ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

SCORE THE BENEFITS OF A DIVERSIFIED LINEUP.

Covering multiple bases can help you seek the results you need.

Allianz

Must be accompanied by the "Understanding fixed index universal life insurance" brochure (M-3959) or the appropriate product brochure.

M-7305

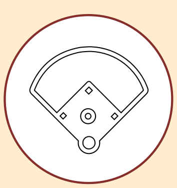
THE PLAYBOOK

Review your allocation options.

A baseball team is usually comprised of a variety of hitters. The typical player is expected to hit singles and doubles, and may occasionally hit a home run. And although the home run hitters are more likely to hit the ball out of the park, they generally may also have a higher probability of striking out.

The same can be said about the different allocation options within a fixed index universal life (FIUL) insurance policy. An allocation option is a combination of an external index and a crediting method that determines how much interest you may receive in a given year. **Some allocation options may offer the potential for more interest – in this case, a "home run" – but may provide less consistency and more volatility**. Others may have a lower interest potential – the "singles" and "doubles" hitters – but may provide more consistency.

As an alternative to indexed interest, you also have the option of allocating part or all of your cash value to a fixed interest account that provides a predictable interest credit each year. Regardless of which allocation option you choose, the **cash value is always protected from negative index performance (although policy fees and charges will reduce values).**



Because it's impossible to predict the environment and which allocation option will be the home run hitter at any given time, it's important to focus on consistency and getting on base. Diversifying your allocation options can provide more opportunities to make that happen – though it does not guarantee your policy will earn interest in every policy year.

THE CHALLENGE

Choose your allocation lineup.

Knowing you have choices, which allocation option should you choose?

Will you swing for the fences – or aim for consistency? The answer depends on your financial goals and your risk tolerance.

With so many options, it can be tough to know what may be suitable for your situation, especially because each option is going to perform differently in any given economic environment. Let's walk through a few examples and see what may have performed the best – or been the home run hitter – in each environment.

ECONOMIC SCENARIO:

Lead-up to 1Q 2007 – bull market before the financial crisis

In the second half of 2006, equity markets had a great run, with the Dow increasing over 15% in the last six months of 2006. This momentum looked to carry forward into 2007, even though there were some signs of issues in the future.

Home run hitter: PIMCO Tactical Balanced ER Index with annual point-to-point
The first half of 2007 saw relatively low volatility and moderate equity returns, which PIMCO Tactical Balanced ER Index would have capitalized on by being allocated about 50/50 between the equity component and the bond component.
The second half of 2007 and early 2008 saw the start of the financial crisis as equities tumbled and volatility spiked. PIMCO Tactical Balanced ER Index would have capitalized on this by shifting allocation away from the equity component and into the bond component, which was seeing good returns due to falling interest rates.
As equities continued to fall and volatility remained high, the PIMCO Tactical Balanced ER Index would have shifted allocation to its cash component to protect against volatility even further.

ECONOMIC SCENARIO:

Tail of the financial crisis – with a rebound

Midway through the financial crisis, highs seemed to have leveled off after the large fall of equities in the fourth quarter of 2008. Yet, concern over the global marketplace prevailed. Which option could have been effective?

Home run hitter: Blended index with annual point-to-point crediting
Though the start of 2009 was rocky – with equities falling big once again – the economic climate rebounded within the year. This is when the diversified equity exposure in the blended index APP could have been able to shine.
The Dow Jones Industrial Average was up 20%, Russell 2000® Index was up 30%, and the EURO STOXX 50® was up 20%.
The blended index diversified exposure to U.S. and international equity sectors, allowing it to capture the equity rebound.

ECONOMIC SCENARIO:

Threat of another recession

In the 1st quarter of 2013, concerns around the fiscal cliff still remained and another recession threatened. So, what would have been the most effective option if you started a policy year in the 1st quarter of 2013?

Home run hitter: Nasdaq-100® Index with monthly sum crediting
While the risk of recession was real, the danger of the fiscal cliff was avoided at the 11th hour, so the recession did not materialize.
Instead, slow and steady equity growth ruled, with the Nasdaq-100® Index rising from 2660 to 3590 over this period.
This would have been a good environment for the monthly sum crediting method.

Blended index is comprised of Dow Jones Industrial Average (35%), Bloomberg Barclays US Aggregate Bond Index (35%), EURO STOXX 50® (20%), and Russell 2000® Index (10%).

ECONOMIC SCENARIO:

Early 2015 – market rebound

Things were looking up at the start of 2015. In 2014, equities were returning over 10% and were expected to continue rising. Which option could have been a home run hitter?

