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## Principal Financial Group Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Our first question comes from the line of Andrew Kligerman – UBS.

#### Andrew Kligerman – UBS

Yes real quickly, good morning. The interest rate swaps, \$200 million statutory derivative gain there, one of your competitors had a similar gain this morning and they've kind of locked in the gain, could you review whether you locked in that gain and then how that program is going to work going forward? And then I believe I can ask a follow up question.

#### Larry Zimpleman

Okay Andrew, good morning. I had a little trouble hearing you; you were cutting out a little bit. I believe you were asking about the \$200 million statutory gain and I think your words were to the extent to which that's locked in?

#### Andrew Kligerman – UBS

Yes, and going forward, how that might play out as you work with that derivative program, how that would play out?

#### Larry Zimpleman

Just a quick comment and maybe Terry will want to add something on it. I think as he said in his comments, it is a net position on statutory books and, thus, it is subject to some fluctuation up and down as markets would fluctuate, but it's certainly been in all of our capital calculations in the past, so you can see it hasn't provided significant fluctuation.

Each time, of course, over time as the book of derivatives grows, the fluctuations can become slightly greater, but I wouldn't expect to see anything too dramatic going forward. That number will bounce around, it wouldn't be too dramatic, and let me see if Terry's got something he wants to add.

#### Terry Lillis

You are absolutely correct, Larry. The derivatives, the gainer or loss – the net position of gains or losses are always in our statutory calculations. The reason that we're pointing it out this time is because of the significant drop in the interest rate this quarter had a little bit more meaningful impact and that is why we are sharing it at this time.

**Andrew Kligerman – UBS**

Okay and then just one quick follow up, with regard to the deferred tax asset, you're asking the Iowa insurance division to allow \$120 million, I guess, how – you just mentioned Moody's and they reaffirmed your rating with a negative outlook, how are the rating agencies looking at given that maybe the other insures in the other states won't be able to garner that benefit. Do they look through it or do they agree that that's \$120 million of additional capital?

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