

PRINCIPAL LIFE INSURANCE CO

Form 424B2

December 14, 2006

Pricing Supplement Dated December 12, 2006  
 (To Prospectus dated February 16, 2006, and  
 Prospectus Supplement dated February 16, 2006)

Filed Pursuant to Rule 424(b)(2)  
 Registration Statement Nos. 333-129763  
 and 333-129763-01  
 CUSIP: 74254PPQ9

**Principal Life Insurance Company**  
**Secured Medium-Term Notes (that are also Asset-Backed Securities)**  
**Issued Through and Obligations of**  
**Principal Life Income Fundings Trust 26 (the Trust and the Issuing Entity )**

The description of this pricing supplement of the particular terms of the Secured Medium-Term Notes offered hereby, and the Funding Agreement (specified below) issued by Principal Life Insurance Company ( Principal Life ) to the Trust, the payment obligations of which are fully and unconditionally guaranteed by the Guarantee (specified below) issued by Principal Financial Group, Inc. to the Trust, supplements the description of the general terms and provisions of the notes, the funding agreements and the guarantees set forth in the accompanying prospectus and prospectus supplement, to which reference is hereby made.

**1. The Notes**

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|                            |               |                               |                   |
|----------------------------|---------------|-------------------------------|-------------------|
| Principal Amount:          | \$250,000,000 | Purchasing Agent(s) Discount: | 0%                |
| Issue Price:               | 100%          | Original Issue Date:          | December 19, 2006 |
| Net Proceeds to the Trust: | \$250,000,000 | Stated Maturity Date:         | July 21, 2008     |

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|                                 |   |  |          |
|---------------------------------|---|--|----------|
| Specified Currency:             | U.S. Dollars  |  |          |
| Interest Payment Dates:         | January 21, April 21, July 21 and October 21 of each year |  |          |
| Initial Interest Payment Dates: | April 21, 2007  |  |          |
| Regular Record Date:            | 15 calendar days prior to the Interest Payment Date       |  |          |
| Type of Interest Rate:          | <input type="radio"/> Fixed Rate                          | <input checked="" type="radio"/> Floating Rate |          |
| Fixed Rate Notes:               | <input type="radio"/> Yes                                 | <input checked="" type="radio"/> No.           | If, Yes, |
| Interest Rate:                  |   |  |          |
| Floating Rate Notes:            | <input checked="" type="radio"/> Yes                      | <input type="radio"/> No.                      | If, Yes, |
| Regular Floating Rate Notes:    | <input checked="" type="radio"/> Yes                      | <input type="radio"/> No.                      | If, Yes, |
| Interest Rate:                  | 3-Month LIBOR - .055%                                     |  |          |
| Interest Rate Basis(es):        | See below   |  |          |

Floating Rate/Fixed Rate Note:     o Yes                                 x No                         If, Yes,  
Floating Interest Rate:  
Interest Rate Basis(es):  
Fixed Interest Rate:  
Fixed Rate Commencement Date:

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Inverse Floating Rate Note:  Yes  No. If, Yes,  
 Fixed Interest Rate:  
 Floating Interest Rate:  
 Interest Rate Basis(es):

Initial Interest Rate, if any: 3-Month LIBOR - .055% determined on the second business day preceding the Original Issue Date.

Initial Interest Reset Date: April 21, 2007

Interest Rate Basis(es). Check all that apply:

- CD Rate
- CMT Rate
- Constant Maturity Swap Rate
- LIBOR
- EURIBOR
- Prime Rate
- Commercial Paper Rate
- Eleventh District Cost of
- Federal Fund Open Rate
- Federal Funds Rate
- Treasury Rate
- Other (See Attached)

If LIBOR:  LIBOR Reuters  LIBOR Moneyline Telerate  
 LIBOR Currency: U.S. Dollars

If CMT Rate:

Designated CMT Telerate Page:

If 7052:  Weekly Average  Monthly Average

Designated CMT Maturity Index:

Index Maturity: 3-Month

Spread (+/-): -.055%

Spread Multiplier: Not Applicable

Interest Reset Date(s): Each Interest Payment Date

Interest Rate Determination Date(s): The second business day preceding the Interest Reset Date

Maximum Interest Rate, if any: Not Applicable

Minimum Interest Rate, if any: Not Applicable

Calculation Agent: Citibank, N.A.

Exchange Rate Agent: Not Applicable

Computation of Interest (not applicable unless different than as specified in the prospectus and prospectus supplement):

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Day Count Convention (not applicable unless different than as specified in the prospectus and prospectus supplement):

Amortizing Notes:  Yes  No. If, Yes,  
Amortizing Schedule:  
Additional/Other Terms:

Discount Note:  Yes  No. If, Yes,  
Total Amount of Discount:  
Initial Accrual Period of  
Discount:  
Additional/Other Terms:

Redemption Provisions:  Yes  No. If, Yes,  
Initial Redemption Date:  
Initial Redemption Percentage:  
Annual Redemption Percentage Reduction (if any):  
Redemption:  In whole only and not in  
part  
 May be in whole or in part

Additional Other Terms:

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Repayment:  Yes  No. If, Yes,  
 Repayment Date(s):  
 Repayment Price:  
 Repayment:  In whole only and not in part  
 May be in whole or in part

Additional/Other Terms:

Sinking Fund (not applicable unless specified):

Additional Amounts to be Paid for Withholding Tax (not applicable unless specified):

Securities Exchange Listing:  Yes  No. If Yes, Name of Exchange:

Authorized Denominations: \$1,000

Ratings: The Notes issued under the Program are rated AA by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ( S&P ). Principal Life expects the Notes to be rated Aa2 by Moody's Investors Service, Inc. ( Moody's ).

