

The **Power** of Index Lock



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PPT-L45 | 3040859



Agenda

01

How to use index lock

02

Calculating index interest credit

03

3 ways to leverage index lock



Fixed Index Universal Life Insurance

Generally income-tax-free death benefit protection

- Income replacement
- Final expenses
- Mortgage and other debt
- Supplemental college funding
- Financial emergencies
- Other financial needs

Living advantages

- Potential to build accumulation value
- Tax advantages
- Access to any available cash value¹ through policy loans and withdrawals
- Access to death benefit in case of chronic² or terminal illness³

¹Policy 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.

²Additional cost applies when exercised. There is no cost if you do not exercise the rider. Charges are based on age, gender, premium class, current cash value, and current discount factor interest rate at the time of acceleration. Rider is not available in all states. Refer to appropriate consumer brochure for state specific information.

³Must be certified terminally ill with a life expectancy of 12 months or less to access a portion up to 100% of the policy's death benefit while the insured is still living. May be taxable. Refer to appropriate consumer brochure for state specific information.

Why Life Pro+ Advantage?



Death Benefit Protection

Protect what is important and provide generally income-tax-free death benefit to beneficiaries

Accumulation Potential

Opportunity for accumulation potential through positive changes in an external market index

Indexing Experience

Innovative index allocation options

Interest Rate Bonus Opportunity

15% or 40% guaranteed interest rate bonus opportunity¹ and three allocation option tiers (including a no bonus opportunity option)

Index Lock

Put a greater level of control in the hands of your clients

¹Bonused products may include higher surrender charges, longer surrender periods, lower caps, or other restrictions that are not included in similar products that don't offer a bonus. The index allocations that offer the interest bonus will generally have lower caps and participation rates. There is no guarantee that a policy will be credited with an interest bonus every year as it is based on the growth of an index.



01

How to use index lock

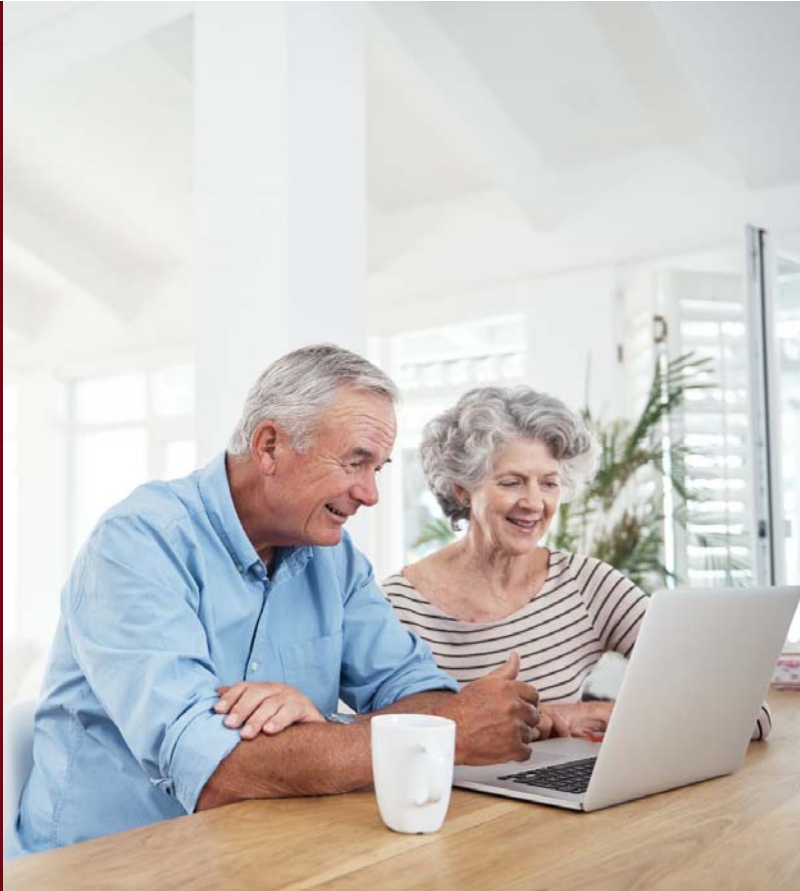


What exactly is **index lock**?



