Allianz Life Insurance Company of North America

Understanding your **crediting methods**

For all that's ahead.®

Allianz

This material must be accompanied by the "Understanding fixed index universal life insurance" brochure (M-3959).

M-5913

Every life insurance policy serves the same primary purpose: to provide beneficiaries financial reassurance through an income-tax-free death benefit.[1] In addition, fixed index universal life (FIUL) insurance provides additional benefits such as the potential for tax-deferred cash value accumulation – which is accessible through policy loans and withdrawals.[2]

[1] The death benefit is generally income-tax-free when passed on to beneficiaries.

[2] Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.

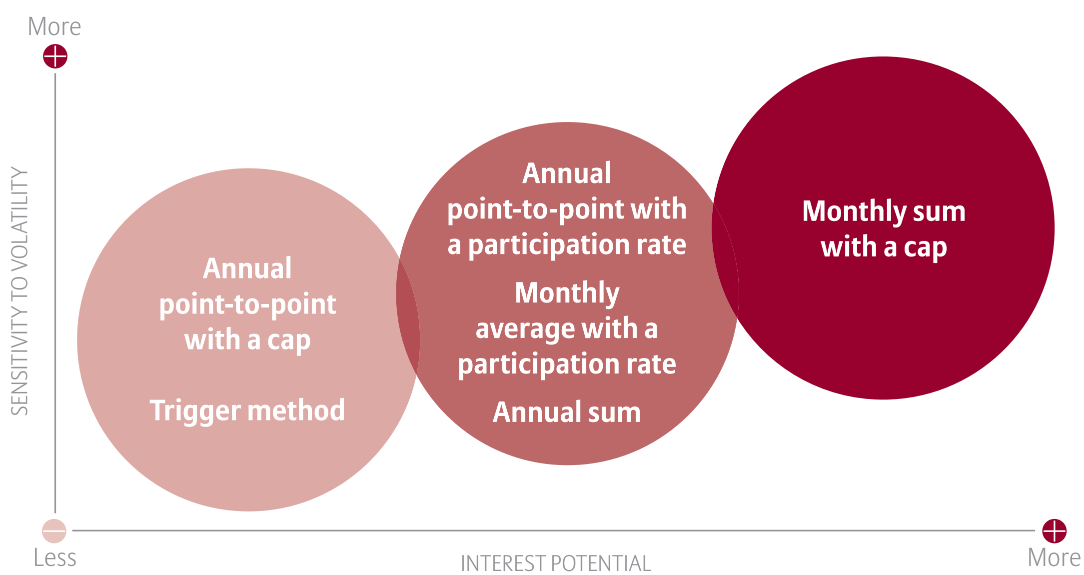
Choosing a crediting method

Your cash value has the potential to earn interest based on positive changes in an external market index. We call this "indexed interest." How much indexed interest you receive is impacted by the crediting method you choose, as well as any caps, participation rates, and floors that may be applied. That's why it's important to carefully consider your crediting methods, based on your overall financial strategy.

Allianz Life Insurance Company of North America (Allianz) offers a variety of indexes and crediting methods. Regardless of the index you choose, some crediting methods offer the potential for a higher level of interest – but in exchange have more volatility – while other crediting methods offer a more consistent rate, but typically less interest (or potentially zero interest) in a given year. No single crediting method is most effective in all situations.

The following chart shows the crediting methods' relative sensitivity to the volatility of their performance, as well as their interest potential. It is intended only as a high-level overview; please read the detailed description of the crediting methods on the pages that follow before you make a choice. Regardless of which crediting method you choose, your cash value is always protected from negative performance. Ask your financial professional to help you choose a crediting method based on your needs and goals.

Crediting methods relative to volatility and interest potential



Now let's take a closer look at the types of crediting methods that are used to calculate your potential interest.

Annual point-to-point

A straightforward crediting method. Annual point-to-point uses the index value from only two points in time, so it may be a good choice if you want to minimize the effects of mid-year market volatility.

