

KEY PERSON REPLACEMENT INSURANCE POLICY

POLICY CONTINUABLE DURING ITS TERM. THIS POLICY MAY BE TERMINATED ONLY AS STATED IN THE TERMINATION PROVISION. PREMIUMS ARE GUARANTEED. NONPARTICIPATING.

This policy is a legal contract between the Owner and Us. The policy is issued in consideration of the application and payment of premiums. We will pay this policy's benefits due to Disability resulting from Injury or Sickness subject to the definitions, exclusions and other provisions of this policy. The Disability must begin while the policy is in force.

The term of this policy starts at 12:01 a.m. on the Policy Date. While this policy is in force, We cannot:

1. Change the policy; or
2. Change the premium rate.

TERMINATION

The term continues until 12:00 a.m. on the earliest of the:

1. Insured's Age 65 Policy Anniversary; or
2. Date the Insured terminates the Key Person Occupation or Actively Working Full Time for any reason other than Disability; or
3. Date the Maximum Lump Sum Benefit is paid; or
4. Date of the Owner's written request to terminate it; or
5. End of the grace period; or
6. Death of the Insured.

30 DAY EXAMINATION OFFER

It is important to Us that the Owner is satisfied with this policy and that it meets the Owner's insurance goals. If the Owner is not satisfied with this policy for any reason, the policy may be returned to either the producer or Our Home Office within thirty days of its receipt. We will refund any premiums paid and the policy will be considered void from its inception. **PLEASE READ THE POLICY CAREFULLY.**

IMPORTANT NOTICE

Please review the copy of the application attached to this policy. The application is part of the policy. The policy was issued on the basis that the answers to all the questions and the information shown on the application are correct and complete. Fraud or material misstatements on the application could void the policy. If any information on the application is not correct or is omitted, please call or write Principal Life Insurance Company, Individual Disability Insurance, 711 High Street, Des Moines, Iowa 50392-0001, 1(800) 247-9988, as soon as possible.

(Company Officers' Signature and Title)



Principal Life
Insurance Company
Des Moines, Iowa 50392-0001

INSURED JOHN DOE

HH 772 PA I

SAMPLE

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A copy of the application and any riders are attached to the back of this policy.



Principal Life
Insurance Company
Des Moines, Iowa 50392-0001

DATA PAGE

Key Person Replacement Insurance

POLICY INFORMATION

Policy Number: Sample
Owner(s): Jane Doe
Insured's Name: John Doe
Insured's Age and Gender Class: 35 – Male
Policy Date: January 2, 2009
Adjustment Date: Date

Payment Method For Key Person Replacement Benefit is: Monthly Payment and Lump Sum

Maximum Monthly Elimination Period is: 90 Days

Maximum Monthly Benefit is: \$10,000 From day 91 to day 180

Maximum Lump Sum Elimination Period is: 180 Days

Maximum Lump Sum Benefit is: \$100,000 On day 181

Also see the Exclusions and Limitations section of the policy.

RIDER INFORMATION

HH 781 Modified Coverage Rider

Effective Date: January 2, 2009

- This rider changes the Elimination Period for certain conditions. See the rider attached to the policy.

PREMIUM INFORMATION

POLICY

Key Person Replacement Insurance: \$489.00

RIDERS

Modified Coverage: \$0.00

Total Annual Premium: \$489.00

PAYMENT OPTIONS	Premium	Annualized Premium	Premium Payment Frequency Charge Included*
Total Annual Premium:	\$489.00	\$489.00	\$0.00
Semi-Annual Premium:	\$250.61	\$501.22	\$12.22
Quarterly Premium:	\$128.36	\$513.44	\$24.44
PAW/EFT/Monthly Premium:	\$42.79	\$513.48	\$24.48

*There is an additional charge for premium payment frequencies other than annual.

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If you have any questions, call your agent. To file a claim, call our Home Office at 1-800-422-7788.

This Data Page Prepared On: January 2, 2009

POLICY DEFINITIONS

The following defined terms and phrases are capitalized throughout the policy. Please read them carefully as they will help you understand the policy provisions.

ACTIVELY WORKING FULL TIME – means the Insured is Working at least thirty hours a week for the Owner.

AGE POLICY ANNIVERSARY - means the Policy Anniversary on or next following the Insured's birthday. For example, if the Policy Date is June 5, 2010, and the Insured is 45 years old on April 3, 2030, the Age 45 Policy Anniversary is June 5, 2030.

