Allianz Life Insurance Company of North America

Understanding your crediting methods

M-5913 (R-7/2024) | This material must be accompanied by the "Understanding indexed universal life insurance" brochure (M-3959) or the applicable product consumer brochure.

Every life insurance policy serves the same primary purpose: to provide beneficiaries financial reassurance through an income-tax-free death benefit.[1] Indexed universal life (IUL) insurance provides additional benefits such as the potential for tax-deferred accumulation value. Any available cash value 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.

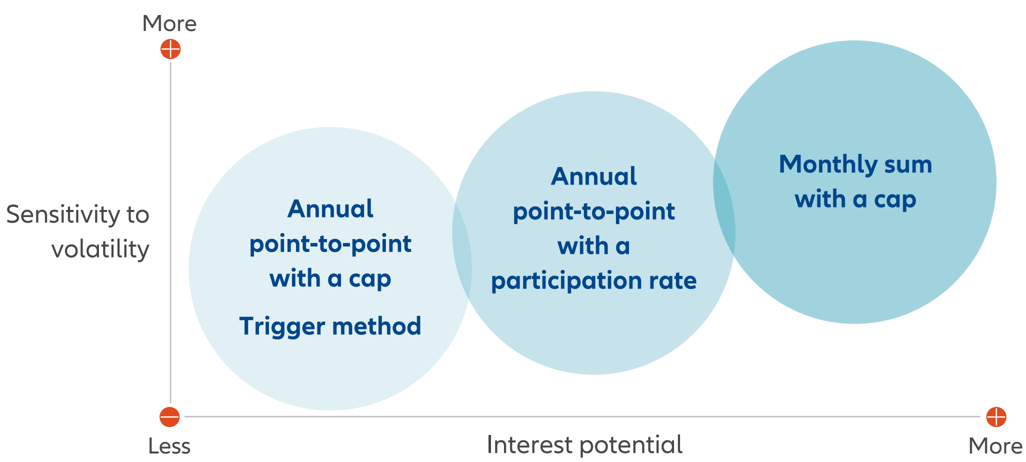
Choosing a crediting method

Your accumulation 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. Although an external index may affect your interest credited, the policy does not directly participate in any equity or fixed income investments. You are not buying shares in an index.

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 accumulation 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.

The indexes available within the policy are constructed to keep track of diverse segments of the U.S. or international markets, or specific market sectors. These indexes are benchmarks only. Indexes can have different constituents and weighting methodologies. Some indexes have multiple versions that can weight components or may track the impact of dividends differently. Although an index may affect your interest credited, you cannot buy, directly participate in, or receive dividend payments from any of them through the policy.

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 midyear market volatility.

Annual point-to-point may **help minimize the effects** of midyear market volatility.

HOW IT WORKS:

- 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 accumulation value will be protected.

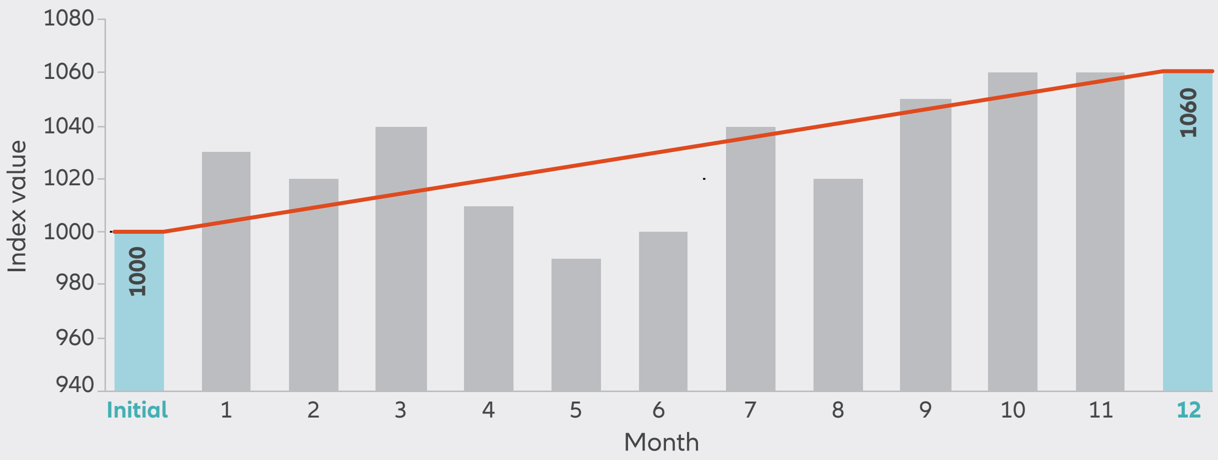
Example:

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 110%, the indexed interest for this policy year would be 6.6% (110% 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 policy values.



The guaranteed minimum cap is set at issue for the life of the policy and will never be less than 0.25%.

The guaranteed minimum participation rate is set at issue for the life of the policy and will never be less than 5.0%.

This example represents hypothetical performance and rates used to show how a crediting method functions and is not intended to represent the actual performance of a specific product or predict future results.

Each crediting method may not be available with all products and indexes. Refer to the appropriate product consumer brochure for available crediting methods and indexes.