The ability to lock-in an index value on an indexed allocation once between crediting periods

The index value used to determine interest credited may be higher or lower than the index value at the time of request. For more information on index lock, go to www.allianzlife.com/lifesalestools



Key features of index lock



Track and view index values online



Lock in index values on certain indexed interest allocations anytime during crediting period



Help minimize the risk of midyear market volatility

Keep in mind that the index value used to determine interest credited may be higher or lower than the index value at the time of request.

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Available on **volatility controlled** indexes

- Bloomberg US Dynamic Balance II ER Index
(www.bloombergindices.com)
- PIMCO Tactical Balanced ER Index
(www.pimcoindex.com)
- Bonused and Select index allocation options with annual point-to-point with participation crediting method

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.



Three tiers of index allocation options



STANDARD

- 3 allocation options
- No bonus



BONUSED

- 7 allocation options
- 15% bonus opportunity



SELECT

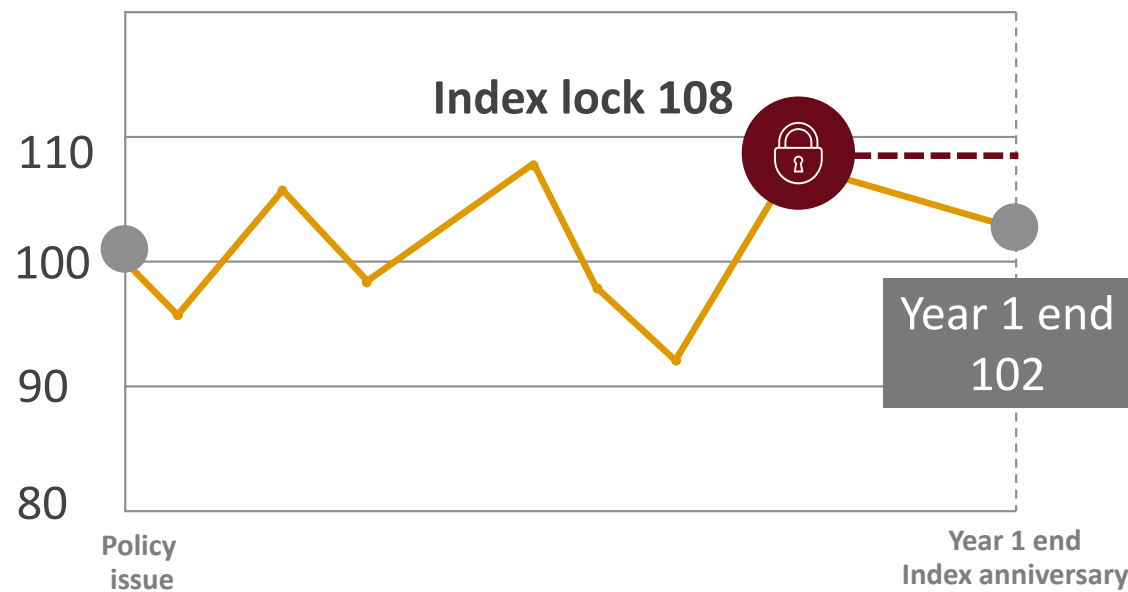
- 4 allocation options
- 40% bonus opportunity
- Annual asset charge: 1%

	Bloomberg US Dynamic Balance Index II ER index	PIMCO Tactical Balanced ER index	S&P 500® index	Nasdaq-100 index	Blended index
Annual point-to-point with a cap	N/A	N/A	Select Bonused Standard	N/A	Select Bonused Standard
Annual point-to-point with a participation rate	Select Bonused	Select Bonused	N/A	N/A	N/A
Monthly sum with a cap	N/A	N/A	Bonused	Bonused Standard	N/A
Trigger	N/A	N/A	Bonused	N/A	N/A

Bonused products may include higher surrender charges, longer surrender periods, lower caps, or other restrictions that are not included in similar products that don't offer a bonus. The index allocations that offer the interest bonus will generally have lower caps and participation rates. There is no guarantee that a policy will be credited with an interest bonus every year as it is based on the growth of an index. Product and feature availability may vary by state and broker dealer.