CONTINUOUS DISABILITY – means the Insured's Disability that continues with no interruption. The Insured will also be considered Continuously Disabled if an Interrupted Elimination Period or Recurring Disability occurs. It is also considered one Continuous Disability if the Insured is Disabled from one condition and, while still Disabled from that condition, incurs another condition that causes Disability.

DISABILITY/DISABLED – means Total Disability. If a Disability is caused by more than one Injury or Sickness, We will pay benefits as if the Disability was caused by only one Injury or Sickness.

DOCTOR – means a Medical Doctor (MD), Doctor of Osteopathy (DO) or Doctor of Chiropractic (DC) who is licensed by law, and is acting within the scope of their license, to treat an Injury or Sickness. If the Disability is due to a disease or disorder classified in the most current Diagnostic and Statistical Manual of Mental/Nervous Disorders (DSM) published by the American Psychiatric Association or its successor, the person must be a board-certified psychiatrist or a licensed doctoral level psychologist. The person cannot be the Insured, any person related to the Insured by blood or marriage, the Owner, a business or professional partner or associate, or any person who has a financial affiliation or business interest with the Insured or Owner.

ELIMINATION PERIOD – means the number of days of Disability from the start of a Continuous Disability for which no benefits will be paid. The Data Page shows the Elimination Period for the Maximum Lump Sum Benefit and the Maximum Monthly Benefit, if applicable.

HOME OFFICE – means Principal Life Insurance Company, 711 High Street, Des Moines, Iowa 50392-0001.

INJURY – means accidental bodily injury which occurs on or after the Policy Date and while this policy is in force.

INSURED – means the person named as the Insured on the current Data Page of this policy.

INTERRUPTED ELIMINATION PERIOD – means if the Insured's Disability is not continuous the Elimination Period will be met if the required number of days of Disability occur in a period that is:

1. Twice as long as the Elimination Period; and
2. Less than one year.

Disability may be from the same or a different cause. The periods of Disability will be combined to meet the Elimination Period.

KEY PERSON OCCUPATION – means the occupation(s) in which the Insured was engaged for the Owner on the application or subsequent occupation which is comparable by duties and/or earnings for the Owner.

MAXIMUM LUMP SUM BENEFIT – means the maximum lump sum amount payable for any Disability. If this payment method was chosen, it will be shown on the current Data Page.

MAXIMUM MONTHLY BENEFIT – means the maximum monthly amount payable for any Disability. If this payment method was chosen, it will be shown on the current Data Page.

OWNER – means the person or entity named as the Owner in the application, or a later change of Owner which is approved by Us. The Owner may exercise every right and privilege provided by this policy.

POLICY ANNIVERSARY – is computed from the Policy Date. For example if the Policy Date is June 5, 2010, the Policy Anniversary is June 5 of every year thereafter.

POLICY DATE – means the date coverage under this policy begins. This date is shown on the Data Page.

RECURRING DISABILITY – means a continuation of a prior Disability when:

1. The recurrence of Disability occurs while this policy is in force and results from the same or directly related cause as the prior Disability for which We paid benefits or provided the Waiver of Premium Benefit; unless
2. After the prior Disability ended the Insured returned to Work at least 40 hours per week in the Key Person Occupation for at least 6 consecutive months.

No new Elimination Period is required and benefits not paid in the prior Disability will be payable for the Recurring Disability.

REGULAR CARE BY A DOCTOR – means:

1. The Insured is evaluated in person by a Doctor; and
2. The Insured receives treatment appropriate for the condition causing Disability; and
3. The Insured's evaluations and treatments are provided by a Doctor whose specialty is appropriate for the condition causing Disability; and
4. The evaluations and treatments must be at a frequency intended to return the Insured to Work in any capacity in the Key Person Occupation; and
5. The Insured must pursue reasonable treatment options or recommendations to achieve maximum medical improvements.

SICKNESS – means an illness or disease which is diagnosed or treated after the Policy Date and while this policy is in force.

TOTAL DISABILITY – means, solely due to Injury or Sickness:

1. The Insured is unable to perform the substantial and material duties of the Key Person Occupation; and
2. The Insured is not Working in any other occupation which is comparable by duties and/or earnings for the Owner, and
3. The requirements of the Claim Information section are satisfied.

In order to be eligible for Disability, there must also be no reasonable job or work site modifications which would allow the Insured to Work in the Key Person Occupation.

WE, OUR, US – means Principal Life Insurance Company.

WORK/WORKING – means the Insured performs a labor or service, including but not limited to supervision, management or direction for any business activity, for which the Insured received wages, salary or other compensation, including the Insured's share of any net profit or loss of the business if the Insured has an ownership interest.

