

Annualized Commissions Defined

Annualized commissions are the projected total of first year cash commissions on an issued policy. The annualized commission is equal to 2 times the semi-annual commission, 4 times the quarterly commission and 12 times the monthly commission on PAW business. Annualized commissions will be credited to the broker's commission account when the policy is issued and paid for, or when a COD policy is paid for, or when an offer policy is accepted and paid for. (Government allotment & List Bill are handled the same as PAW.)

Net Annualized Commissions for any period means the sum of the annualized commissions initially entered to the broker's account during the period, plus or minus the adjustment items entered to the account during the same period.

Limitations

1. Annualized commissions are allowed only on Life and Disability Income business covered in the Commission Schedule of the DD 715 or Broker Contract.
2. Annualized Commissions will not be allowed on: (a) personal business – defined as the broker, broker's spouse and children (natural or adopted, age 18 and under); or (b) controlled business – defined as owners, partners, employees (or any of their spouses or children) of the firm by which the broker is employed or contracted. Commissions on personal and controlled business will be paid as earned on a cash basis.
3. Annualized Commissions are limited to \$5,000 on a "per-applicant" not a "per-case" basis. If projected first year commissions exceed \$5,000 the excess will be credited as earned.

Adjustments of Annualized Commissions

1. If a policy terminates in the first policy year, an adjustment is entered to the broker's account. This adjustment is equal to the amount by which the Annualized Commission previously allowed exceeds any cash first year commissions on the policy as provided for in the Commission Schedule of the DD 715 or Broker Contract. This adjustment occurs in the case of a first year death loss.

(A policy is considered terminated if premium payment has not been received and entered on Home Office records by the 53rd day following the premium due date. Any termination adjustment is reversed if premium payment is received and accepted after the 53rd day.)

2. In the event of a policy change, any necessary adjustment (either plus or minus) in the amount of Annualized Commission is entered to the broker's account immediately following the change in Home Office records and completion of any Home Office Premium accounting for commission adjustments.
3. In the event of an original age Term Conversion, any necessary adjustment in Annualized Commissions is entered to the broker's account immediately following the completion of Home Office accounting.
4. For new business, if any delivery requirements are outstanding at 35 working days from the date of the "Mailed Contract or Datapages" required is posted, any commissions advanced are automatically reversed.

Account Administration

1. Statements of the broker's account will be furnished semi-monthly as of the 15th and last day of each month.
2. The broker receives, for each half month, an amount equal to the sum of the Net Annualized Commissions (as defined in the "Annualized Commissions for Brokers" schedule), according to Home Office records, plus the total of renewal commissions credited to the broker's account during the half month.
3. In the event of a debit account balance, no payment is due for that half month and the debit must be offset against future credits before a payment can be made.
4. Any amounts paid to the broker by the Company as Net Annualized Commissions are in lieu of first year commissions as provided for in the Commission Schedule of the DD 715 or Broker Contract.
5. Payment will not be made after the broker's contract terminates until Annualized Commissions paid (but unearned on a cash commission basis) are recovered and the account reaches a credit balance on a cash commission accounting basis. Thereafter, the broker will be paid cash commissions as earned as provided in the Commission Schedule of the DD 715 or Select Broker Contract.
6. The Company shall prescribe the rules and procedures necessary to properly and efficiently administer the Plan. The Company reserves the right to amend or terminate the Plan or terminate the participation of any broker under the Plan, upon notice to the Producer.

Indebtedness

Indebtedness means any debt, liability, or debit balance resulting from our reversal of commissions incurred under any contract you have had with us. It also means any amount paid by us to settle a complaint or satisfy any judgment entered by any court, administrative agency or arbitrator related to any policy sold by you, or breach of your duties and responsibilities contained in this contract, whether or not the liability for settlement or satisfaction of judgment arose after the termination of this contract.

We may offset any amount you owe us, or any of our subsidiaries or affiliates, against any amounts we owe you.

We reserve the right to use any remedies under the law to collect any debt you owe us and you agree to pay any reasonable attorney's fees and actual costs of collection incurred as a result of such action.

Eligibility

1. The broker must have been in the life insurance business (but not necessarily with Principal Life Insurance Company and/or Principal National Life Insurance Company) for at least three years. Where multiple producers operate under a DD 715 or Broker Contract, at least one producer must meet the three year requirement.
2. The broker must have a recent history of good persistency – generally defined as 90% or better on the NALU method of 13 month life premium persistency.
3. The Recommendation section must be completed and signed by the Manager.
4. The eligibility requirements in 1 and 2 above may be waived for life producers in Property-Casualty agencies or other independent financial service organizations if a suitable third party (e.g. the Property-Casualty agency or the financial service organization) agrees in writing to **indemnify** Principal Life Insurance Company and/or Principal National Life Insurance Company for any losses resulting from payment or annualized commissions exceeding amounts actually earned under a cash commission basis.
5. Neither the Broker applying for annualized commission nor an individual he might work for nor the Principal Life Insurance Company and/or Principal National Life Insurance Company Insurance Manager may be the party signing the indemnification clause. Only a firm can indemnify.

Recommendation

In recommending that _____ be considered for the **Annualized Commissions for Brokers Plan**, the following information is provided:

1. Prior life insurance experience

Company _____ Date under contract _____
_____ Date under contract _____
_____ Date under contract _____

2. Persistency _____

3. Comments _____

By _____
Manager

Print Name

Application

I hereby apply for participation under the **Annualized Commission for Brokers Plan** and agree to indemnify Principal Life Insurance Company and/or Principal National Life Insurance Company for any and all losses in my commission account resulting from payment of Annualized Commission exceeding amounts actually earned on a cash commission basis.

Date MM/DD/YYYY

Broker Signature

Print Name

See No. 4 under Eligibility **before** going further.

Signature of Firm agreeing to indemnify Principal Life Insurance Company and/or Principal National Life Insurance Company in lieu of applicant.

Print Firm Name

Officer of the Firm

Accepted: Principal Life Insurance Company

By _____
Authorized Signature

Accepted: Principal National Life Insurance Company

By _____
Authorized Signature

After completing this form, make a copy. Send original and copy to Marketer Services.