How it works:

Annual point-to-point may **HELP MINIMIZE** THE EFFECTS of mid-year market volatility.

- On your policy anniversary, the beginning index value is compared to the ending index value.
- The percentage of change in the index is calculated.
- If the ending index value is higher than the beginning index value, you will receive indexed interest. (How much interest you receive will depend on a participation rate or a cap.)
- If the value is lower, you won't receive indexed interest – but your policy's value will be protected.

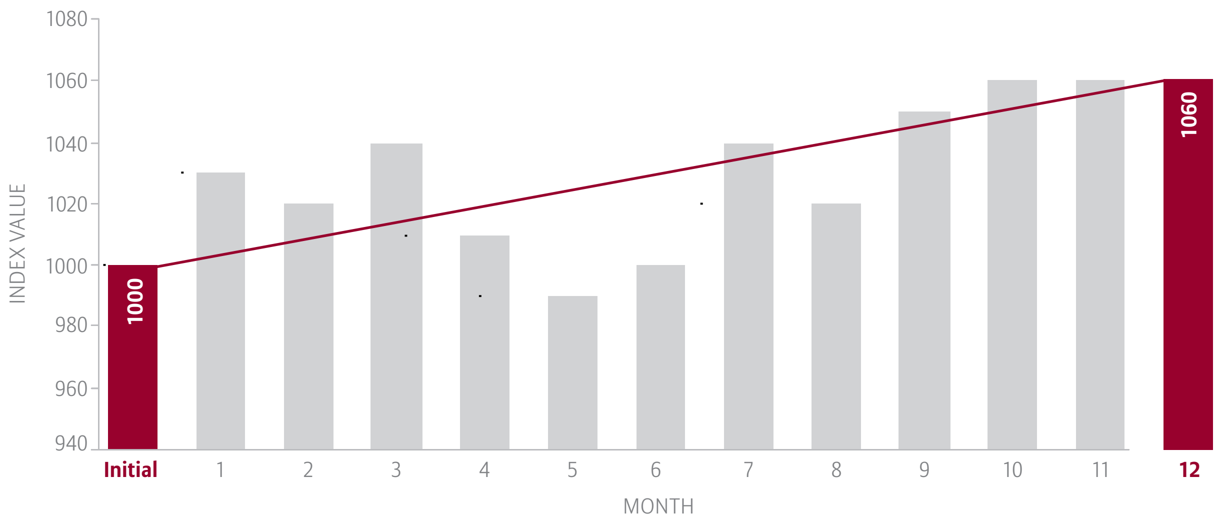
Example:

In this hypothetical example, the ending index value (1060) is divided by the beginning value (1000), and then subtracted by 1 to find an annual change of 6%. The actual amount of indexed interest could depend on a participation rate or a cap.

For example, if the participation rate were 135%, the indexed interest for this policy year would be 8.1% (135% of 6%).

Likewise, if there were a cap, and it was less than 6.00%, the indexed interest for that year would equal the cap.

If the final result is negative, no indexed interest would be applied and your policy's value would remain unchanged. However, fees and charges will reduce the cash value.



This example represents hypothetical performance, used to show how a crediting method functions, and does not guarantee future results. Although an external index may affect your policy's values, the policy does not directly participate in any stock or investments. You are not buying any bonds, shares of stock, or shares of an index fund. It is not possible to invest directly in an index. The market index value does not include the dividends paid on the stock underlying a stock index. These dividends are also not reflected in the interest credited to your policy.