Home run hitter: Fixed interest
Growth did not continue.
Both equities and interest rates remained relatively level. A decrease in equities at the start of 2016 would have wiped out any returns that may have been present for that year.
This means that the fixed account would have been an effective allocation.

ECONOMIC SCENARIO:

Beginning of a global disruption

Throughout much of 2019, the market saw steady increases. By the end of 2019 and into early 2020, however, concerns in the market grew over the dramatic volatility caused by several events, including the possible spread of the coronavirus to the U.S. and the first signs of the coronavirus becoming a global pandemic.

Home run hitter: Bloomberg US Dynamic Balance II ER Index with annual point-to-point
Equities tumbled, which would have wiped out the returns of the other allocation options.
The Bloomberg Barclays US Aggregate Custom RBI Unfunded Index portion performed very well due to tumbling interest rates.
The volatility control functionality moved the index to be allocated away from volatile equities and more toward bonds.

WHICH WILL BE THE MOST EFFECTIVE INDEX ALLOCATION OPTION?

Now that we've reviewed five different economic environments between 2006 and 2020, is there a clear path to knowing the economic outlook and which allocation option may have been the most effective? **As you may have guessed, the answer is no.** Even the best market analysts cannot predict what next year's environment result will be, or hint at what the home run hitting allocation option might be.

So, what can you do?

Add the power of diversification to your lineup.

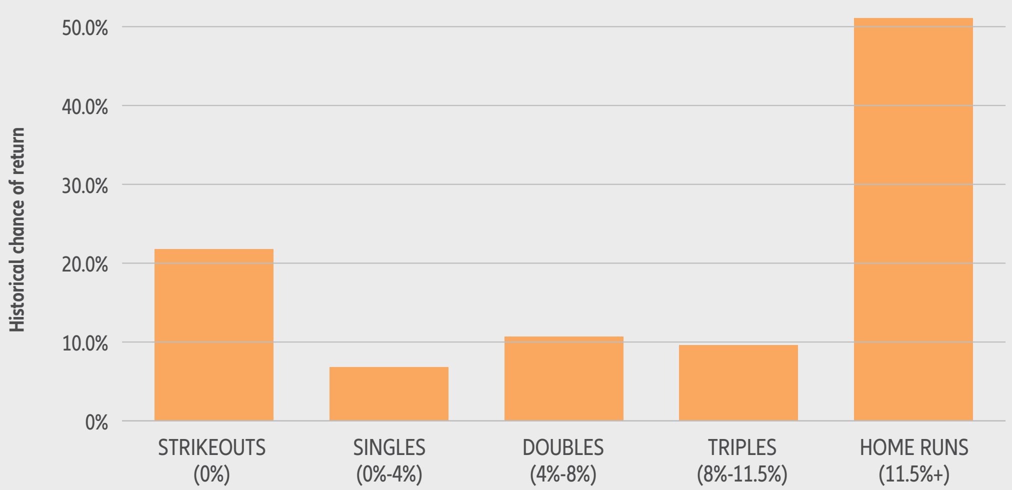
Diversification among allocation options could help you cover more bases consistently regardless of market environment, and may help you better align your financial goals and risk tolerance.

To get started, let's consider what your options could have been when FIUL products entered the marketplace. The S&P 500® Index with annual point-to-point (APP) crediting was likely the only option to choose from, so building your allocation lineup would have been more limited because the innovative allocation options of today were not available. The S&P 500® Index is a common index allocation that has been available industry-wide since the launch of FIUL products.

Intent: This is a hypothetical historical example of an index that produces both home runs and strikeouts, and that would have been available when FIUL products first became available. While it provides the opportunity for home runs, it also limits the potential of any home run because of the cap. The current average cap for the S&P 500® Index for the top 15 independent distribution carriers is 11.50%.[1] In addition to home runs, about one-fifth of the returns will be strikeouts – meaning one out of every five years you could expect a zero return.

HYPOTHETICAL HISTORICAL CHANCE OF RETURN:

Strikeouts (0%)	21.8%
Singles (0%-4%)	6.7%
Doubles (4%-8%)	10.7%
Triples (8%-11.5%)	9.5%
Home runs (11.5%+)	51.2%



Hypothetical example assumes the product and index allocation options were available during the following time period: 1/1/1994 – 3/31/2020.

