PRINCIPAL FINANCIAL GROUP INC
Form 424B3
March 05, 2004

PROSPECTUS SUPPLEMENT
(To prospectus dated March 5, 2004)

$4,000,000,000

Principal Life Insurance Company

Principal® Life CoreNotes®
Due Between Nine Months and Thirty Years From the Date of Issue
Issued Through
Principal Life Income Fundings Trusts

Principal Life: We are Principal Life Insurance Company, an Iowa insurance company, and the depositor of the funding agreements described below. This prospectus supplement relates to the offering, from time to time, through newly established separate and distinct trusts described below, of one or more series of Principal® Life CoreNotes®, which we refer to in this prospectus supplement as notes, in an aggregate principal amount of up to $4,000,000,000, less any principal amount of notes previously issued under this program, the secured medium-term notes program issued primarily to institutional investors or otherwise under the accompanying prospectus.

The applicable trust will use the net proceeds from the offering of its series of notes to purchase a funding agreement sold to, and deposited into, the applicable trust, by us. Our payment obligations under the funding agreement relating to the applicable series of notes will be fully and unconditionally guaranteed by a guarantee issued by Principal Financial Group, Inc., a Delaware corporation and our indirect parent (PFG).

Each trust exists for the exclusive purpose of issuing and selling one series of notes to investors, using the net proceeds from the sale of that series of notes to acquire a funding agreement from us, collaterally assigning and granting a security interest in the applicable funding agreement, and collaterally assigning and granting a security interest in the applicable guarantee, in favor of the indenture trustee, and engaging in other activities necessary or incidental thereto.

You should read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement carefully before you invest.

The notes: The specific terms and conditions of each series of notes will be as set forth in a separate pricing supplement. The notes of each series will:

be issued by a separate and distinct trust;

provide for payment in U.S. dollars;

rank as secured indebtedness of the trust secured primarily by a funding agreement issued by us;

unless otherwise specified in the applicable pricing supplement, not be listed on any securities exchange;

unless otherwise specified in the applicable pricing supplement, have a minimum denomination of $1,000 and integral multiples in excess thereof;

be in book-entry form;

represent non-recourse obligations of the trust and will be paid only from the assets of that trust;

be the trust s obligations only and will not be obligations of, or guaranteed by, us, PFG or any of our or its affiliates;

- bear interest at fixed or floating rates, or bear no interest at all;
- pay interest on each series of notes on a monthly, quarterly, semi-annual or annual basis (unless otherwise specified in the applicable pricing supplement);
- have a stated maturity of between 9 months and 30 years from the date of issue;
- have redemption and/or repayment provisions, if applicable, whether mandatory or at the option of the trust or the holders of notes; and
- may be sold in the United States to retail investors.

Holders of a series of notes may look only to the trust s rights and title in the funding agreement issued to, and deposited into, the applicable trust by us, the related guarantee issued by PFG and any proceeds of that funding agreement and guarantee held in the trust and not to any other assets or collateral held by any other trust, us or PFG.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page 2 of the accompanying prospectus.

None of the Securities and Exchange Commission (the SEC), any state securities commission or any state insurance commission has approved or disapproved of these securities or determined if this prospectus supplement, the accompanying prospectus or any pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The trusts may sell notes to the purchasing agent referred to below as principal for resale at a fixed offering price specified in the applicable pricing supplement or at varying prices. The trusts may also explicitly agree with the purchasing agent that it will use its reasonable efforts as agent on the trust s behalf to solicit offers to purchase notes from such trusts.

Merrill Lynch & Co.

The date of this prospectus supplement is March 5, 2004.

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TABLE OF CONTENTS

ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PRICING SUPPLEMENTS

This document is a prospectus supplement and supplements a prospectus which is part of the registration statement that we and PFG have filed with the SEC. This prospectus supplement provides you with a general description of the notes being offered, through newly established separate and distinct trusts, and supplements the description of the notes contained in the accompanying prospectus. These notes may be offered from time to time, through trusts, in one or more series of notes with a total initial public offering price or purchase price of up to $4,000,000,000 less any amount of notes previously issued under this program, pursuant to a separate prospectus supplement that relates to our secured medium-term notes program issued primarily to institutional investors or otherwise under the accompanying prospectus.

