

Presentation for:

TMEPA

Tennessee Municipal Electric Power Association



TMEPA 44th Annual Meeting

Presented by:



JMD GROUP, LLC
Benefits beyond insurance.



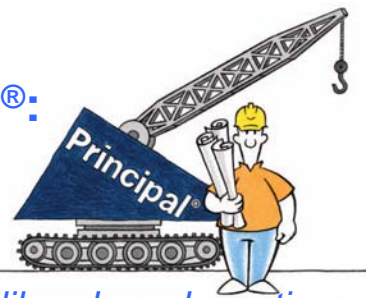
Group Health Plan for TMEPA Members

The Principal Overview

- Over 14,000 worldwide employees
- Named as one of the **world's most ethical companies** for the third consecutive year by *Ethisphere Magazine* - March 2010
- Included on *FORTUNE* magazine's list of the **100 Best Companies to Work For** seven of the past eight years -January 2010
- Ranked 273rd on *FORTUNE* magazine's **Largest 500 Corporations** – May 2009
- Ranked 737th on The **Forbes Global 2000 list**, which recognizes the world's biggest and most powerful companies – April 2009
- Strong Financial Strength Ratings
 - A+ (Superior) - A.M. Best Company (Nov 2009)
 - AA- (Very strong) – Fitch (Feb 2010)
 - Aa3 (Excellent) – Moody's Investors Service (May 2009)
 - A+ (Strong) – Standard & Poor's (May 2009)



The Principal Financial Group®: Built on strength



Economic turmoil has taken its toll on investments, livelihoods and emotions. The Principal® stood strong through it all, and is ready to help advisors, businesses and others rebuild and forge ahead. We have a high-quality and well-diversified investment portfolio. And we continue to earn strong financial strength ratings from the four major U.S. rating agencies.

SOLID PERFORMANCE WITH CONTINUED GROWTH

There are many indicators of financial strength, and our performance since becoming a public company in 2001 provides a glimpse at our track record of strong execution.

Value built since our Initial Public Offering in 2001

	12/31/01	3/31/10*	% Change
Customers (In millions)	13.0 M	18.7 M	+44%
Operating Earnings (in millions)	\$562 M	\$896 M	+59%
Assets Under Management (AUM) (In billions)	\$98 B	\$293 B	+199%

*For trailing 12 months ended March 31, 2010. For the latest quarterly earnings information, visit the Investor Relations portion of principal.com.

In fact, despite ongoing pressure due to the global economic conditions, The Principal continues to deliver solid financial earnings. Over the trailing 12 months ended March 31, 2010, we delivered \$896 million in operating earnings and \$668 million of net income available to common stockholders.

Like we have for more than 130 years, we've continued to grow – even during challenging times.

- Expanded sales, service and consulting in the retirement space through a network of local resources across the U.S.
- Principal Global Investors manages assets for 12 of the 25 largest U.S. pension funds² and has clients in 52 countries.
- Principal International has increased its assets under management almost nine-fold since Dec. 31, 2001 (As of March 31, 2010.)

STRONG LIQUIDITY AND CAPITAL ADEQUACY

The Principal has always focused on maintaining strong liquidity and capital adequacy to meet our customer obligations. In response to difficult equity and credit market conditions, we significantly strengthened our capital position in second quarter 2009 by raising \$1.15 billion in equity and issuing \$750 million of long-term debt. A portion of this capital was used to pay off \$441 million in long-term debt that matured in August 2009.

The Principal, like many other companies, continues to hold more capital than we have historically, given continued challenges with the economy. Further, our three key growth businesses – full service accumulation, Principal Global Investors and Principal International – require very little capital to support organic growth. This enables us to generate substantial free cash flows on an ongoing basis.

Our position in liquid assets is approximately \$5.6 billion through March 31, 2010. As conditions have improved, we've begun to redeploy some of these more liquid assets into higher-yielding investments.