This chart represents past hypothetical results only and is based on current rates: S&P 500® Index APP 11.50% cap. Actual caps and rates that could have been applied over this time frame would have been different from the figures shown in this example and, in some cases, significantly higher or lower depending on a number of factors, including market conditions. These examples are not intended to reflect actual results that would be realized in a policy, and are provided to show how certain policy features work. They are not a promise of future results. No single crediting method consistently delivers the most interest under all market conditions.

[1] Wink, Inc. IUL Survey, April 2020.

What is your risk tolerance?

Now let's take a look at how diversification could play into your lineup to help seek a level of consistency, with four different diversified strategies. Allocation options have evolved since FIUL was first introduced. In fact, we take pride in the innovative index allocation options we offer that provide you the opportunity to diversify within your FIUL policy. Because it's impossible to predict the environment and which option will be the home run hitter, it's important to focus on the potential for consistency and getting on base.

Conservative: "Get on base"

25% blended index APP, 25% Bloomberg US Dynamic Balance II ER Index APP, 25% PIMCO Tactical Balanced ER Index APP, 25% fixed interest allocation

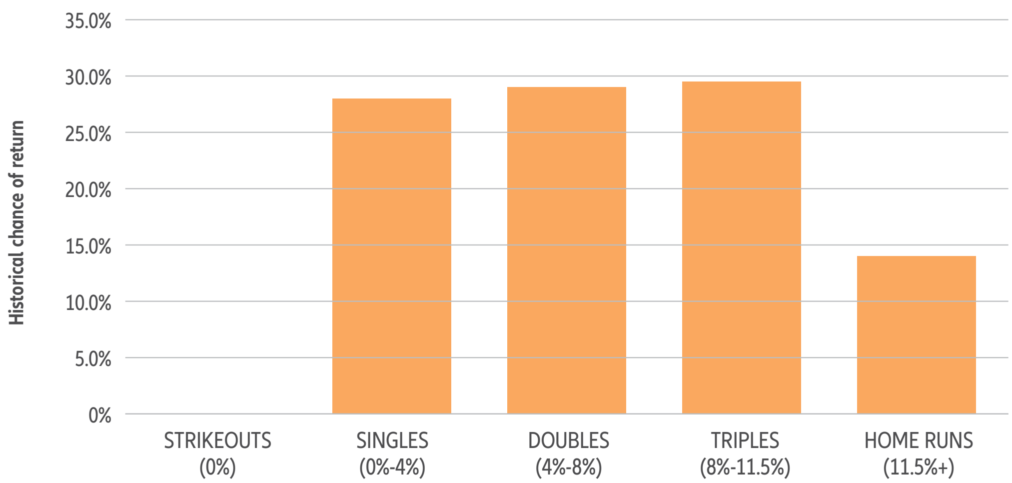
INTENT: Designed to help provide a guaranteed interest credit by including the fixed interest rate allocation.

Getting on base seeks to provide the stability of a fixed interest rate that is guaranteed. A policy could help eliminate the potential for zero annual interest credits and still have the opportunity for accumulation potential and the opportunity for consistency with a fixed interest credit.

Also, taking a more conservative approach could help when a client expects a policy year to be volatile and could be anticipating a negative index return in a specific market. While the client's policy is protected by the floor (zero percent) in an FIUL policy, fees and charges will still reduce the policy's accumulation value. By including the fixed interest option to an allocation mix you are also helping cover some of the expenses you expect to incur. While the current fixed interest rate of 4.50% may not cover all your fees and charges, it can help provide a guarantee that the policy will not receive a zero interest credit in that policy year.

HYPOTHETICAL HISTORICAL CHANCE OF POTENTIAL INTEREST CREDITS (BASED ON ASSUMPTIONS DETAILED BELOW):

Strikeouts (0%)	0%
Singles (0%-4%)	27.9%
Doubles (4%-8%)	28.8%
Triples (8%-11.5%)	29.3%
Home runs (11.5%+)	14.0%
AVERAGE ANNUAL INTEREST CREDIT	7.1%



Hypothetical example assumes the product and index allocation options were available during the following time period: 1/1/2005 – 3/31/2020. The time period represents the longest common period of historical data available for the index.

These charts represent past hypothetical results only and are based on current rates: Blended Index APP 13.5% cap, PIMCO Tactical Balanced ER Index APP 155% participation rate, Bloomberg US Dynamic Balance II ER Index APP 155% participation rate, and fixed interest rate 4.50%. Actual index and rates that could have been applied over this time frame would have been different from the figures shown in this example and, in some cases, significantly higher or lower depending on a number of factors, including market conditions. These examples are not intended to reflect actual results that would be realized in a policy, and are provided to show how certain policy features work. They are not a promise of future results. No single crediting method consistently delivers the most interest under all market conditions. In an effort to help the index achieve the target volatility, the Bloomberg US Dynamic Balance II ER 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.

