of the Securities Commissioner
State Capitol-5th Floor
600 East Boulevard Ave.
Bismarck, ND 58505-0510
(701) 328-2910

Dated this 5th day of April, 2004.

Principal Life Insurance Company
711 High Street
Des Moines, IA 50392-0001

[Signature]

By: David J. Brown
(print name)

Its: Vice President - Compliance
(Official Position)

Subscribed and Sworn before me this 5th day of April, 2004.

(Notary Seal)

Melissa R. Dunagan
MELISSA R. Dunagan, Notary Public
State: IOWA . County: Polk
My Commission Expires:

6109106