The specific terms and conditions of notes being offered will be contained in a pricing supplement. A copy of that pricing supplement will be provided to you along with a copy of this prospectus supplement and the accompanying prospectus. That pricing supplement also may add, update, supplement or clarify information in this prospectus supplement and the accompanying prospectus. You should carefully review such additional, updated, supplemental or clarifying information contained in the pricing supplement. You should read this prospectus supplement and the accompanying prospectus and the pricing supplement together with the additional information that is incorporated by reference in this prospectus supplement and the accompanying prospectus. That additional information is described under the heading Incorporation of Certain Documents by Reference beginning on page 12 of the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and the applicable pricing supplement. None of us, PFG, any trust or the purchasing agent has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. None of us, PFG, any trust or the purchasing agent is making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and the applicable pricing supplement, as well as information PFG previously filed with the SEC and incorporated by reference, is accurate only as of its respective date The business, financial condition, results of operations and prospects of us and PFG may have changed since that date.

In this prospectus supplement, references to Principal Life, we, us and our are to Principal Life Insurance Company, an Iowa life insurance company, references to PFG are to Principal Financial Group, Inc., a Delaware corporation and our indirect parent company, and references to trust are to the applicable newly established separate and distinct special purpose common law trust, formed in a jurisdiction located in the United States of America specified in the applicable pricing supplement, which actually issues the applicable series of notes. In this prospectus supplement, we refer to each series of Principal® Life CoreNotes® as a series of notes and to Principal® Life CoreNotes® in general as notes.

In this prospectus supplement, references to United States dollars, U.S. dollars or $ are to lawful currency of the United States of America.

SUMMARY

This section summarizes the material legal and financial terms of the notes that are described in more detail in Description of the Notes beginning on page S-12. Final terms of any particular series of notes are set at the time of sale and will be contained in a pricing supplement relating to that series of notes. That pricing supplement may add to, update, supplement or clarify the terms contained in this summary. In addition, you should read the more detailed information appearing elsewhere in the accompanying prospectus, this prospectus supplement and the applicable pricing supplement.

The Trusts	Each series of notes will be issued by a newly established and separately created common law trust. Each trust will be established by GSS Holdings II, Inc., as trust beneficial owner, and U.S. Bank Trust National Association, as trustee, pursuant to a trust agreement (each, a trust agreement). The assets and liabilities of each trust are separate and distinct from the assets and liabilities of every other trust, us and PFG.
The Depositor	We are a registrant as the depositor and issuer of the funding agreements under the program.
The Guarantor	PFG is a registrant as the issuer of the guarantees that will fully and unconditionally guarantee our payment obligations under the funding agreements.
Purpose of Trusts	The sole purpose of the trusts is to facilitate a program for the issuance, from time to time, of one or more series of notes to the public. Each trust may only issue one series of notes and such notes will be issued only on the original issue date for such notes. Each series of notes will be secured by only one funding agreement purchased from us by the applicable trust, the principal amount of which may not be increased. Our payment obligations under each funding agreement will be fully and unconditionally guaranteed by PFG. The trust will use the net proceeds received from issuing a series of notes to acquire a funding agreement, for, and to be held in, the trust. The trust will hold the collateral described below pertaining to the applicable series of notes to fund its obligations under that series of notes. Notes issued by the trust will be the direct obligations of the trust and will not be the obligation of any other trust, us or PFG. Holders of notes of a particular series may only look to the funding agreement issued by us, the related guarantee issued by PFG and any proceeds of such funding agreement and guarantee held in the related trust for payment on their notes and not to the assets held in any other trust or by us or PFG. We and PFG are not affiliated with any trust.

	Below is a diagram showing the parties involved in the issuance of notes by each trust.
We Can Issue Medium-Term Notes and Funding Agreements Directly to Investors	We are able to issue our own medium-term notes directly to investors and do issue funding agreements directly to investors. However, by securing each trust s notes with a funding agreement, such trust s notes are secured by an asset that would have a higher priority in insolvency than our unsecured medium-term notes, if any, and may be entitled to receive a higher investment rating from one or more nationally recognized rating agencies than our unsecured medium-term notes. In addition, funding agreements are very difficult to transfer and have no active secondary market. By securing each trust s notes with a funding agreement, investors may be able to avail themselves of many of the benefits of our funding agreements while benefiting from the liquidity afforded by each trust s medium-term notes.
Purchasing Agent	Merrill Lynch, Pierce, Fenner & Smith Incorporated.
Principal® Life CoreNotes®	This prospectus supplement relates to notes that one or more trusts may issue and sell in the United States to retail and other investors under our Principal® Life CoreNotes® program.
Secured Medium-Term Notes Program	Included in the registration statement, of which this prospectus supplement is a part, is another prospectus supplement relating to notes that may be issued and sold to institutional investors by newly established trusts under the related secured medium-term notes program. The terms of the secured medium-term notes are identical in all material respects to the terms of the notes to be sold under this Principal® Life