Moderate: "Limit strikeouts"

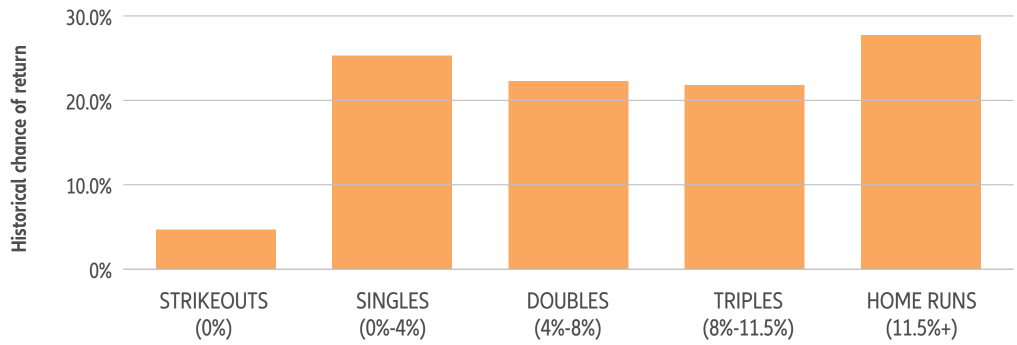
33% PIMCO Tactical Balanced ER Index APP, 33% Bloomberg US Dynamic Balance II ER Index APP, 34% blended index APP

INTENT: Designed to help seek **consistent interest potential** and more chances to get on base.

Based on assumptions detailed below, this allocation could limit the potential for **strikeouts to 4.7%**. This specific allocation seeks to provide a level of consistency in potential interest credits, whether it is singles, doubles, triples, or home runs.

HYPOTHETICAL HISTORICAL CHANCE OF POTENTIAL INTEREST CREDITS:

Strikeouts (0%)	4.7%
Singles (0%-4%)	24.5%
Doubles (4%-8%)	21.4%
Triples (8%-11.5%)	20.7%
Home runs (11.5%+)	28.7%
AVERAGE ANNUAL INTEREST CREDIT	7.93%



Hypothetical example assumes the product and index allocation options were available during the following time period: 1/1/2005 – 3/31/2020. The time period represents the longest common period of historical data available for the index.

These charts represent past hypothetical results only and are based on current rates: Blended index APP 13.5% cap, PIMCO Tactical Balanced ER Index APP 155% participation rate, and Bloomberg US Dynamic Balance II ER Index APP 155% participation rate. Actual caps and rates that could have been applied over this time frame would have been different from the figures shown in this example and, in some cases, significantly higher or lower depending on a number of factors, including market conditions. These examples are not intended to reflect actual results that would be realized in a policy, and are provided to show how certain policy features work. They are not a promise of future results. No single crediting method consistently delivers the most interest under all market conditions. In an effort to help the index achieve the target volatility, the Bloomberg US Dynamic Balance II ER 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.

Aggressive: "Swing for the fences"

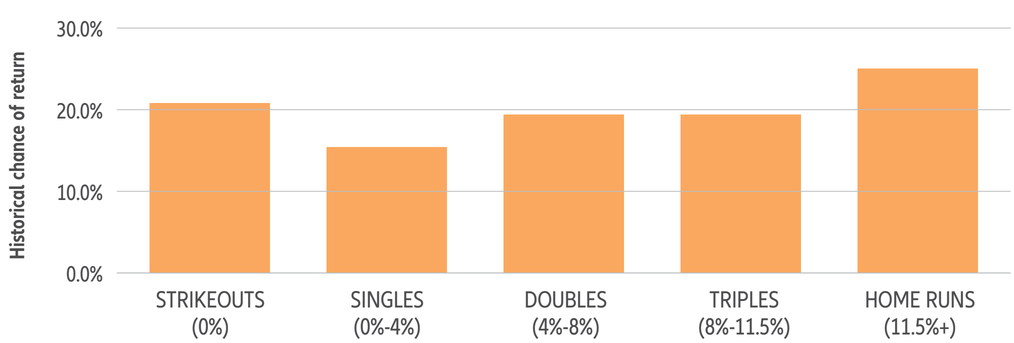
50% blended index APP, 50% S&P 500® Index monthly sum

INTENT: Designed to help provide the potential for higher interest index credits when the market is up, but may have higher potential for strikeouts (0% interest credit).