Purchasing Agent(s) Purchasing Notes as  Yes  No. If Yes,  
 Principal:

| <u>Purchasing Agent(s)</u>    | <u>Principal Amount</u> |
|-------------------------------|-------------------------|
| Wachovia Capital Markets, LLC | \$ 250,000,000          |
|                               | _____                   |
| Total:                        | \$ 250,000,000          |

Purchasing Agent(s) Acting as Agent :  Yes  No. If, Yes:

| <u>Purchasing Agent(s)</u> | <u>Principal Amount</u> |
|----------------------------|-------------------------|
|                            | _____                   |

Total:

State of Organization of the Trust: New York

Additional/Other Terms:

Special Tax Considerations:

**2. The Funding Agreement**

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Funding Agreement Issuer: Principal Life Insurance Company

Funding Agreement No.: 4-54167

Deposit Amount: \$250,000,015

Net Deposit: \$250,000,000

Effective Date: December 19, 2006

Stated Maturity Date: July 21, 2008

Specified Currency: U.S. Dollars

Interest Payment Dates: January 21, April 21, July 21 and October 21 of each year

Initial Interest Payment Date: April 21, 2007

Type of Interest Rate:  Fixed Rate  Floating Rate

Fixed Rate Funding Agreement:  Yes  No. If, Yes,

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Interest Rate:

Floating Rate Funding Agreement:  Yes  No. If, Yes,

Regular Floating Rate Funding Agreement:  Yes  No. If Yes,

Interest Rate: 3 Month LIBOR - .055%

Interest Rate Basis(es): See below

Floating Rate/Fixed Rate Funding Agreement:  Yes  No. If, Yes,

Floating Interest Rate:

Interest Rate Basis(es):

Fixed Interest Rate:

Fixed Rate Commencement Date:

Inverse Floating Rate Funding Agreement:  Yes  No. If, Yes,

Fixed Interest Rate:

Floating Interest Rate:

Interest Rate Basis(es):

Initial Interest Rate, if any: 3-Month LIBOR - .055% determined on the second business day preceding the Original Issue Date.

Initial Interest Reset Date: April 21, 2007

Interest Rate Basis(es). Check all that apply:

- CD Rate
- CMT Rate
- Constant Maturity Swap Rate
- LIBOR
- EURIBOR
- Prime Rate
- Commercial Paper Rate
- Eleventh District Cost of Funds Rate
- Federal Funds Open Rate
- Federal Funds Rate
- Treasury Rate
- Other (See Attached)

If LIBOR:  LIBOR Reuters Page  LIBOR Moneyline Telerate Page 3750  
LIBOR Currency: U.S. Dollars

If CMT Rate:

Designated CMT Telerate Page:

If 7052:  Weekly Average  Monthly Average

Designated CMT Maturity Index:

Index Maturity: 3-Month

Spread (+/-): -.055%

Spread Multiplier: Not Applicable

Interest Reset Date(s): Each Interest Payment Date



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Interest Rate Determination Date(s):            The second business day preceding the related Interest Reset Date

Maximum Interest Rate, if any:                Not Applicable

Minimum Interest Rate, if any:                Not Applicable

Calculation of Interest (not applicable unless different than as specified in the prospectus and prospectus supplement):

Day Count Convention (not applicable unless different than as specified in the prospectus and prospectus supplement):

Amortizing Funding Agreement:                 Yes                             No.                            If, Yes,

Amortizing Schedule:

Additional/Other Terms:

Discount Funding Agreement:                 Yes                             No.                            If, Yes,

Total Amount of Discount:

Initial Accrual Period of Discount:

Additional/Other Terms:

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Redemption Provisions:       Yes       No.      If, Yes,

Initial Redemption Date:

Initial Redemption

Percentage:

Annual Redemption

Percentage Reduction (if any):

Redemption:                       In whole only and not in part  
    May be in whole or in part

Additional Other Terms:

Repayment:                       Yes       No.      If, Yes,

Repayment Date(s):

Repayment Price:

Repayment:                       In whole only and not in part  
    May be in whole or in part

Additional/Other Terms:

Sinking Fund (not applicable unless specified):

Additional Amounts to be Paid For Withholding Tax (not applicable unless specified):

Ratings:

The Funding Agreement issued under the Program is rated AA by S&P. Principal Life expects the Funding Agreement to be rated Aa2 by Moody's.

Additional/Other Terms if any:

Special Tax Considerations:

**3. The Guarantee**

Guarantee Issuer:                      Principal Financial Group, Inc.

Effective Date:                      December 19, 2006

Additional/Other Terms if any: