

RESIDUAL DISABILITY AND RECOVERY BENEFIT RIDER

This rider is part of the policy. It is issued in consideration of the application and payment of the premiums for this rider and for the policy to which it is attached. All definitions, provisions, exceptions, limitations, and other terms of the policy apply to this rider unless specifically changed by this rider. The effective date of this rider is shown on the current Data Page.

RESIDUAL DISABILITY DEFINITIONS

CHANGE DATE -- means each yearly anniversary of the start of a Continuous Disability. If a new Elimination Period is required because of a new Disability, new Change Dates will be set for the new Disability.

CPI-U -- means the Consumer Price Index for All Urban Consumers (CPI-U) published by the United States Department of Labor. We will use a different index if:

1. The CPI-U is discontinued, delayed, or not otherwise available for use; or
2. The composition, base, or method of calculating the CPI-U changes so that We consider it inappropriate for this policy.

Any different index We choose will be one which We think best reflects the change in the cost of living in the United States.

CURRENT EARNINGS -- means Your Earnings for each month while You are Disabled.

DISABILITY/DISABLED -- means Total Disability. If the Residual Disability and Recovery Benefit Rider is attached to Your policy, Disability also means Residual Disability. If a Disability is caused by more than one Injury or Sickness, We will pay benefits as if the Disability was caused by only one Injury or Sickness.

INDEX FACTOR -- means, as of any Change Date, a factor which is based upon the change in the CPI-U on an annual basis. On the first Change Date, it is calculated by dividing the CPI-U for the calendar month three months before the first Change Date by the CPI-U for the calendar month three months before the date Your Continuous Disability began. In subsequent years, it is calculated by dividing the CPI-U for the calendar month three months before the current Change Date by the CPI-U for the calendar month three months before the prior year's Change Date. The Index Factor will never be less than 1.

LOSS OF EARNINGS -- means Your Prior Earnings minus Current Earnings. This difference will be considered Loss of Earnings to the extent such loss is directly and independently due to the Injury or Sickness which caused Your Disability. We reserve the right to at least annually review and adjust Your Loss of Earnings and benefit payments to take into account fluctuations in Earnings.

PRIOR EARNINGS -- means Your highest monthly average Earnings for any consecutive 12 months in the last 24 months before a Continuous Disability began. On each Change Date We will adjust the Prior Earnings by multiplying the Prior Earnings, as of the current Change Date, times the Index Factor. If a new Elimination Period is required because of a new Disability, Your Prior Earnings will again be determined for the new Disability without regard to any previous indexing.

RESIDUAL DISABILITY -- means:

1. You are not Totally Disabled; and
2. Solely due to Injury or Sickness You have a Loss of Earnings equal to or greater than 20% of Your Prior Earnings and:
 - a) You are able to perform some, but not all, of the substantial and material duties of Your Occupation or You are unable to work Full Time in Your Occupation; or
 - b) You are working in another occupation; and
3. You satisfy the requirements of the Claim Information section of the policy.

If You are Retired, Residual Disability means, solely due to Injury or Sickness, Your ability to perform the normal activities of a retired person in good health and of like age is restricted. If You are Unemployed, Residual Disability means, solely due to Injury or Sickness, Your ability to obtain a job that You are reasonably suited for by education, training and experience is restricted.

While You are Working during a period of Residual Disability, You must Work to the full capacity allowed medically and vocationally in that occupation by Your Injury or Sickness including any reasonable job or work site modification. If You choose not to Work to full capacity, benefits will be paid as if You are Working at full capacity in that occupation.

If You are not Totally Disabled and You choose not to Work, even though You are able to Work at any occupation for which You are reasonably suited by education, training and experience, benefits will be paid as if You are Working at full capacity in that occupation.

RESIDUAL DISABILITY BENEFITS

We will pay a percentage of the Maximum Monthly Benefit under the Disability Benefit section of the policy for Residual Disability that begins on or after the effective date of this rider and while the policy and this rider are in force and subject to the policy and rider provisions. Benefits start to accrue at the end of the Disability Benefit section's Elimination Period. Benefits for Residual Disability are payable to the end of the Maximum Benefit Period.

If an amount for the Social Insurance Substitute Benefit is shown on the Data Page in effect at that time, We will also pay a percentage of the Maximum Monthly Benefit under the Social Insurance Substitute Benefit section of the policy, provided You satisfy all requirements of that section.

Income earned by a business or professional entity will be determined by Your choice of either the cash or accrual accounting method. The same method will be used to determine both Prior Earnings and Current Earnings throughout a Disability. If the cash method is used, income earned but not received prior to the start of a Disability will be excluded from Your Current Earnings.