Hypothetical example

Policy year 1



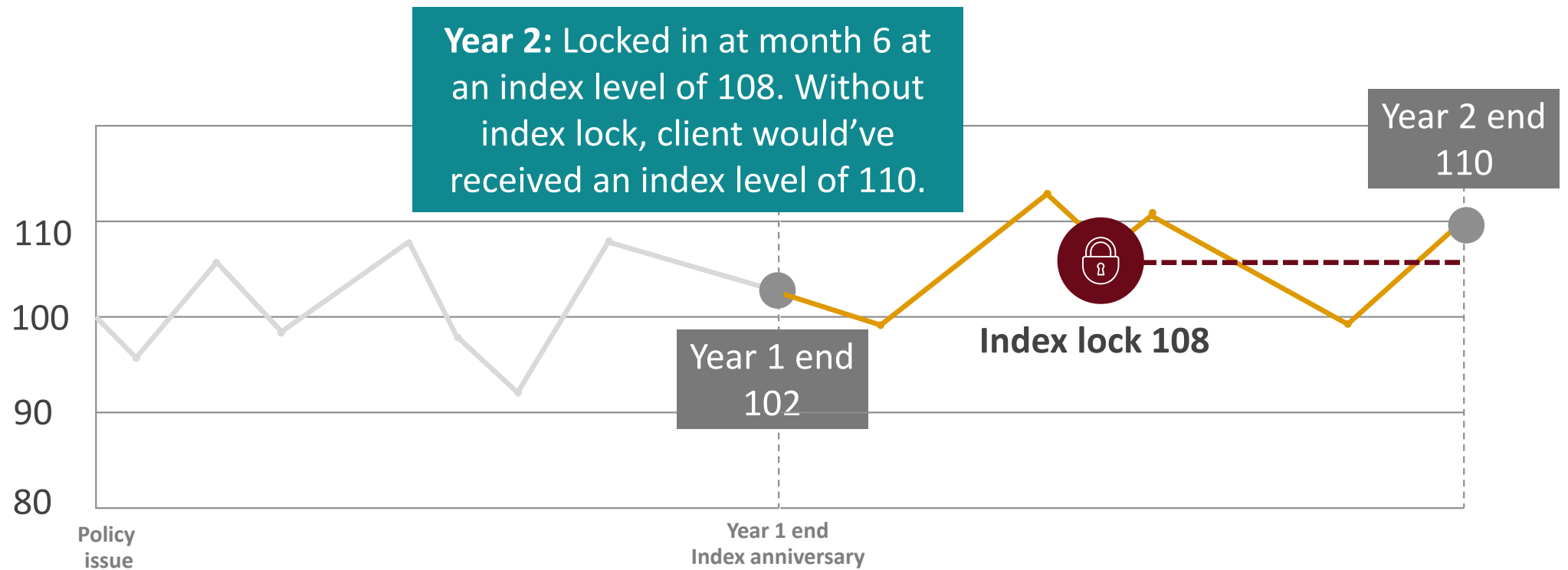
Year 1: Locked in at month 9 at an index level of 108. Without index lock, client would've received an index level of 102.

Year 2 starts at 102, not from where it was locked.

This hypothetical example is provided for illustrative purpose only and is intended to show how the index lock feature could work. It is not intended to predict or guarantee future results. It does not predict or project the actual performance of a specific product or its allocation options. Clients may receive more or less indexed interest than if they had not locked.

Hypothetical example

Policy year 2



This hypothetical example is provided for illustrative purpose only and is intended to show how the index lock feature could work. It is not intended to predict or guarantee future results. It does not predict or project the actual performance of a specific product or its allocation options. Clients may receive more or less indexed interest than if they had not locked.

Index Lock business rules



Index lock **can be cancelled** by calling the service team before 4:00 PM EST on day of lock



Index locks **will not process** if rate is at or below zero index value



If premium is allocated to multiple allocations, the policy owner is able to do an index lock on **each independent allocation** on different days



Confirmation letter will be sent to the policy owner and a notification under correspondence will be available for the financial professional



The index value used to determine interest credited **may be higher or lower** than the index value at the time of request

Clients may receive more or less indexed interest than if they had not locked.

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Request made **prior to 4:00 PM EST**, will receive the ending index value on that day

Request made **after 4:00 PM EST** receive ending index value on the following business day