BENEFIT SECTION

The Maximum Lump Sum Benefit will become payable to the Owner at the end of the Lump Sum Elimination Period and the Maximum Monthly Benefit, if shown on the current Data Page, will start to accrue at the end of the Monthly Elimination Period provided that:

1. A Disability occurs while the Insured is Actively Working Full-Time in a Key Person Occupation for the Owner of the policy; and
2. A Disability begins on or after the effective date of this policy and while the policy is in force and subject to the policy provisions; and
3. The requirements of the Claim Information section are satisfied.

BENEFIT PAYMENT

Lump Sum Payment

If the only benefit on the policy is Lump Sum, the Maximum Lump Sum benefit will be paid:

1. Once the Lump Sum Elimination Period has been satisfied; and
2. The requirements of the Claim Information section have been met.

Monthly Payment and Lump Sum Payment

If the policy includes both a Maximum Monthly Benefit and a Maximum Lump Sum Benefit, benefits will be paid as follows:

1. The Maximum Monthly Benefit will be paid when the Maximum Monthly Benefit Elimination Period has been satisfied; and
2. The Maximum Lump Sum Benefit will be paid once the Maximum Monthly Benefit has been paid and the Lump Sum Elimination Period has been satisfied; and
3. The requirements of the Claim Information section have been met.

If the Insured dies during the Elimination Period, there is no benefit payable on the policy. If the Insured dies while the Maximum Monthly Benefit is being paid, benefits will stop as of the date of death and the Maximum Lump Sum Benefit will not be payable.

If the Owner dies while benefits are being paid under the Benefit Section, and the Owner was a person, other than the Insured, benefits will continue to be payable, as long as the Insured meets the terms of the policy provisions. Any benefits paid will be paid to the Owner's estate.

WAIVER OF PREMIUM BENEFIT

If the Insured is Disabled for the Elimination Period and the requirements of the Claim Information section are satisfied:

1. We will refund the monthly pro rata portion of any premium paid for coverage after the date Disability began; and
2. We will waive the payment of premiums which come due during the Disability.

The Waiver of Premium Benefit will end when the Insured is no longer Disabled, or the policy is terminated under the Termination provision of this policy.

EXCLUSIONS AND LIMITATIONS

The following exclusions and limitations apply to this policy and any attached riders.

EXCLUSIONS

This policy does not pay a benefit(s) for an Injury or Sickness which in whole or in part is caused by, contributed to by, or which results from:

1. The suspension, revocation or surrender of the Insured's professional or occupational license or certification; or
2. Active military service during a military action or conflict; or
3. Loss We have excluded by name or specific description in any attached rider or endorsement.

PRE-EXISTING CONDITION LIMITATION

We will not pay any claim for a Disability or loss which:

1. Begins within 2 years after the effective date of coverage(s); and
2. Results from a pre-existing condition which was not disclosed or was misrepresented in this policy's application.

Pre-existing condition means a condition for which medical advice or treatment was recommended by a Doctor or received from a Doctor within the 2 year period prior to the effective date of coverage(s).

OTHER EXCLUSIONS AND LIMITATIONS

There may be other exclusions or limitations in this policy in addition to those stated in this section. Additional exclusions or limitations, if any, are described in riders or endorsements attached to and a part of this policy.

CLAIM INFORMATION

NOTICE OF CLAIM AND PROOF OF LOSS

The Insured or Owner (or someone acting as a legal representative) must fulfill all of the following requirements:

1. Give Us written notice of claim, including the Insured's name and the policy number, within 30 days of the date the Disability began, or as soon thereafter as is reasonably possible.

Failure to provide timely notice of a claim will limit past benefit payments made under all policy provisions. If the Insured qualifies for benefits under the terms of the policy, past benefits will only be payable for a period of six months prior to the date either We received the written notice of claim in the Home Office or Our agent received the notice of claim.

2. Send any proof of loss requested by Us to Our Home Office within 90 days after the end of each monthly period for which Disability is being claimed. Failure to provide proof of loss within 90 days does not invalidate nor reduce any claim if it was filed as soon as reasonably possible.

However, if the required proof of loss has not been submitted within one year from the date required, benefits will be denied. An exception will be made only if the Insured and the Owner were not competent to make a claim.

3. Provide proof of loss requirements at a reasonable frequency required by Us.

4. Fully cooperate with Us concerning all matters relating to this policy and any claims filed under the policy.

We will:

1. Send a claim form upon Our receipt of notice of claim. If We do not furnish the claim form within 15 days after notice of claim was sent to Us, the Insured or the Owner should send Us a letter describing in detail the date of disability, the cause and extent.
2. Promptly notify the Insured and the Owner if any additional proof of loss requirements are necessary before a final claim determination can be made.
3. Pay the benefit as outlined by the policy provisions, subject to the proof of loss requirements.
4. Promptly notify the Insured and the Owner if benefits are not payable and why.