CoreNotes® program, as described in this prospectus supplement, except that the secured medium-term notes:

may be issued as amortizing notes;

may be denominated in one or more foreign currencies;

will not contain a survivor s option, permitting optional repayment of notes of a series of notes, subject to certain limitations, prior to maturity, if requested, following the death of the beneficial owner of notes of that series of notes; and

may contain a provision providing for the redemption of the notes if we are required to pay additional amounts on the related funding agreement pursuant to the applicable pricing supplement and we exercise our right to redeem the funding agreement.

Amount	The trusts may collectively issue up to a maximum aggregate principal amount of $4,000,000,000 of notes in connection with this prospectus supplement, less any principal amount of notes previously issued under this program, our secured medium-term notes program or otherwise under the accompanying prospectus.
Terms of the Notes: *Status*	Each series of notes will be the unconditional, direct, non-recourse, secured and unsubordinated obligations of the applicable trust. Each series of notes will be secured by the collateral relating to that series of notes. Each series of notes may be accelerated in the payment of principal and outstanding interest if an event of default under the notes occurs. Upon the occurrence of an event of default, the indenture trustee (described below), on behalf of the holders of notes, may only proceed against the collateral held in the related trust. The notes of each series are not, and will not be, obligations of, or guaranteed by, us or any other insurance company or any affiliate of ours, including PFG. The notes will not benefit from any insurance guarantee fund coverage or any similar protection.
Principal	The principal amount of each series of notes will be payable on its stated maturity date, as specified in the applicable pricing supplement, at the corporate trust office of the paying agent or any other place the relevant trust designates.
Interest	Notes of a series may bear interest at a fixed interest rate or a floating interest rate, or bear no interest at all. Each series of notes that bears interest at a fixed interest rate (fixed rate

notes) will bear interest from the date of original issuance at a fixed rate per year, as specified in the applicable pricing supplement, until the principal is paid. Interest, if any, will be payable monthly, quarterly, semi-annually or annually on each interest payment date and on the maturity date, as specified in the applicable pricing supplement. Interest also will be paid on the date of redemption or repayment if a series of notes is redeemed or repaid prior to maturity. Interest will be computed on the basis of a 360-day year of twelve 30-day months, unless otherwise specified in the applicable pricing supplement.

Each series of notes that bears interest at a floating interest rate (floating rate notes) will bear interest from the date of original issuance at a rate determined by reference to a base rate, which may be adjusted by a spread and/or spread multiplier, as specified in the applicable pricing supplement, until the principal is paid. The pricing supplement will designate one or more of the following interest rate bases, along with the index maturity for that interest rate basis:

the CD Rate;

the CMT Rate;

the Commercial Paper Rate;

LIBOR;

the Prime Rate;

the Treasury Rate; or

such other interest rate basis or interest rate formula as set forth in such pricing supplement.

Payment of Principal and Interest Principal and interest payments, if any, on any series of notes will be made solely from the proceeds of a funding agreement purchased with respect to such series of notes for, and to be held in, the related trust, and the full and unconditional guarantee issued by PFG of our payment obligations under the relevant funding agreement.

Maturities Unless otherwise specified in the applicable pricing supplement, each series of notes will mature nine months or more from its date of original issuance on the last scheduled interest payment date, as specified in the applicable pricing supplement. Each series of notes will mature on or prior to 30 years from its date of original issuance.

Redemption and Repayment A trust will redeem its series of notes if we redeem the funding agreement securing such series of notes. Except as otherwise specified in the accompanying prospectus, this prospectus supplement or the applicable pricing supplement, the funding agreement securing a series of notes will not be redeemable by us and no series of notes will be repayable at the option of the holder prior to their stated maturity date.

Unless otherwise specified in the applicable pricing supplement, the notes will not be subject to any sinking fund.