Trigger method

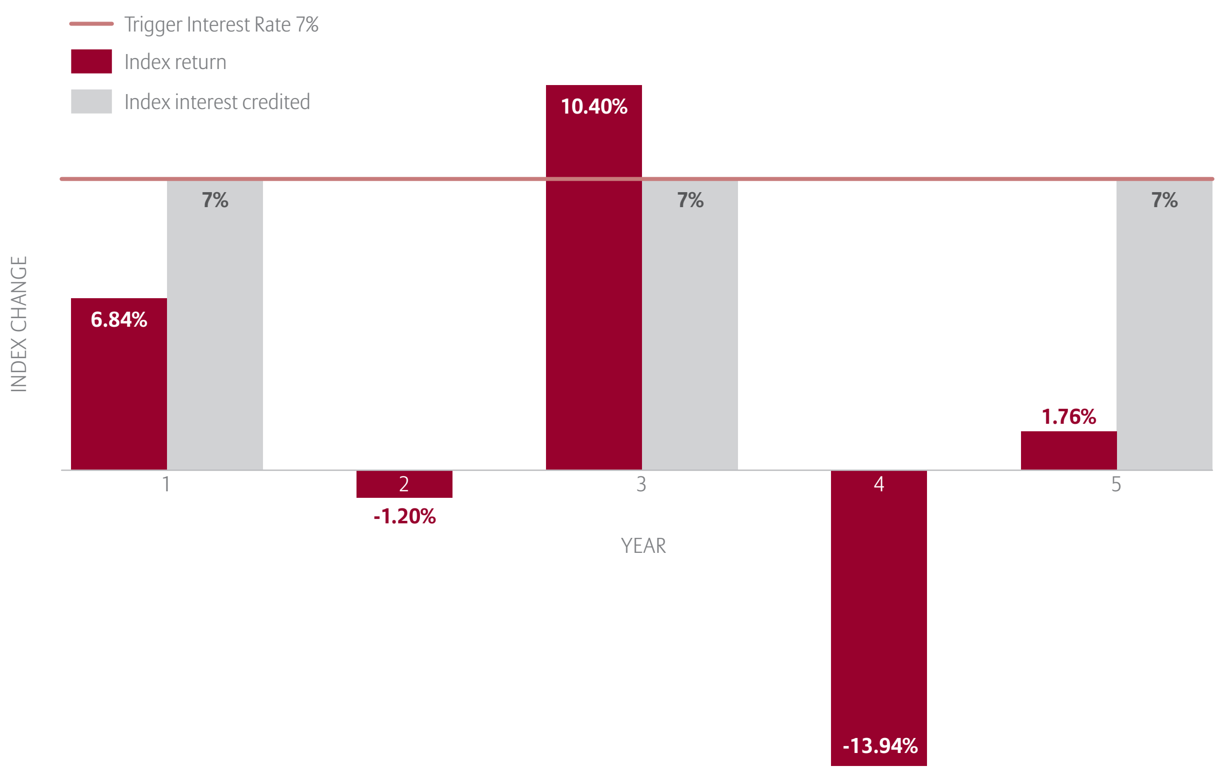
With the trigger method, you won't have to calculate or wonder how your indexed interest is determined.

How it works:

The trigger method tracks changes in an index value from one policy anniversary to the next. Any change greater than or equal to zero will result in the current Trigger Interest Rate being credited to the policy. This amount is subject to change on an annual basis.[1] If the result is negative (less than zero), 0% would be credited to the policy.

Example:

The following hypothetical example shows the index changes of a hypothetical index over five years to illustrate in which years indexed interest would have been credited at the Trigger Interest Rate.



[1] The minimum Trigger Interest Rate is 0.25%.

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Monthly average

Monthly average can help reduce volatility by averaging monthly highs and lows over the course of the year. It may be a good choice when the market is turbulent.

How it works:

