

What is hedging and why does it matter?

The benefits of helping to manage market volatility in real time

Because no one can predict the future, we need the ability to quickly react to changes in the market. Hedging makes that possible.

We're one of the few who can leverage the power of

IN-HOUSE HEDGING.

Hedging is a way that Allianz Life Insurance Company of North America (Allianz) helps manage the impact of market movements, managing assets in a way that helps us guarantee our promises to our policyholders. We use a portion of your life insurance premium payment, invest it, and purchase hedges so we can credit interest to your policy. Hedging helps manage risk and backs up the product guarantee so it will be there for you when you need it.

Most insurance companies use hedging to some degree, but we're one of the few who performs hedging in-house.

The two main types of hedging

Static hedges are set up, meaning Allianz purchases assets from investment banks and then they are left in place for a specific period of time without being rebalanced or adjusted. Most insurance companies rely on banks for their static hedging.

Since banks charge for this service, it adds cost for the insurance company – and for the client.

Dynamic hedging requires frequent adjustments (daily or even more often) as stock prices change.

Because of our expertise and size, dynamic hedging can be more cost-effective.

The advantages of our in-house dynamic hedging platform

With our in-house dynamic hedging:

- We can design innovative features and products to better support your goals.
- We can purchase higher-grade bonds designed for a more stable, higher-quality investment portfolio.
- We are able to allocate on a daily basis and balancing daily helps stabilize the index performance in a volatile market.
- We may be less exposed to investment bank failure.

For all that's ahead.®

Allianz 

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

Product and feature availability may vary by state and broker/dealer.

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How hedging works

Every time we receive a premium payment for one of our fixed index universal life insurance policies, we take a small portion of that payment and place it into a hedge.

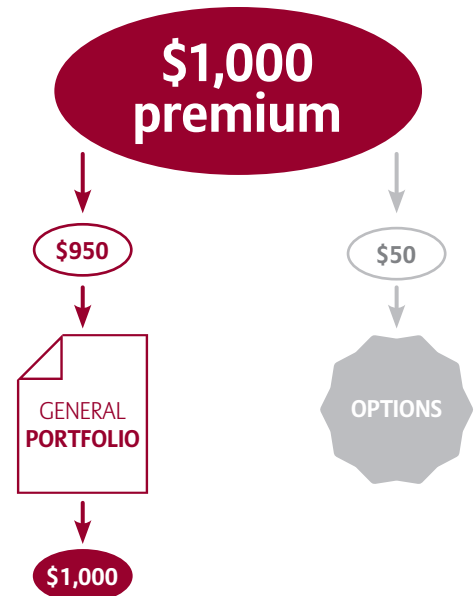
For example, if your premium payment is \$1,000:

- First, we separate the \$1,000 premium into two parts.
- \$950 is invested in our general portfolio, which is made up of assets, predominantly high-grade bonds, where it is designed to grow back to \$1,000, thanks to the yield of our general portfolio.
- The remaining \$50 is used to purchase hedges to help protect our promises.

At the end of the policy year, we credit your life insurance cash value with indexed interest, assuming a positive index change, according to the crediting method you've chosen.

Hypothetical example assumes 5.00% option budget, which is the rate Allianz uses to purchase hedges. This example is provided for illustrative purposes only and assumes life insurance fees and charges are not deducted from the premium payments.

Though this example is highly simplified, it illustrates hedging on one life insurance policy. In reality, Allianz hedges at a group level with the total account value of many policies over time periods longer than one year.



Our in-house hedging is one of the ways we can help you achieve your financial goals.

Contact your financial professional to find out more.

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Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.950.1962 www.allianzlife.com

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