

## Principal: DOL Rule to Cost Us \$1M a Month



Principal Financial has said it will move toward levelized compensation in the wake of the Department of Labor's fiduciary rule.

Complying with the Department of Labor's new fiduciary rule will cost an estimated \$1 million a month for the next 18 months to 24 months, and between \$5 million to \$10 million a year afterwards, executives with Principal Financial Group said Friday.

Earlier in the week, executives from Ameriprise Financial said DOL rule compliance-related issues had cost the company \$11 million in the first half of 2016.

"Since the release of the final rule, our cross-business unit teams have gained a clear understanding of the cost to cover training and system and product modification to ensure we can continue to serve advisors and customer post implementation," said Daniel J. Houston, president, chairman and CEO of Principal Financial, in a conference call with analysts.

The first clauses of the DOL rule kick in next April, but insurance companies expect to be ready by the end of the year due to annual policy renewal cycles.

The rule raises advice standards for money flowing into and out of retirement accounts. Its remaining mandates take effect Jan. 1, 2018.

Comments from executives at Ameriprise and Principal Financial are among the first public estimates from companies about the precise cost of implementing the conflict of interest rule.

Distributors have seen their commission revenue drop in the wake of the rule.

Insurers are spending the money to upgrade their information technology systems, restructure products and features, alter fee and commission schedules and implement new training programs to meet the DOL requirements.

Principal Financial, with a network of 1,200 advisors, distributes proprietary and nonproprietary insurance, investment and retirement products.

Many of the company's distribution channels are likely to sell products under the DOL's Best Interest Contract Exemption, Principal Financial executives said.

The BIC requires hefty disclosures and a signed contract between agent and client committing the agent to acting in the client's best interest.

Principal Financial, based in Des Moines, reported second-quarter profit Thursday of \$322.3 million on revenue of \$3.04 billion.

The company also reported net income of \$1.10 per share. Earnings, adjusted for investment costs, came to \$1.15 per share, surpassing analysts' estimates.

The average of four analysts surveyed by Zacks Investment Research was for earnings of \$1.06 per share.

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