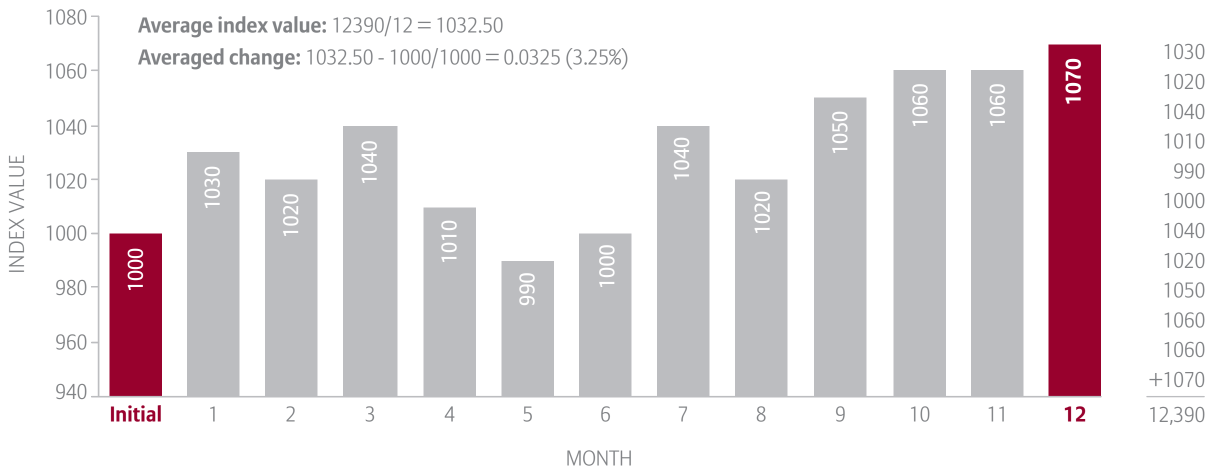
- The index values at the end of each month are tracked for one year.
- At the end of the year, those index values are added together and then divided by 12 to determine the monthly average.
- The starting index value is subtracted from the monthly average, and the result is divided by the starting index value.
- If the final result is positive, you'll receive indexed interest based on a current participation rate or a cap. If the final result is negative, you'll receive no indexed interest – but your policy's value will be protected.

This hypothetical example illustrates monthly average crediting with a participation rate.

At the end of the year, the percentage of change equals 3.25%, which will be multiplied by the participation rate to get the indexed interest rate. For example, if the participation rate were 130%, the indexed interest for this policy year would be 4.2% (130% of 3.25%).

If the final result is negative, no indexed interest would be applied and your policy's value would remain unchanged. However, fees and charges will reduce the cash value.

Example:



This example represents hypothetical performance, used to show how a crediting method functions, and does not guarantee future results. Although an external index may affect your policy's values, the policy does not directly participate in any stock or investments. You are not buying any bonds, shares of stock, or shares of an index fund. It is not possible to invest directly in an index. The market index value does not include the dividends paid on the stock underlying a stock index. These dividends are also not reflected in the interest credited to your policy.

Annual sum

Annual sum uses the index value from two separate indexes, from two points in time, and provides added potential through a high participation rate.