Survivor s Option

A series of notes may contain a provision (which we refer to as the survivor s option) permitting optional repayment of notes of that series prior to maturity, if requested, following the death of the beneficial owner of notes of that series, so long as the notes were held by the beneficial owner for a period of six (6) months immediately prior to such death . Your notes may not be repaid in this manner unless the pricing supplement for your series of notes provides for the survivor s option. If the pricing supplement for your series of notes provides for the survivor s option, the funding agreement securing your series of notes will contain a provision which will allow the applicable trust to tender the funding agreement in whole or in part to us. The ability of the applicable trust to tender the funding agreement related to a series of notes that contain a survivor s option, however, will be subject to certain limitations set by us. As a result, your right to exercise the survivor s option is subject to limits set by us with respect to the relevant funding agreement. We have the discretionary right to limit:

the aggregate principal amount of all funding agreements securing all outstanding series of notes issued under the Principal® Life CoreNotes® program as to which exercises of any put option by any trust shall be accepted by us in any calendar year to an amount equal to the greater of $2,000,000 or 2% of the aggregate principal amount of all funding agreements securing all outstanding series of notes issued under the Principal® Life CoreNotes® program as of the end of the most recent calendar year or such other greater amount as determined in accordance with the applicable funding agreement and set forth in the applicable pricing supplement;

the aggregate principal amount of funding agreements securing the notes as to which exercises of any put option by the applicable trust attributable to notes as to which the survivor s option has been exercised by the authorized representative of any individual deceased beneficial owner to $250,000 in any calendar year or such other greater amount as determined in accordance with the applicable funding agreement and set forth in the applicable pricing supplement; and

the aggregate principal amount of the funding agreement securing a series of notes as to which exercises of any put option by the applicable trust shall be accepted in any calendar year as set forth in the applicable funding agreement and the applicable pricing supplement.

Additional details on the survivor s option are described in this prospectus supplement in the section entitled Description of the Notes Repayment Upon Exercise of Survivor s Option on page S-27.

Denominations; Currency	Unless otherwise specified in the applicable pricing supplement, the notes will be issued and sold in denominations of $1,000 and integral multiples of $1,000 in excess thereof. The notes of each series will be denominated in, and payments of principal, premium, if any, and/or interest, and any other amounts in respect of the notes, will be made in U.S. dollars.
Listing	Unless otherwise specified in the applicable pricing supplement, your series of notes will not be listed on any securities exchange.
Form of Notes	The trusts will sell notes in the United States only. Each series of notes will be issued in book-entry form only and cleared through The Depository Trust Company (DTC or the depositary). Each book-entry note will be held by the indenture trustee as custodian for DTC or its nominee. We do not intend to issue notes in certificated form.
Collateral	The notes of any series will be secured by the right, title and interest of the trust in and to (1) the relevant funding agreement held in that trust, (2) the related guarantee issued by PFG to the trust fully and unconditionally guaranteeing our payment obligations under the funding agreement, (3) all proceeds of the funding agreement and the guarantee and all amounts and instruments on deposit from time to time in the related collection account, (4) all books and records pertaining to the relevant funding agreement and the related guarantee and (5) all rights of the trust pertaining to the foregoing. Each series of notes will be secured by the collateral held in the applicable trust. The trust will collaterally assign and grant a security interest in the related funding agreement and the related guarantee in favor of the indenture trustee for the benefit of the holders of notes of the applicable series. Under the custodial agreement (the custodial agreement) entered into among the indenture trustee, Bankers Trust Company, N.A. (the custodian) and the trustee (on behalf of each trust to be formed in connection with the issuance of a series of notes), upon the collateral assignment of and grant of security interest in the funding agreement and the guarantee related to a series of notes of a trust, the custodian will hold the funding agreement and the guarantee, on behalf of the indenture trustee in the State of Iowa.
Funding Agreements	A funding agreement is a type of insurance company product in which the purchaser, usually an institutional investor, pays the insurance company a deposit and, in turn, receives

scheduled payments of principal and interest. The deposit we receive on the issuance of a funding agreement will be part of our general account and not allocated to any of our separate accounts. Our general account is the account which contains all of our assets and liabilities other than those held in our separate accounts. (Separate accounts are segregated accounts which are established for certain products that we sell. A separate account holds assets and liabilities specifically related to one or more products and segregates these assets and liabilities from the assets and liabilities of all other separate accounts and the assets and liabilities of our general account.) Since the deposit made under any funding agreement will be part of our general account, our obligations under each funding agreement will be the obligations of our general account, rather than the obligations of any separate account. As such, we will invest the proceeds from the sale of funding agreements in a portfolio of assets which along with our other general account assets will be used to meet our contractual obligations under the funding agreements and our other general account obligations. We will earn the spread differential between the cost of our obligations under the funding agreements and the yield on our invested assets. We may periodically, consistent with our past practice and subject to all applicable regulatory restrictions on our insurance operations, dividend a portion of the spread income to PFG.