We must be provided with satisfactory written proof of loss. This is information necessary to determine whether benefits are payable and the amount of benefits payable. If the proof of loss requirements We request are not received, the claim will be denied. Proof of loss requirements include, but are not limited to:

1. Any requested claim form including claim forms from the Insured or Owner and the Insured's Doctor(s) or the letter described above;
2. Documentation demonstrating the Insured is under Regular Care By A Doctor;
3. Documentation of objective medical evidence of the Insured's Injury or Sickness;
4. Copies of the Insured's medical records, test results and/or Doctor's progress notes;
5. Financial documents, which may include copies of Federal Income Tax Returns, Certified Public Accountant's statements, billing/expense information, bank statements, cancelled checks, IRS authorization, or other documents necessary;
6. Examination(s) of financial records performed by Us or an independent financial examiner hired by Us;
7. Employer/employment information;
8. Independent Medical Examination(s). (See Independent Medical Examination provision below);
9. A personal interview with the Insured and/or the Owner with a company representative, which may include a statement under oath;
10. Evidence that reasonable job or work site modifications are not feasible; and
11. Other proof of loss requirements necessary.

Any costs involved in submission of proof of loss requirements are the Owner's responsibility to pay, except for costs incurred by Us in numbers 4, 6, 8 and 9 above.

INDEPENDENT MEDICAL EXAMINATION

We have the right to require medical examinations, functional capacity evaluations and/or psychiatric examinations in the evaluation of what benefits, if any, are payable. The examinations may include x-rays, blood and urine tests, psychological tests, and other tests or procedures reasonable to evaluate whether the Insured continues to meet the definition of Disability. The examinations will be performed by a doctor or specialist appropriate for the condition and will be conducted at the time, place and frequency We reasonably require, while the Insured claims to be Disabled. We reserve the right to choose the examiners. The examinations will be paid for by Us. Benefits will be denied if the Insured fails to have an examination and any charges incurred for not attending an appointment, as scheduled, will be the Owner's responsibility.

CONTINUING BENEFITS

Continuing benefits are subject to the proof of loss requirements. If continuing proof of loss requirements are not received by Us, further benefits will be denied.

PAYMENT OF A CLAIM

If it is determined that benefits are payable, We will:

1. Pay any benefits due to the Owner.
2. Pay any unpaid benefits due when the Insured's Disability ends.

If the Maximum Monthly Benefit payment method was chosen, we will:

1. Pay the first month's benefit one month from the date the Elimination Period is satisfied.
2. Pay one-thirtieth of the appropriate monthly benefit for each day of any period of less than a full month for which benefits are payable.
3. Pay continuing monthly benefits at the end of each month of Disability (subject to the proof of loss requirements).

OVERPAYMENT OF BENEFITS

If an overpayment of benefit should occur, We have the right to either recoup the overpayment from future claim benefits or require reimbursement within 60 days from the Owner.

LEGAL ACTION

Legal action may not be started against Us to recover on this policy until 60 days after filing of proof of loss and not more than 3 years after the filing of proof of loss as required under this policy.

PREMIUMS AND REINSTATEMENT

PAYMENT OF PREMIUM

The first premium of this policy is due on the date the policy is issued. After that, premiums are payable in the amount and frequency chosen from those shown on the current Data Page. The Owner may change the frequency of premium payments except that We will not allow a change while the Insured is Disabled. All premiums are to be sent as provided in the premium notices.

GRACE PERIOD

Except for the first premium, We allow a grace period of 31 days after the premium due date to pay the premium due. The policy will stay in force during the grace period.

REFUND OF PREMIUMS

If the Insured terminates Actively Working Full Time or Key Person Occupation for any reason other than Disability, We will refund any premiums paid for this policy after the termination date once evidence is received in Our office of the termination. We will refund any premium to the Owner.

REFUND AFTER DEATH

We will refund any full month's premium paid for coverage beyond the date of the Insured's death. We must be given written proof, satisfactory to Us, of the Insured's death. We will refund any premium to the Owner.

TERMINATION

This policy terminates on the first of the:

1. Insured's Age 65 Policy Anniversary; or
2. Date the Insured terminates the Key Person Occupation or Actively Working Full Time for any reason other than Disability; or
3. Date the Maximum Lump Sum Benefit is paid; or
4. Date of the Owner's written request to terminate it; or
5. End of the grace period; or
6. Death of the Insured.