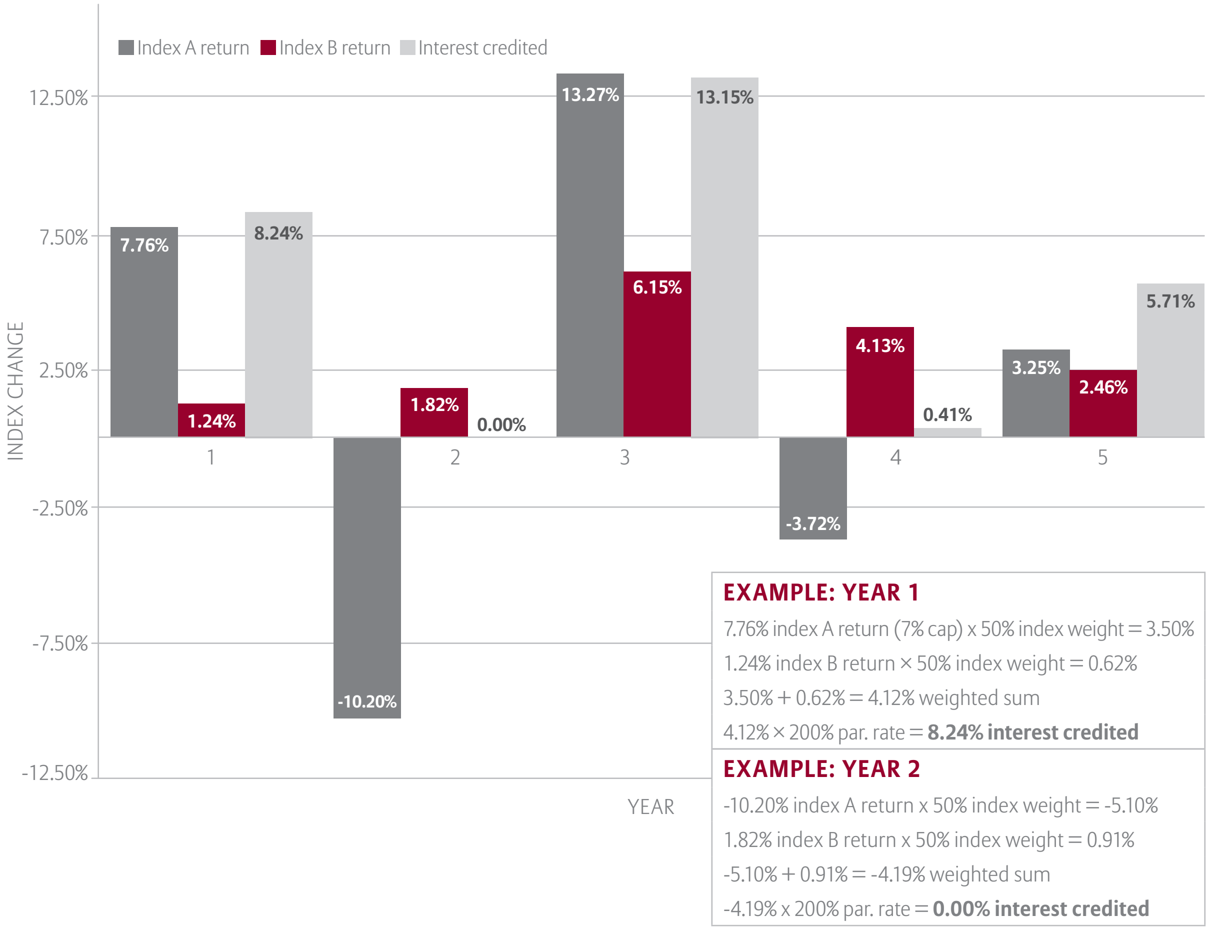
How it works:

Annual sum can provide ADDED potential through a high participation rate.

- On your policy anniversary, the beginning index value is compared to the ending index value of each individual index.
- The annual percentage of change of each individual index is calculated.
- The annual percentage of change of each index is then capped and the weight is applied to each individual index. The annual change may be less than zero and has no floor.
- The sum of the weighted index performance is multiplied by the participation rate.
- If the total value is positive, you'll be credited that amount as indexed interest.
- If the total value is negative, you won't receive indexed interest – but your policy's value will be protected. However, fees and charges will reduce the cash value.

Example:

In this hypothetical example, two indexes are tracked. Each individual ending index value is divided by the beginning index value, and subtracted by 1 to find an annual change for each index. Each annual change is capped at 7% and is multiplied by an index weight, 50%. The sum of the weighted index performance is multiplied by the 200% participation rate.



This example represents hypothetical performance, used to show how a crediting method functions, and does not guarantee future results. Although an external index may affect your policy's values, the policy does not directly participate in any stock or investments. You are not buying any bonds, shares of stock, or shares of an index fund. It is not possible to invest directly in an index. The market index value does not include the dividends paid on the stock underlying a stock index. These dividends are also not reflected in the interest credited to your policy.

Monthly sum

Monthly sum is the most volatility-sensitive crediting method. It can provide interest in steady "up" markets, but it can be adversely affected by large monthly decreases.

How it works:

Monthly sum can **PROVIDE INTEREST** IN "UP" MARKETS, as well as be adversely affected by large monthly decreases.