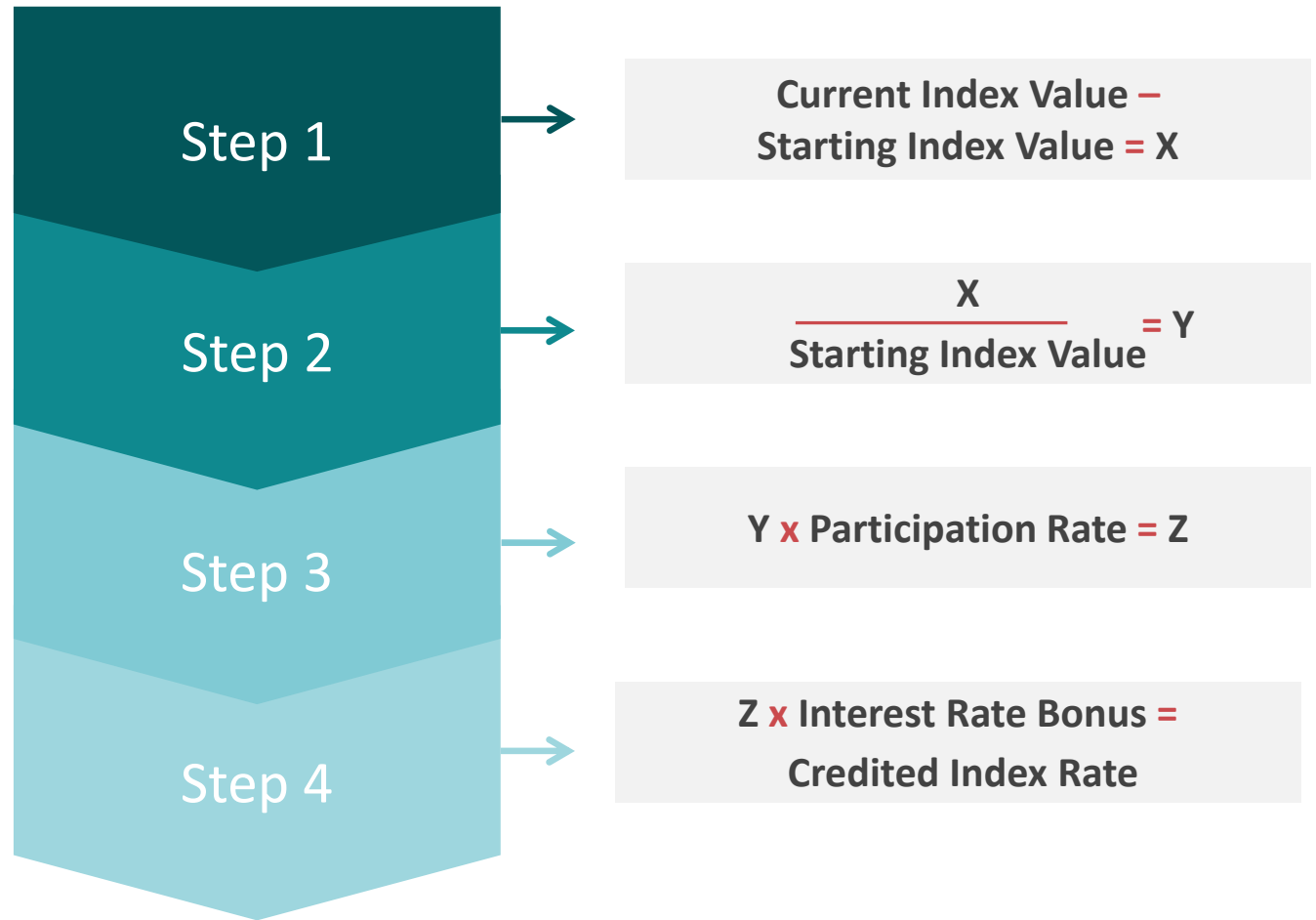


02

Calculating index interest credit



How to calculate the potential index interest credit



Bloomberg US Dynamic Balance II ER Index

Life Pro+ Advantage



2019 Peaks and Valleys

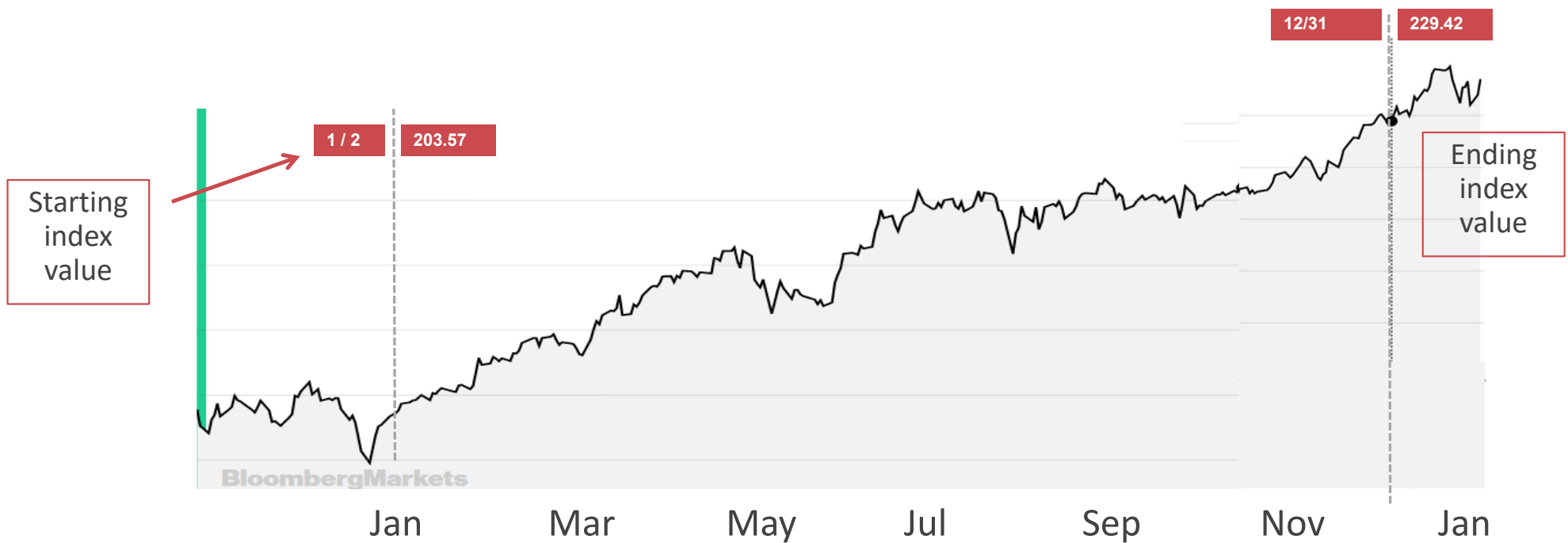
Potential Credit

Dates	Peaks/Valleys	Bonused 155% Participation Rate with 15% Bonus	Select 150% Participation Rate with 40% Bonus
4/30/2019	6.26%	11.16%	13.15%
5/13/2019	3.76%	6.70%	7.89%
6/20/2019	7.69%	13.71%	16.15%
6/26/2019	6.88%	12.26%	14.45%
7/3/2019	8.39%	14.95%	17.62%
8/5/2019	6.03%	10.75%	12.66%
9/6/2019	8.85%	15.77%	18.58%
10/2/2019	7.38%	13.15%	15.50%
11/27/2019	10.99%	19.59%	23.08%
12/3/2019	9.91%	17.66%	20.81%
12/27/2019	13.02%	23.21%	27.34%

Source:
<https://www.bloombergr.com/quote/BTSIDB2E:IND>
 This is a hypothetical example and does not deduct for any policy fees or charges which would reduce values shown. In an effort to help the index achieve the target volatility, the index was changed as of 4/21/2020; therefore, any historical depictions including hypothetical returns will not include this change for data prior to 4/21/2020.



