

PRINCIPAL FINANCIAL GROUP INC
Form 10-Q
May 02, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

1-16725

(Commission file number)

PRINCIPAL FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: PRINCIPAL FINANCIAL GROUP INC - Form 10-Q

Delaware

(State or other jurisdiction of incorporation or organization)

42-1520346

(I.R.S. Employer Identification Number)

711 High Street, Des Moines, Iowa 50392

(Address of principal executive offices)

(515) 247-5111

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The total number of shares of the registrant's Common Stock, \$0.01 par value, outstanding as of April 25, 2007 was 267,789,532.

PRINCIPAL FINANCIAL GROUP, INC.

TABLE OF CONTENTS

	Page
<u>Part I FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>Financial Statements</u>	3
<u>Consolidated Statements of Financial Position at March 31, 2007 (Unaudited) and December 31, 2006</u>	3
<u>Unaudited Consolidated Statements of Operations for the three months ended March 31, 2007 and 2006</u>	4
<u>Unaudited Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2007 and 2006</u>	5
<u>Unaudited Consolidated Statements of Cash Flows for the three months ended March 31, 2007 and 2006</u>	6
<u>Notes to Unaudited Consolidated Financial Statements – March 31, 2007</u>	8
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	32
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	64
<u>Item 4.</u>	
<u>Controls and Procedures</u>	69
<u>Part II OTHER INFORMATION</u>	69
<u>Item 1.</u>	
<u>Legal Proceedings</u>	69
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	69
<u>Item 6.</u>	
<u>Exhibits</u>	70
<u>Signature</u>	71

PART I FINANCIAL INFORMATION**Item 1. Financial Statements****Principal Financial Group, Inc.
Consolidated Statements of Financial Position**

	March 31, 2007 (Unaudited) (in millions)	December 31, 2006
Assets		
Fixed maturities, available-for-sale	\$ 45,099.8	\$ 44,403.5
Fixed maturities, trading	348.5	323.4
Equity securities, available-for-sale	396.8	666.6
Equity securities, trading	211.6	181.0
Mortgage loans	11,919.7	11,663.9
Real estate	850.2	867.0
Policy loans	848.5	850.7
Other investments	1,504.9	1,410.7
Total investments	61,180.0	60,366.8
Cash and cash equivalents	1,476.5	1,590.8
Accrued investment income	725.6	723.5
Premiums due and other receivables	843.5	1,252.3
Deferred policy acquisition costs	2,477.9	2,418.9
Property and equipment	423.2	422.5
Goodwill	361.9	361.9
Other intangibles	965.1	981.0
Separate account assets	76,527.6	73,779.6
Other assets	1,636.1	1,760.8
Total assets	\$ 146,617.4	\$ 143,658.1
Liabilities		
Contractholder funds	\$ 37,041.0	\$ 36,799.0
Future policy benefits and claims	17,434.4	17,332.6
Other policyholder funds	631.2	619.4
Short-term debt	58.8	84.1
Long-term debt	1,547.0	1,553.8
Income taxes currently payable	1.6	4.2
Deferred income taxes	865.0	917.2
Separate account liabilities	76,527.6	73,779.6
Other liabilities	4,403.8	4,707.4
Total liabilities	138,510.4	135,797.3
Stockholders' equity		
Series A preferred stock, par value \$.01 per share with liquidation preference of \$100 per share - 3.0 million shares authorized, issued and outstanding in 2007 and 2006		
Series B preferred stock, par value \$.01 per share with liquidation preference of \$25 per share - 10.0 million shares authorized, issued and outstanding in 2007 and 2006	0.1	0.1
Common stock, par value \$.01 per share - 2,500.0 million shares authorized, 384.3 million and 383.6 million shares issued, and 267.4 million and 268.4 million shares outstanding in 2007 and 2006, respectively	3.8	3.8
Additional paid-in capital	8,186.2	8,141.8
Retained earnings	3,081.2	2,824.1
Accumulated other comprehensive income	897.7	846.9
Treasury stock, at cost (116.9 million and 115.2 million shares in 2007 and 2006, respectively)	(4,062.0)	(3,955.9)
Total stockholders' equity	8,107.0	7,860.8
Total liabilities and stockholders' equity	\$ 146,617.4	\$ 143,658.1

See accompanying notes.

Principal Financial Group, Inc.
Consolidated Statements of Operations
(Unaudited)

For the three months ended
March 31,
2007 **2006**
(in millions, except per share data)

Revenues

Premiums and other considerations