- On your policy anniversary each month, the index value is compared to the prior month's value, and the percentage of change is calculated.
- At the end of the year, the policy's monthly increases and decreases are added up. The increases may be subject to a cap; however, decreases are not limited by the cap.
- If the final sum is positive, you'll be credited that amount as indexed interest.
- If the sum is negative, you'll receive no indexed interest – but your policy's value will be protected.

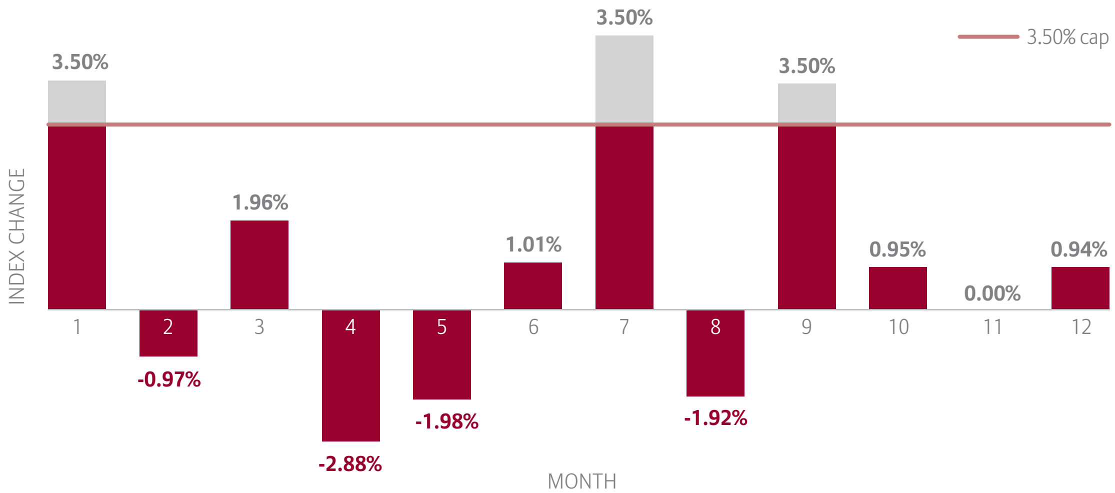
This hypothetical example illustrates monthly sum crediting, with a cap of 3.50%.

Every month, the index value is compared to the prior month's value. The percentages you see below represent the percentage in index change, month-over-month.

At the end of the year, the monthly percentages are added up. In this example, the policy owner would receive 7.61% in indexed interest.

If the final result is negative, no indexed interest would be applied and your policy's value would remain unchanged. However, fees and charges will reduce the cash value.

Example:



3.50%
-0.97%
1.96%
-2.88%
-1.98%
1.01%
3.50%
-1.92%
3.50%
0.95%
0.00%
+0.94%
7.61%

This example represents hypothetical performance, used to show how a crediting method functions, and does not guarantee future results. Although an external index may affect your policy's values, the policy does not directly participate in any stock or investments. You are not buying any bonds, shares of stock, or shares of an index fund. It is not possible to invest directly in an index. The market index value does not include the dividends paid on the stock underlying a stock index. These dividends are also not reflected in the interest credited to your policy.

Ask your financial professional which crediting method within an FIUL insurance policy may make sense for your needs and goals.

True to our promises …
so you can be true to yours.®

A leading provider of annuities and life insurance, Allianz Life Insurance Company of North America (Allianz) bases each decision on a philosophy of being true: **True to our strength** as an important part of a leading global financial organization. **True to our passion** for making wise investment decisions. And **true to the people we serve**, each and every day.

Through a line of innovative products and a network of trusted financial professionals, and with over 3.5 million contracts issued, Allianz helps people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz is proud to play a vital role in the success of our global parent, Allianz SE, one of the world's largest financial services companies.

While we are proud of our financial strength, we are made of much more than our balance sheet. By being true to our commitments and keeping our promises we believe we make a real difference for our clients. It's why so many people rely on Allianz today and count on us for tomorrow – when they need us most.

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

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