Find the starting and current index values

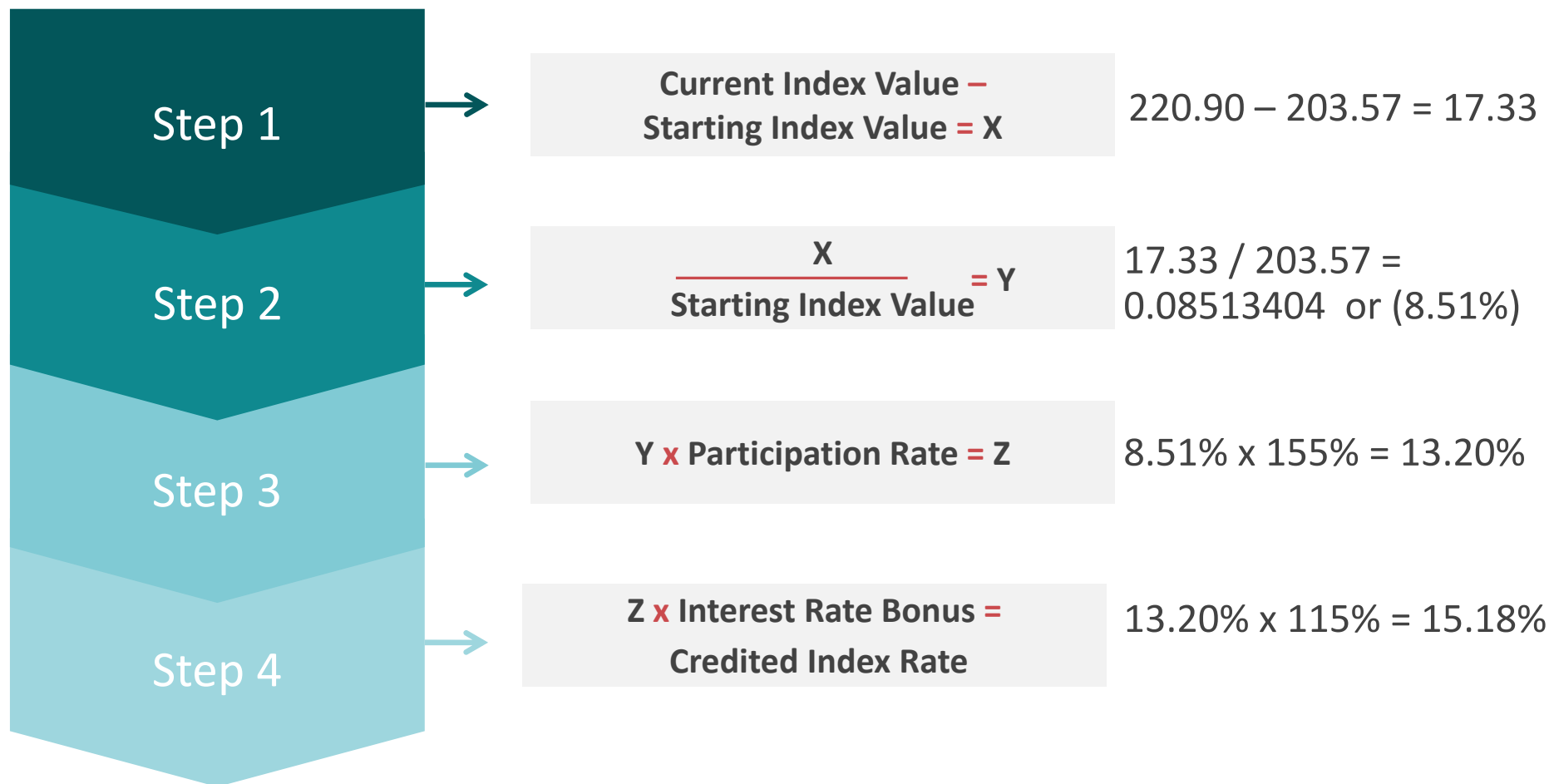


Source: <https://www.bloomberg.com/quote/BTSIDB2E:IND>

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Calculating index interest credit