Trigger method

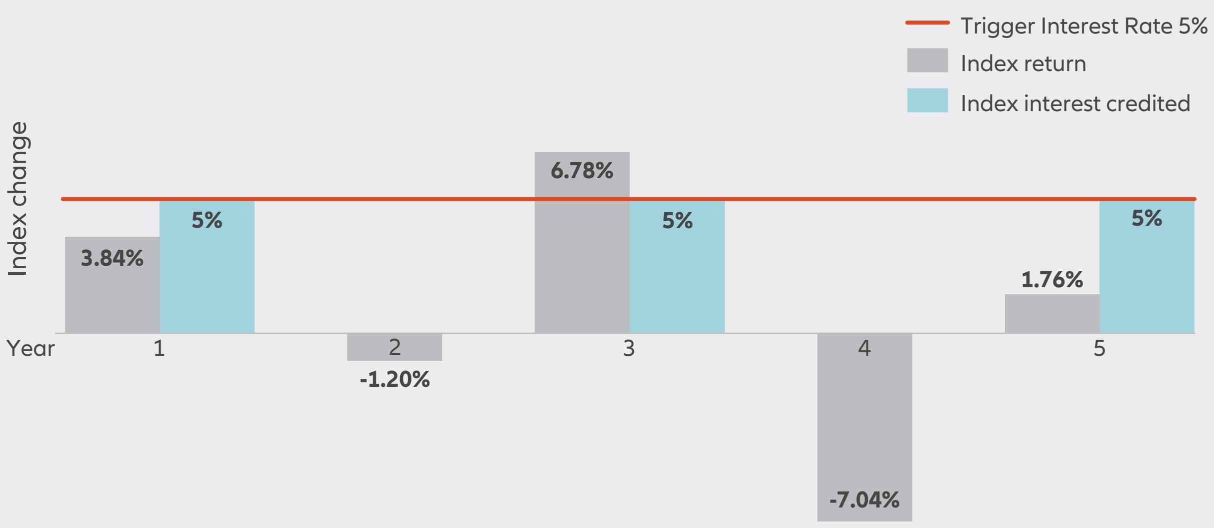
With the trigger method, you won't have to calculate or wonder how your indexed interest is determined.

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%.

This example represents hypothetical performance and rates used to show how a crediting method functions and is not intended to represent the actual performance of a specific product or predict future results.

Each crediting method may not be available with all products and indexes. Refer to the appropriate product consumer brochure for available crediting methods and indexes.

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.

Monthly sum can **provide interest in "up" markets,** as well as be adversely affected by large monthly decreases.

HOW IT WORKS:

- 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.

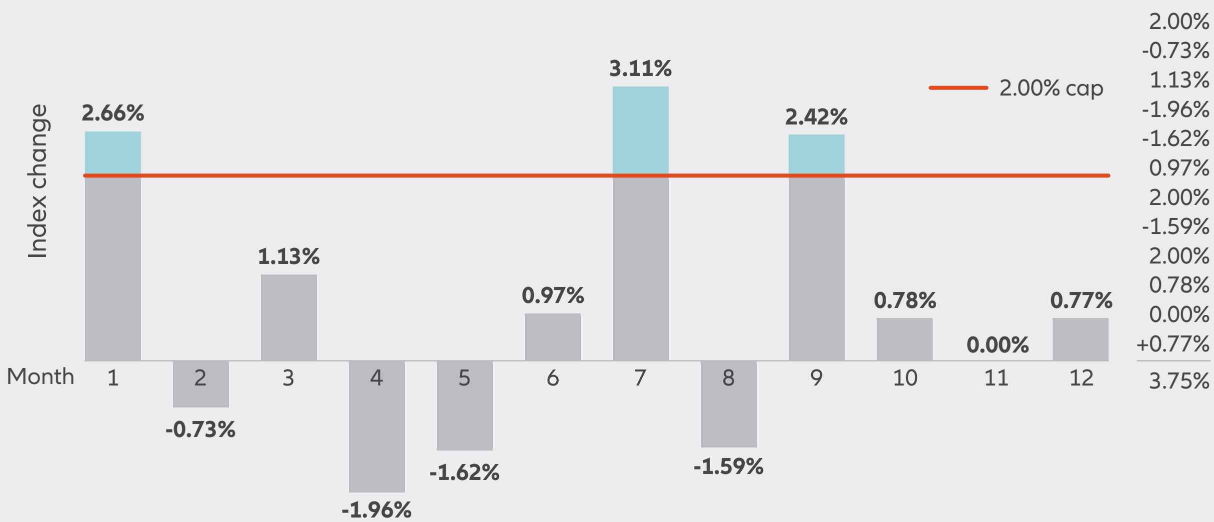
Example:

This hypothetical example illustrates monthly sum crediting, with a cap of 2.00%.

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 3.75% 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 policy values.



The guaranteed minimum cap is set at issue for the life of the policy and will never be less than 0.50%.

This example represents hypothetical performance and rates used to show how a crediting method functions and is not intended to represent the actual performance of a specific product or predict future results.

Each crediting method may not be available with all products and indexes. Refer to the appropriate product consumer brochure for available crediting methods and indexes.

TALK TO YOUR FINANCIAL PROFESSIONAL. Ask which crediting method within an IUL 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 a key part of a leading global financial organization. **True to our passion** for making wise investment decisions. **True to building a culture** where everyone feels welcomed, included, and valued. 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 3.9 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.

Products are issued by:

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