Each trust will use the net proceeds received from the sale of its series of notes to purchase a funding agreement issued by us, the terms of which will be set forth in the applicable pricing supplement. The funding agreement will have a deposit amount equal to the sum of the principal amount (or issue price in the case of discount notes) of the related series of notes and the amount of the beneficial interest in the related trust. The rate at which the funding agreement bears interest will be equal to the rate of interest, if any, on the related series of notes. The funding agreement will otherwise have substantially similar payment and other terms to the related series of notes.

Each funding agreement is our unsecured obligation. See Ratings below.

In the event of our impairment or insolvency, the Iowa Insurance Commissioner will be authorized and directed to commence delinquency proceedings for the purpose of liquidating, rehabilitating, reorganizing or conserving us pursuant to Iowa Code Sections 507C.4, 507C.12, 507C.13, 507C.14 and 507C.16. In conducting delinquency proceedings, claims are prioritized and an order of distribution is specified pursuant to Iowa Code Section 507C.42. There are nine classes within the priority scheme, with each successive class being fully junior to the preceding class. Class 1 priority is given to the costs and expenses of administration of the insurer during the delinquency proceedings and Class 2

	priority is given to the claims of the insurer s policyholders and guaranty associations. We believe that, in a properly prepared and presented case, a court applying Iowa law would conclude that loss claims of principal and interest in respect of each funding agreement would be accorded Class 2 priority under Iowa Code Section 507C.42 and paid equally in priority with our other policyholders. See Description of the Funding Agreements in the accompanying prospectus.
Guarantees	Our payment obligations under the funding agreement issued to each trust will be fully and unconditionally guaranteed by PFG under a guarantee issued by PFG to the trust as described in the accompanying prospectus. Each guarantee will be an unsecured, unsubordinated, contingent obligation of PFG. See Description of the Guarantees in the accompanying prospectus.
Ratings	Unless otherwise indicated in the applicable pricing supplement, the notes will have an issue credit rating of AA from Standard & Poor s Ratings Services, a division of The McGraw-Hill Companies, Inc. (Standard & Poor s). Standard & Poor s has rated the program AA. If Standard & Poor s changes the program rating, the new program rating will be specified in the applicable pricing supplement. We expect the program to be rated Aa3 by Moody s Investors Service, Inc. (Moody s). If Moody s changes the program rating, the new program rating will be specified in the applicable pricing supplement. Notes of a series will be issued under the program only in the event that, at the time of issuance of such series of notes, at least one nationally recognized rating agency would assign an investment grade rating to such series of notes and the funding agreement securing such series of notes.
Indenture and Indenture Trustee	Each trust will issue its series of notes to the public pursuant to an indenture between that trust and Citibank, N.A., in its capacity as indenture trustee. The indenture is subject to the Trust Indenture Act of 1939, as amended. The indenture trustee is not affiliated with any trust, us or PFG.
Administration of the Trusts	U.S. Bank Trust National Association, a national banking association, will be each trust s sole trustee (the trustee). The trustee will not be obligated in any way to make payments under or in respect of the notes. The trustee is not affiliated with us or PFG.
	We have entered into an expense and indemnity agreement with each of the indenture trustee, the custodian, the trust beneficial owner, and the trustee (on behalf of itself and each trust formed in connection with the issuance of a series of notes). We will enter into an expense and indemnity agreement with additional service providers appointed from time to time. Under each expense and indemnity agreement, we will pay certain costs and expenses relating to the offering, sale, issuance and servicing of any series of notes and certain

costs, expenses and taxes incurred by a trust and will indemnify the indenture trustee, the custodian, the trust beneficial owner, the trustee, each trust and additional service providers appointed from time to time with respect to certain matters.