OUR INVESTMENT PORTFOLIO FOR THE LONG-TERM

The liabilities of our investment portfolio tend to be longer-term and more predictable in nature. To help ensure we can meet our obligations, our team of investment experts focuses on managing risks by:

- **Maintaining high quality** – selecting assets that are highly likely to pay according to their maturity dates
- **Diversification** – investing in a wide variety of assets such as corporate bonds, government and agency-backed securities, commercial real estate and cash; as well as diversifying by geographic location, industry and company
- **Asset/liability management** – building the portfolio so we have the cash we need to pay off our obligations when they come due

Even though our investment portfolio includes commercial real estate and commercial mortgage-backed securities (CMBS), that does not impact our ability to fulfill our promises to our customers.

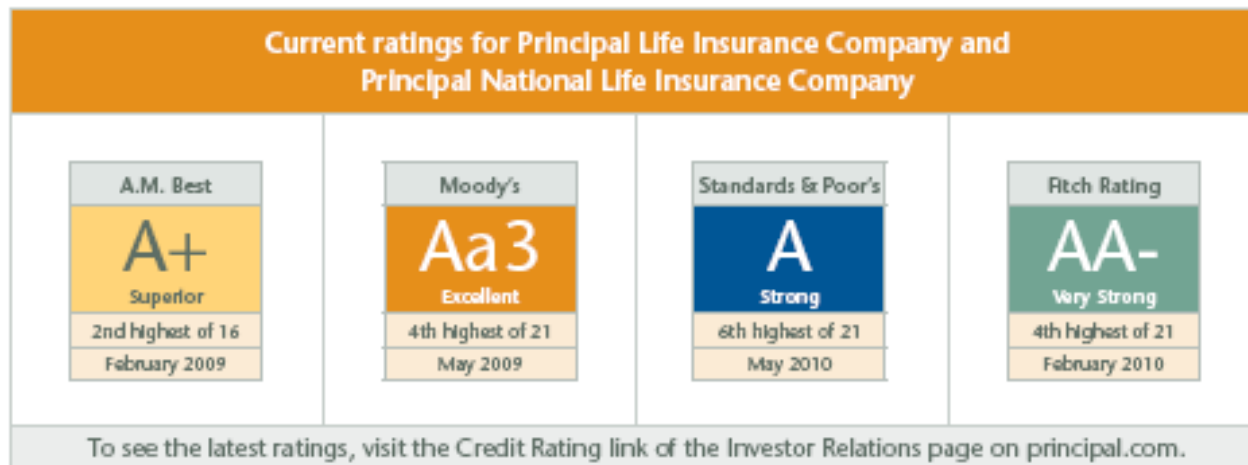
- Regular stress testing of our portfolio, which includes CMBS, continues to demonstrate that even under severe stress, losses would be manageable, occurring over a multi-year period.
- Regarding commercial mortgages, our portfolio characteristics remain strong. As of March 31, 2010, debt service coverage was 1.8 times, occupancy rate was 88 percent and current loan to value was 69 percent.

To see more detail, visit the Financial & SEC Reports Supplementary Info page of the Investor Relations portion of *principal.com*.

STRONG FINANCIAL STRENGTH RATINGS

We continue to earn strong financial strength ratings from the four major U.S. rating agencies.¹ For customers, these “strong” ratings mean they can continue to have confidence in the ability of Principal Life Insurance Company to meet its long-term obligations. For shareholders, they validate the continued solid business performance of Principal Life and the strength of our capital and liquidity positions. Our strong relative ratings speak to our ongoing ability to compete for new business and retain existing business across product lines.

In fact, Principal Life was cited as one of only 10 life/health insurers to be rated A or higher since 1928 by A.M. Best.



POSITIONED TO REMAIN STRONG

Our experience, solid fundamentals and strong execution are proof of how we've flourished even during tough times since 1879. They are also why The Principal is well-positioned and ready to help America rebuild.

