

You ask, we answer

Common questions about Allianz fixed index universal life insurance

Fixed index universal life insurance policies (FIUL) provide valuable death benefit protection for your loved ones. You have the reassurance that if something happened to you, they would be taken care of.

But you may have questions about these types of policies and how they work. FIUL policies are long-term contracts – we understand you want to be sure they are there for you when you need it. Here are answers to frequently asked questions by consumers like you.

Strength and security

Why is my money safe at Allianz Life Insurance Company of North America (Allianz)?

No one can predict how the markets will perform over time, but with our conservative risk management strategies, we can help guarantee that your money will be there for you when you need it.

Allianz receives consistently high ratings from independent rating agencies reflecting our stability, strong balance sheet, and integrity. A true measure of a company's safety is when everything turns upside down. During the market turmoil of 2008, our ratings not only remained the same, but our outlook always remained stable, with no negative outlook. When things recently went bad, the strength of Allianz shined through.

Standard & Poors

AA

| RATING AGENCY | RATING |
|-------------------|------------------|
| A.M. BEST | A "Excellent" |
| MOODY'S | A2 "Good" |
| STANDARD & POOR'S | AA "Very Strong" |

"Excellent" – rated A by A.M. Best, 3rd highest (out of 16 possible ratings), and was affirmed December 2011.

"Good" – rated A2 by Moody's, 6th highest (out of 21 possible ratings), and was affirmed August 2009.

"Very Strong" – rated AA by Standard & Poor's, 3rd highest (out of 21 possible ratings), and was affirmed September 2011.

For a full description of how rating categories are assigned, please refer to the rating agencies' websites:

www.AMBest.com
www.standardandpoors.com
www.moody.com



Allianz is part of the Allianz SE family of companies, which includes Allianz Global Investors (including PIMCO, one of the world's leading fixed income managers) and Fireman's Fund®.

P I M C O

For all that's ahead.SM



How can you offer upside potential with no downside risk?

An advantage that fixed index universal life insurance policies offer is protection – first and foremost, death benefit protection, but the cash value accumulation is also protected from negative index performance. With FIUL, you receive upside growth potential based on positive changes in an external index, with downside protection from negative index performance.

Here's how:

Let's use a hypothetical \$1,000 premium. When you pay your premium into your policy and allocate the cash value to an index allocation option, we separate it into two parts.

Downside protection

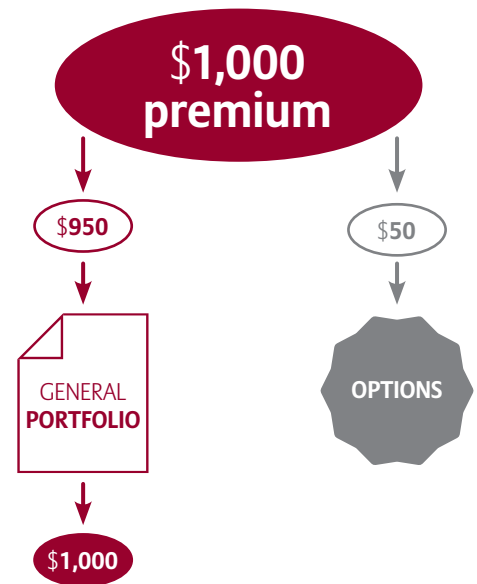
A large portion of the premium (\$950) is put into our general account. This account is very conservative and is made up mostly of bonds. This provides the downside protection – we know the \$950 will grow back to \$1,000 after one year thanks to the yield of our general portfolio. This allows us to back up our promises on our policies with downside protection.

Upside potential

A smaller portion of the premium (\$50) is used to purchase options. These options provide upside potential for your policy. We spend the same amount regardless of what index allocation option you choose. If your chosen index increases, the option will provide a return that is equal to the amount needed for your policy. If your chosen index decreases, the option will not provide a return.

What can go wrong with FIUL policies?

Because the policy performance is based on the changes in an external index, it is important that you review it annually to help ensure it is still meeting your needs as intended.



Though this example illustrates one life insurance policy, in reality, we use the total account value of many policies.

REVIEW
your policy with a
financial professional
EVERY YEAR.