Hypothetical example: Bloomberg US Dynamic Balance II ER Index



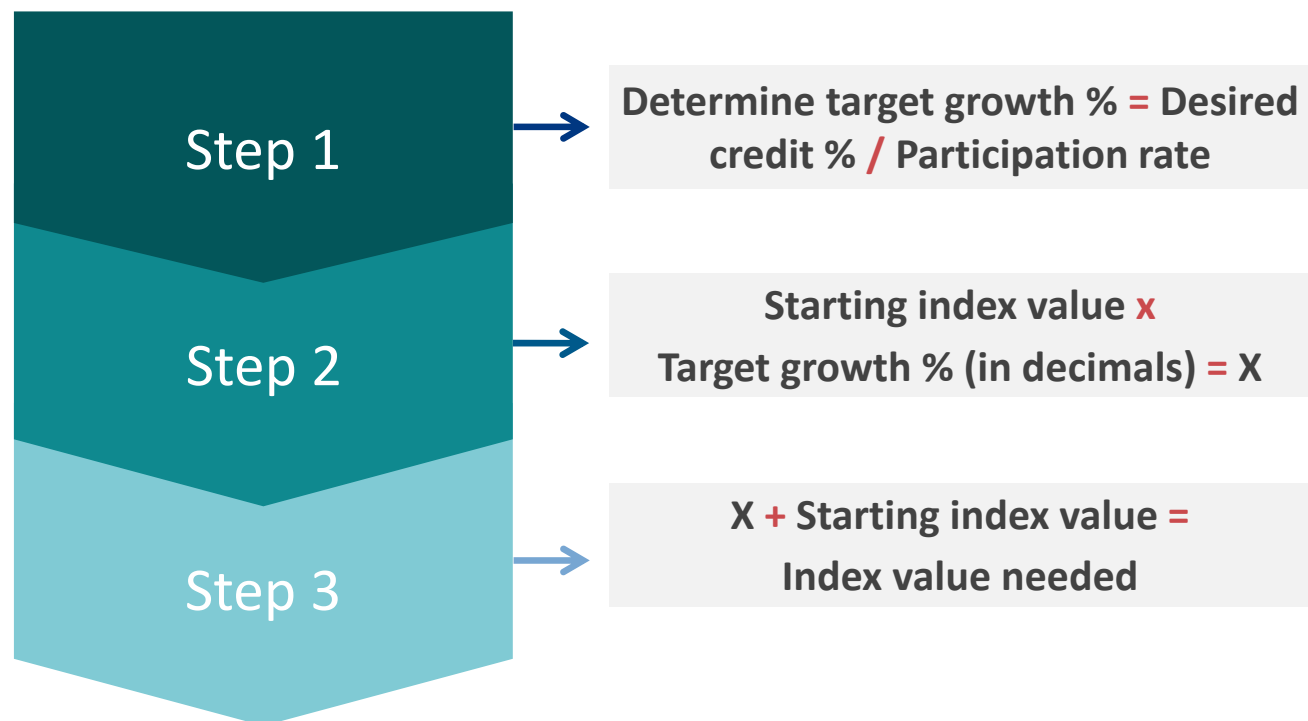


03

3 ways to leverage the power index lock

- What's your target value?
- The 1% myth
- Allocation options: Select or Bonused

How to solve for a target index value to help meet client's desired growth percentage