Outline Proposed for TMEPA Group Plan

Principle Financial Group



A. Three different plan designs offered to all member utilities on an employee choice basis.

- One of the three will be a HDHP (High Deductible Health Plan – In all likelihood a \$2,000 deductible with no copays or drug card) with HSA (Health Savings Account) or HRA (Health Reimbursement Arrangement) option + 2 Traditional Plans: *For example*, a \$500 deductible with a \$20 office copay and an \$8/20/40 Drug card and a \$1,000 deductible with a \$35 copay and a 10/35/60 Drug card

- The minimum plan cost differential spread, between plan designs, needs to be 10% but not greater than 25%. The minimum spread between the lowest and highest plan design will be at minimum 25% and not great than 50%

- Within each group at least one employee must be in a plan in order to keep it open and available to that specific group

All three plan designs would be offered to each individual utility within the TMEPA Group Plan. This represents industry standard plan minimums and maximums.

- As an alternative we can offer two plans which allows different reimbursement levels underneath via a MERP (Medical Expense Reimbursement Plan). In this case, the plans would be a HDHP (High Deductible Health Plan) with no copays as outlined above, as well as a high deductible plan with copays and a drug card. In either case we could reimburse down to any deductible that an individual utility might desire. We're happy to explain this individually.

- B.** All groups will be underwritten using experience or individual apps in order to determine what rate grouping they will be placed into.

Utilities with 100 or more complete a written questionnaire that applies to the group and will not need individual applications. Utilities with less than 100, each employee will fill out an individual application form and answer for themselves to “rate” the group. The specific information needed from individual utilities is contained in this email.

- C.** If we get the necessary data to Principal in a timely manner, we will have prototype plans and plan rates by September 1st. Members can then have sufficient time to decide to participate when the plan is effective. Our target for the plan’s effective date is January 1, 2011. The goal for our plan is to have at least 1,000 covered employees from member utilities as of the starting date.
- D.** TMEPA will collect and remit monthly premium to PFG. PFG will assign sub-account # to all groups within the association.

Sub-Account numbers are for tracking purposes regarding claims, payments, etc. for individual utility members

E. Member utilities participating in the association plan will not be able to drop off without a penalty. While administrative costs will not vary by much the cost of insurance will vary based on the overall risk represented by the utilities within the TMEPA Group Plan.

Individual utilities would need to commit to stay in the group for a minimum period of 2-3 years.

- If they decide to drop out, a member utility would be required to pay two month's equivalent premium penalty to the TMEPA trust. The member will not be able to enter back into the TMEPA Trust for two years, in the event they drop out.

F. All new groups that want to enter the TMEPA plan would be assigned, by Principal, a rating pool based on their risk. Each utility within the TMEPA Plan would be placed in a "bucket" based on their utilities risk factors. Those "buckets" would be (A) Preferred (B) Standard, or (C) Non-Preferred

Each individual utility would be rated up front in one of these "buckets" with a "discount" for being in the TMEPA Group. As an example, all utilities with very healthy employees would be in the preferred "bucket" while those with extremely unhealthy employees would be in a non-preferred "bucket".

G. A standard “insured” contract will be our offering to all utilities – We will not be self-insured or partially self-insured.

- The plan will only offer a Four Tier (billing rate for employee only, employee spouse, employee child, employee family) rating structure for all Trust members when the trust is established.

H. TMEPA will set up a trust for purposes of the Association plan

- Principal will review the trust contract prior to approval to move forward

I. All groups must meet standard PFG participation requirements

- PFG will monitor participation levels and eligibility at least annually
- Minimum contribution levels for individual groups will be 60% employer contribution toward the employee premium portion.

We are unaware of any utility which does not already meet these requirements.

J. In order to offer our initial quote, we will require the attached information:

- Census demographics
- 3 years of rate history
- Current benefit design of each group
- Effective date of each group
- Minimum of 12 months of experience or individual applications

TMEPA's brokerage firm, JMD Group, LLC, will provide information packets for all member utilities with an interest in participating.

These packets will contain all information needed from member utilities to provide rates and benefits for that utility to be able to join the TMEPA Plan.

Packets can be requested by giving your business cards to one of our representatives before you leave, or you may request them via email to: Melissa@jmdgroupllc.com or call toll free: 1-866-251-0361 ext 201

You may also contact Mike Vinson at the TMEPA office 615-373-5738 or email Mike at mvinson@tmepa.org.

JMD Group

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