REINSTATEMENT

With Our approval, this policy may be reinstated anytime within one year after termination. We may require an application and evidence of insurability under Our then current underwriting guidelines.

When We require an application for reinstatement and if We have received the required premiums, reinstatement takes effect on the date We approve the application. If We do not decline reinstatement in writing within 45 days from the date of the application, the policy will be reinstated on the 45th day after the date of the application.

When no application for reinstatement is required by Us, reinstatement takes effect on the date We receive the required premiums in Our Home Office.

A reinstated policy only covers a Disability from:

1. A Sickness which is diagnosed or treated more than 10 days after the date reinstatement takes effect; or
2. An Injury which occurs after the date reinstatement takes effect.

A reinstated policy is subject to any provisions or changes attached to the reinstated policy.

SUSPENSION DURING MILITARY SERVICE

This policy will be suspended while the Insured is on full-time active duty in the military service of any nation or international authority. Suspension will be effective as of the date active duty starts. Active duty does not include training by reservists that lasts 90 days or less. Disabilities that occur as of the date the Insured's full-time active duty begins until the active duty ends and the policy is restored are not covered. We will refund to the Owner the pro rata portion of any premium paid for a period beyond the date of suspension. The suspended policy may be restored without proof of insurability if:

1. The active duty ends within 5 years from the date of suspension; and
2. The Owner applies in writing and premiums are paid within 180 days following the date active duty ends.

Coverage will start again as of the date We receive the written request and premiums to restore the policy, but not before the date active duty ends. Only a Disability from a Sickness which is diagnosed or treated after the policy is restored or an Injury which occurs after the policy is restored is covered. Once restored, all rights under the policy will be the same as before the policy was suspended. Premiums will be at the same rate as they would have been had the policy remained in force.

POLICY ADJUSTMENT OPTIONS

Subject to Our then current underwriting guidelines which may include requiring evidence of insurability, the Owner may request policy adjustments while the policy is in force, with no premiums in default, and the Insured is not Disabled. To request an adjustment, an application signed by the Owner is required. If evidence of insurability is required, the application must also be signed by the Insured. An adjustment is effective on the Adjustment Date, subject to Our prior approval and payment of the required premium.

The adjustment benefits apply to a Disability from a Sickness which is diagnosed or treated after the Adjustment Date or an Injury which occurs on or after the Adjustment Date and while this policy is in force.

Any adjustment will change the information on the current Data Pages. We will provide new Data Pages.

THE CONTRACT

ENTIRE CONTRACT

The policy, the attached applications, and any attached riders or endorsements make up the entire contract.

ALTERATIONS

Only Our corporate officers may modify or waive anything in, or approve changes to, the policy. The change must be attached to the policy. No one else, including the agent or broker, has the authority to change the policy or waive any provision.

TIME LIMIT ON CERTAIN DEFENSES

In issuing the coverage(s) under the policy and any attached riders, we have relied on the statements and representations on the application. We have the right to void the coverage(s) due to a material misstatement in the application. However, after three years from the effective date of coverage(s), no material misstatements, except fraudulent statements, made by the Insured or the Owner in an application will be used to void the coverage(s).

Applications include, but are not limited to, the initial application(s), applications for reinstatement, and any underwritten adjustment.

No claim for Disability starting after three years from the date coverage has been in effect will be reduced or denied because a Sickness or Injury existed before the effective date of coverage unless the condition is excluded by name or description. Sickness or Injury fully disclosed on the application(s) will be covered, unless excluded by name or description.

FRAUD

Upon a judicial decision in a civil or criminal court that the Insured and/or the Owner have committed fraud in obtaining this policy or the filing of a claim under this policy, We may void this policy.

MISSTATEMENT OF AGE

If the Insured's age has been misstated, the coverage of this policy will be what the premium paid would have purchased at the Insured's correct age.

ASSIGNMENT

The benefits of this policy cannot be assigned.

CHANGE OF OWNER

The Owner of the policy may be changed if the business entity is sold or changes its' name and the Insured remains in the Key Person Occupation.

The Owner may name a new Owner by written request. Our approval is required and will not be effective until We approve it. Once approved, the change is effective on the date the request was signed by the Owner.

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KEY PERSON REPLACEMENT INSURANCE POLICY. POLICY CONTINUABLE DURING ITS TERM. THIS POLICY MAY BE TERMINATED ONLY AS STATED IN THE TERMINATION PROVISION. PREMIUMS ARE GUARANTEED. NONPARTICIPATING.