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Principal Financial Group Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Before we take questions, I'd like to turn the call over to CEO Larry Zimpleman for a brief comment. Sir?

Larry Zimpleman

Thank you. We do have one new item we want to share this morning. We've been informed that Standard and Poor's will downgrade Principal Life's insured financial strength rating one notch to A+ with a stable outlook. The A+ rating is characterized as strong, the fifth highest of their 21 levels. It's our understanding the primary reason for the change was a dividend to the Holding company from the Life Company. While we don't agree with the decision, it is our understanding the review also considered a number of key positives for The Principal, including our sustained strength in U.S. small and medium sized retirement business, and our competitive position in our Life and Health segment businesses.

With that, Operator, let's go to questions.

Operator

(Operator Instructions) Your first question comes from Andrew Kligerman – UBS.

Andrew Kligerman – UBS

Question on the level three assets. At the end of fourth quarter I believe they were \$1.12 billion. Could you specify that figure as of the end of the first quarter? And then secondly, what was the overall impact on book value? I know you mentioned earlier in the call that net income was affected positively by about \$25 million from the new FASB guidance. How about the effect including unrealized losses? What was the effect on book value from the new guidance?

Larry Zimpleman

Okay, Andrew, this is Larry. I think there's two questions in there. The first one I think on level three assets and I'll have Julia comment more specifically, but again there was not a substantial change in the amount of level three assets between fourth quarter and first quarter. And I'll have Terry comment on your second item, but again Terry commented specifically on the \$28.5 million that was the

change to net income. I don't think there was again any meaningful change in unrealized loss, but I'll ask him to confirm that. So Julia you can go first.

Julia Lawler

Good morning, Andrew. Yes, there was no change in our level three assets as it relates in particular to FAS 115 which I think is probably what you're referring to. We did not adjust our valuation methodology based on that change, even though we early adopted. So there was no change in the level three assets.

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