You may need to make adjustments to your life insurance policy (with your financial professional's help) because of the market environment and other factors such as not being able to maintain the premium payment amount. This can result in the policy not performing as you anticipated. It is necessary to review your policy with your financial professional on an annual basis.

You can help prevent concerns like these by doing your homework *before* selecting a carrier and FIUL product. It is important to find out:

- What is the carrier's experience and history of offering FIUL products?
- What risks are they taking to offer the caps and interest rates they do?
- What type of investments are they buying to help ensure your money is safe?
- Do they offer stable caps, participation rates, and interest rates? What is their cap renewal history?
- Are realistic illustrated rates being used?
- What is the company's experience in raising cost of insurance charges?

The FIUL engine – How it works

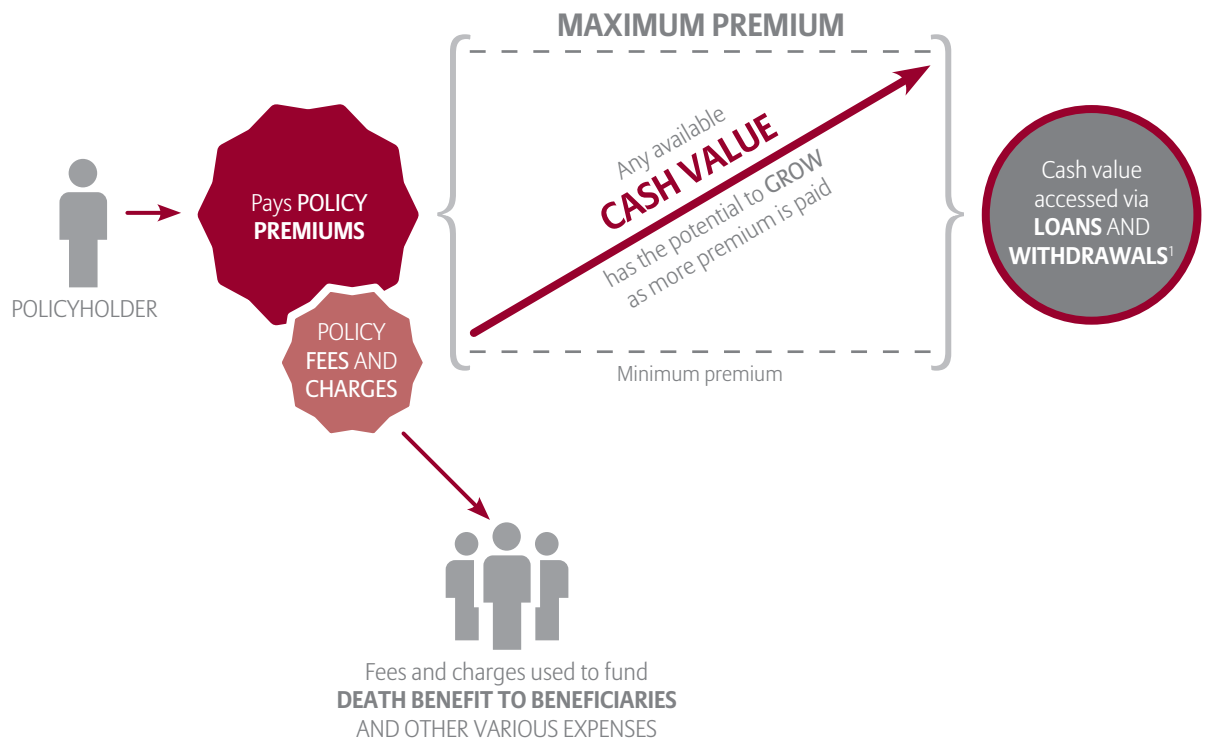
Do I have flexibility with my premium payments?

With FIUL policies you have the ability to adjust your premium payments (within limits) to fit your lifestyle. You pay your premium, with the flexibility to choose between the minimum and maximum premium amount.