Regardless of the accounting method used, any bonuses or lump sum payments You receive will be assigned on a pro-rata basis to each month during which they are earned and retroactive adjustments will be made to the benefits previously paid under the policy.

For Residual Disability, the monthly amount We will pay is:

$$\frac{\text{Prior Earnings} - \text{Current Earnings}}{\text{Prior Earnings}} \times \text{Maximum Monthly Benefit}$$

When the percentage payable exceeds 75% We will pay 100% of the Maximum Monthly Benefit.

For the first six months of a Residual Disability following the Elimination Period, the percentage paid will not be less than 50%. If Your Elimination Period for the Social Insurance Substitute Benefit is longer than for the Disability Benefit, Social Insurance Substitute Benefits at the 50% level will be paid only until the end of the six month period for the Disability Benefit.

If You are Retired or Unemployed, 50% of the Maximum Monthly Benefit will be paid for Residual Disability.

RECOVERY BENEFIT DEFINITIONS

DISABILITY/DISABLED – means Total Disability. If the Residual Disability and Recovery Benefit Rider is attached to Your policy, Disability also means Residual Disability. If a Disability is caused by more than one Injury or Sickness, We will pay benefits as if the Disability was caused by only one Injury or Sickness.

RECOVERY CURRENT EARNINGS -- means Your monthly Earnings after You return to Full Time Work.

RECOVERY LOSS OF EARNINGS -- means Your Recovery Prior Earnings minus Your Recovery Current Earnings for the months after You return to Full Time Work.

RECOVERY PRIOR EARNINGS -- means Your highest monthly average Earnings for any consecutive 12 months in the last 24 months before a Continuous Disability began.

RECOVERY BENEFIT

We will provide a Recovery Benefit if:

1. You are no longer Disabled; and
2. You are not receiving benefits under the Disability Benefit section of the policy; and
3. You return to Full Time Work immediately after a Continuous Disability for which benefits were payable under the Disability Benefit section; and
4. You have a Recovery Loss of Earnings equal to or greater than 20% of Your Recovery Prior Earnings; and
5. It can be validated that Your Recovery Loss of Earnings is directly and solely due to the prior Injury or Sickness that caused Disability; and
6. You satisfy the requirements of the Claim Information section of the policy.

If You were Retired or Unemployed prior to Disability, no Recovery Benefits will be payable.

Income earned by a business or professional entity will be determined by Your choice of either the cash or accrual accounting method. The same method will be used to determine both Recovery Prior Earnings and Recovery Current Earnings. If the cash method is used, income earned but not received prior to the start of a Disability will be excluded from Your Recovery Current Earnings. If Residual Disability Benefits were payable just prior to Your eligibility to the Recovery Benefit, then the same accounting method that was used to calculate the Residual Disability Benefit will be used to calculate the Recovery Benefit.

Regardless of the accounting method used, any bonuses or lump sum payments You receive will be assigned on a pro-rata basis to each month during which they are earned and retroactive adjustments will be made to the benefits previously paid under the policy.

The amount of Recovery Benefit payable will be:

$$\frac{\text{Recovery Prior Earnings} - \text{Recovery Current Earnings}}{\text{Recovery Prior Earnings}} \times \text{Maximum Monthly Benefit}$$

If the Cost of Living Adjustment Rider is a part of the policy, then the Recovery Benefit will be calculated based on the Adjusted Maximum Monthly Benefit being paid when You recovered from Your Disability. There will be no additional increases under the Cost of Living Adjustment Rider while Recovery Benefits are payable under this rider. There will be no Indexing of Recovery Prior Earnings while Recovery Benefits are payable under this rider.

The Waiver of Premium benefit in the policy will be provided while Recovery Benefits are payable under this rider. Other benefits provided by Your policy will not be payable.

Recovery Benefits end when You no longer have a Recovery Loss of Earnings greater than 20% for any 2 consecutive months.

Recovery Benefits may not be paid beyond the policy Maximum Benefit Period.

TERMINATION

This rider terminates on the first of:

1. Your Age 65 Policy Anniversary or five years after the Policy Date, whichever is later; or
2. Our receipt of the Owner's written request to terminate it; or
3. Termination of the policy of which it is a part.

If You are eligible to benefits under the terms of the policy or any attached riders (not to include the Waiver of Premium Benefit) prior to and continuing through the date specified in number 1 above, then the policy and this rider will remain in force with no further premiums due until the earlier of the end of Your Disability or the end of the Maximum Benefit Period. However, if You are receiving Recovery Benefits prior to and continuing through the date specified in number 1 above, the policy and this rider will remain in force with no further premiums due until the Recovery Benefits end.

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(Company Officers' Signature and Title)

Principal Life Insurance Company
Des Moines, Iowa 50392-0001