PIMCO Tactical Balanced ER Index

2019 Peaks and Valleys

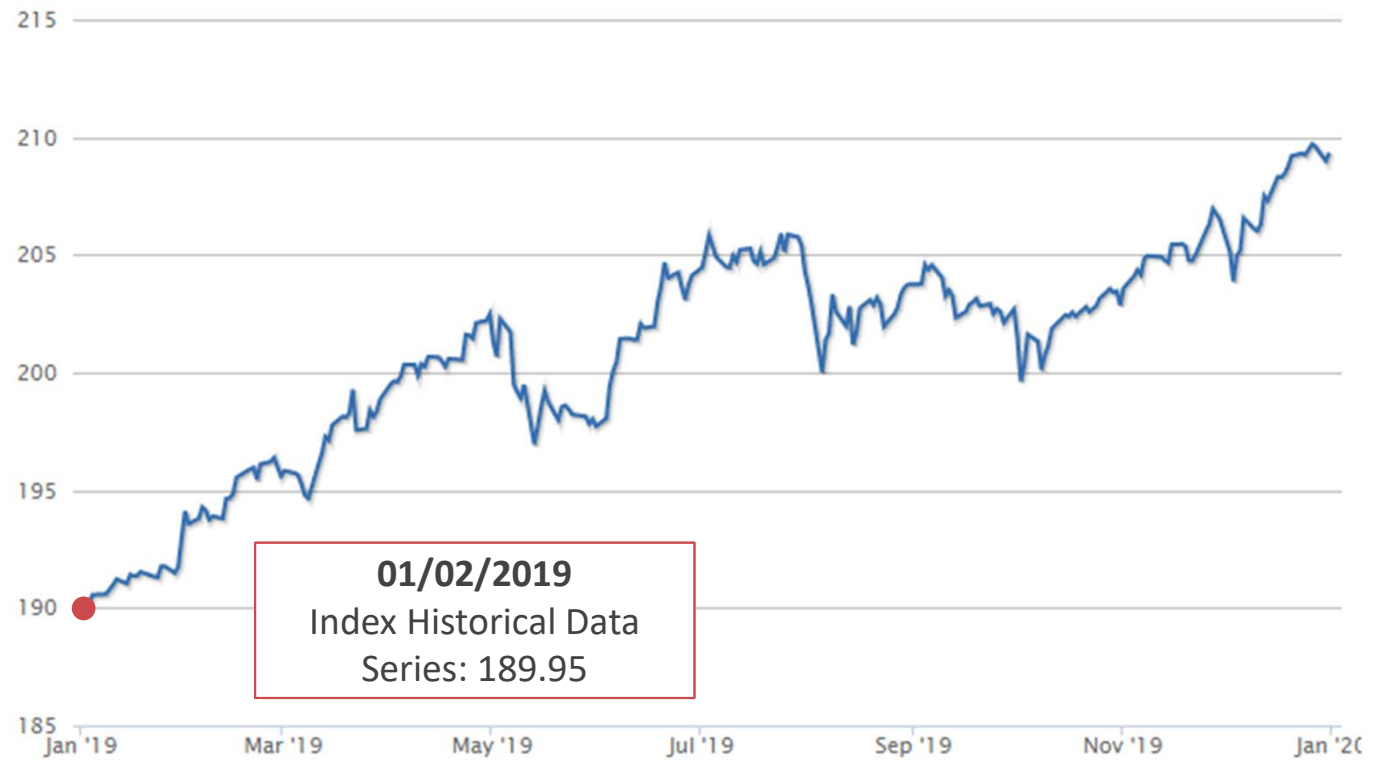


Life Pro+ Advantage

Potential Credit

Dates	Peaks/Valleys	Bonused 155% Participation Rate with 15% Bonus	Select 150% Participation Rate with 40% Bonus
4/30/2019	6.60%	11.76%	13.86%
5/13/2019	3.69%	6.58%	7.75%
6/20/2019	7.75%	13.81%	16.27%
7/3/2019	8.36%	14.90%	17.56%
8/5/2019	5.30%	9.45%	11.13%
9/4/2019	7.70%	13.72%	16.17%
10/2/2019	5.10%	9.09%	10.71%
11/27/2019	8.95%	15.95%	18.80%
12/3/2019	7.34%	13.08%	15.41%
12/26/2019	10.40%	18.54%	21.84%

PIMCO Tactical Balanced ER Index



01/02/2019
Index Historical Data
Series: 189.95

Source: <http://www.pimcoindex.com/Pages/Data.aspx>

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What is in the illustrated rate?

Allocation Type	Index Increase		Participation Rate		Illustrated Rate
Select	4.33%	x	150%	=	6.50%
Bonused	4.19%	x	155%	=	6.50%



Solve for target index value for growth percentage

Hypothetical example: PIMCO Tactical Balanced ER index





Review 1% asset charge



Asset charge is only on **Select** allocation options



Annual: 1%
Monthly: .08333%



Calculated and applied monthly as a percentage of total Current Value allocated to **Select** allocations



Deducted from each **Select** allocation only



Review 1% asset charge

Hypothetical example: PIMCO Tactical Balanced ER index

	Locked in Interest w/ Par Rate and Bonus	Beginning value	Asset Charge	Average Value	Ending Value (before credits)	Ending value (with credits)
Policy earns 0%						
Bonus	0%	\$100K	n/a	\$100K	\$100K	\$100K
Select	0%	\$100K	0.0833%	\$99,459.98	\$99,004.57	\$99,004.57



Overcome the 1% hurdle

Hypothetical example: PIMCO Tactical Balanced ER index

		Locked in Interest w/ Par Rate and Bonus	Beginning value	Asset Charge	Average Value	Ending Value (before credits)	Ending value (with credits)
Policy earns 1%	Select	2.10%	\$100K	0.0833%	\$99,459.98	\$99,004.57	\$101,093.23
Policy earns 0.48%	Select	1.01%	\$100K	0.0833%	\$99,459.98	\$99,004.57	\$100,007.13



Which to pick: Select or Bonused?

Hypothetical example: PIMCO Tactical Balanced ER index

		Locked in Interest w/ Par Rate and Bonus	Beginning value	Asset Charge	Average Value	Ending Value (before credits)	Ending value (with credits)
Policy earns 3.3%	Bonused	5.88%	\$100K	n/a	\$100K	\$100K	\$105,882.25
	Select	6.93%	\$100K	0.0833%	\$99,459.98	\$99,004.57	\$105,897.15

This hypothetical example is provided for illustrative purposes only and is not intended to represent the performance of a specific product. It is intended to show the potential impact of the asset allocation charge, but does not reflect the deduction of policy fees and charges which could significantly impact the policy results, particularly the effects these fees and charges could have over time. Clients should consult with their financial professional to determine an allocation that is based on their individual needs and goals.

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

Using the index lock to capture potential interest

A strategy to help protect against a 0% credit



ALLIANZ LIFE PRO+ ADVANTAGESM

Fixed Index Universal Life Insurance Policy



ADDITIONAL RESOURCES



View additional resources at www.allianzlife.com/lifesalestools



Contact us at foreignnationals@allianzlife.com