By swinging for the fences, this allocation may provide an opportunity to hit singles, doubles, triples, and home runs, but you may also have higher potential for some strikeouts. You take the **BIG SWING** which may provide an opportunity for higher interest **potential with BIG home runs**.

HYPOTHETICAL HISTORICAL CHANCE OF POTENTIAL INTEREST CREDIT:

Strikeouts (0%)	20.8%
Singles (0%-4%)	15.4%
Doubles (4%-8%)	19.2%
Triples (8%-11.5%)	19.3%
Home runs (11.5%+)	25.3%
AVERAGE ANNUAL INTEREST CREDIT	6.97%



Hypothetical example assumes the product and index allocation options were available during the following time period: 1/1/1994 – 3/31/2020.

These charts represent past hypothetical results only and are based on current rates: Blended index APP 13.5% cap and S&P 500® Index monthly sum 3.00% cap. Actual caps and rates that could have been applied over this time frame would have been different from the figures shown in this example and, in some cases, significantly higher or lower depending on a number of factors, including market conditions. These examples are not intended to reflect actual results that would be realized in a policy, and are provided to show how certain policy features work. They are not a promise of future results. No single crediting method consistently delivers the most interest under all market conditions.

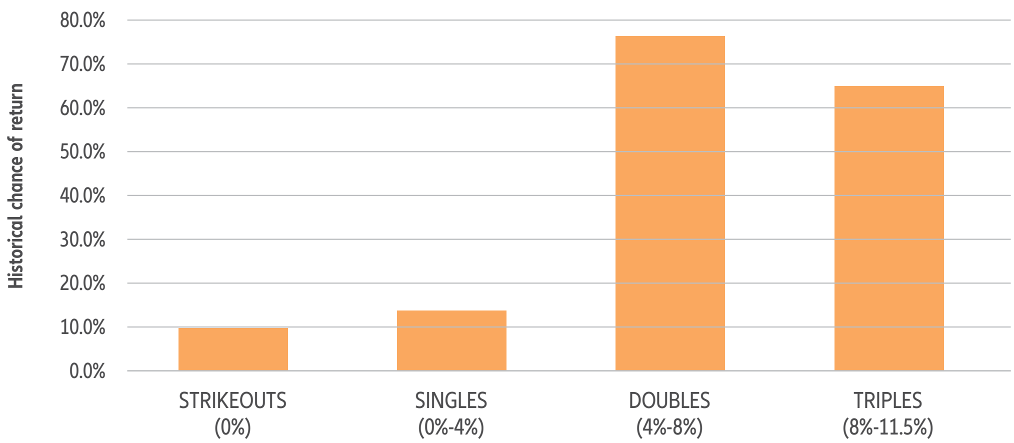
Loan strategy: "Consistent doubles"

75% S&P 500® Index trigger method, 25% Bloomberg US Dynamic Balance II ER Index APP

INTENT: When accessing policy loans, this seeks to provide an interest credit using index allocations that may have more potential to at least cover loan charges (at least 5%).

HYPOTHETICAL HISTORICAL CHANCE OF POTENTIAL INTEREST CREDIT:

Strikeouts (0%)	9.69%
Singles (0%-4%)	13.78%
Doubles (4%-8%)	76.52%
Triples (8%-11.5%)	65.75%
AVERAGE ANNUAL INTEREST CREDIT	5.95%



Hypothetical example assumes the product and index allocation options were available during the following time period: 1/1/2005 – 3/31/2020. The time period represents the longest common period of historical data available for the index.

These charts represent past hypothetical results only and are based on current rates: Bloomberg US Dynamic Balance II ER Index APP 155% participation rate, and S&P 500 Index Trigger method 6.25% cap. Actual index and rates that could have been applied over this time frame would have been different from the figures shown in this example and, in some cases, significantly higher or lower depending on a number of factors, including market conditions. These examples are not intended to reflect actual results that would be realized in a policy, and are provided to show how certain policy features work. They are not a promise of future results. No single crediting method consistently delivers the most interest under all market conditions. In an effort to help the index achieve the target volatility, the Bloomberg US Dynamic Balance II ER 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.

For help in creating a diversified strategy within your FIUL policy, contact your financial professional.

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The S&P 500® Index is comprised of 500 stocks representing major U.S. industrial sectors. The Dow Jones Industrial Average is a popular indicator of the stock market based on the average closing prices of 30 active U.S. stocks representative of the overall economy.

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