Make sure you understand your premium **PAYMENT OPTIONS.**

- The minimum premium is the premium required to keep the policy in force. It is the lowest amount of premium you can pay for the life insurance coverage. If there is enough available cash value in the policy to cover the fees and expenses, you have the flexibility to skip or delay premium payments.
- To help build your cash value accumulation more quickly, you have the ability to pay up to the maximum premium into your policy. The maximum premium is the most the IRS will allow you to pay into the life insurance policy. This is the maximum amount you can pay into the policy in the first seven years without turning the policy into a modified endowment contract (MEC). A life insurance policy becomes a MEC when it is funded with too much premium too early in the contract. If a life insurance policy is defined as a MEC, withdrawals come out as gain first and are taxable, and may also be subject to a 10% IRS penalty. To take full advantage of the life insurance tax advantages, you do not want the policy to become a MEC.

Here's how it works



¹ Policy loans and withdrawals will reduce available cash values and death benefits and may cause the policy to lapse, or affect guarantees against lapse. 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. Tax laws are subject to change and you should consult a tax professional.

What are the charges inside my life insurance policy and what do they mean?

Fees and charges associated with your policy offset various expenses incurred in connection with your life insurance policy including, but not limited to: the expenses of underwriting, issuing, and administering the policy, and the cost to provide the death benefit.

- **Premium charge:** We will deduct a premium charge of 5% as premium is paid into the policy. This charge covers the state premium tax.
- **Monthly deductions:** We will deduct a monthly deduction on each policy monthiversary. These charges include:
 - **Cost of insurance charges:** based on factors such as your age, gender, and risk class (goes toward paying the death benefit)
 - **Policy charge:** \$7.50 per policy (administrative fee)
 - **Expense charge:** A per \$1,000 charge of your policy's death benefit. The expense charge is also based on factors such as your gender, age, and risk class (pays for underwriting and processing expenses, ordering medical exams and doctor's records).

Your illustration

On my illustration I see the accumulation value and the net cash value. What is the difference?

- The accumulation value is the premium paid minus any fees and expenses. It is increased by additional premium payments and any earned index or interest credits.
- The net cash value is the amount available to you if you surrender or cancel your policy. The net cash value is equal to any available cash value of the policy, minus any surrender charges, if applicable, and any policy loans outstanding when the policy was canceled. The surrender charge percentage decreases each year until the end of the surrender period, when there are no surrender charges.

On my illustration I see a current ledger and a guaranteed ledger. What is the difference?

- The current (nonguaranteed) ledger shows projected policy values based on the specified illustrated and current fees and charges. Actual values may be more or less favorable than those shown on the illustration.
- The guaranteed ledger shows the worst-case scenario assuming the maximum fees and charges come into play and 2% interest is credited.

Accessing your available cash value through policy loans¹

What are policy loans and how does the IRS allow you to take loans income-tax-free from the policy?

Policy loans may be used to access any available cash value in your policy. Policy loans are income-tax-free assuming the policy is not a MEC and does not lapse. You are not required to pay taxes on the loans you take from your policy. (This is similar to how, when you take out a car loan, you don't pay taxes on the amount you borrow.)

When does the loan have to be paid back?

Policy loans are not scheduled to be repaid. However, an overloan may cause the policy to lapse. Unlike any other type of loan (car, mortgage, etc.) the income-tax-free loans you take from your policy are not scheduled to be repaid. Outstanding policy loans are deducted from the death benefit when the insured passes away. If the policy is surrendered, outstanding policy loans are deducted from the cash value.

The optional Loan Protection Rider can prevent the unintentional lapse of your policy when there is an outstanding policy loan. You have the flexibility to decide if this rider is right for you. And you only pay for it if you use it.

How can I earn money on the amount I borrow?

You have the opportunity to

KEEP EARNING

indexed interest on the amount you borrow.

With a participating loan, the amount borrowed from the cash value allocated to an index can continue to receive indexed interest. In other words, you can make money even as you borrow money from your policy. Any indexed interest you receive at the end of the policy year could offset the loan charge; in other words, the loan could end up costing you less, or even nothing.

For example, if the market index returned 10%, after we subtracted your 5.3% loan cost, the remaining 4.7% would be credited to your policy's cash value.

Because the loan is at a locked-in rate, you don't have to worry about your loan amount changing due to the loan rate.

Fixed index universal life insurance can help provide financial security for your loved ones, while helping you accumulate potential cash value for future needs.

Ask your financial professional how FIUL can be part of your financial strategy.

¹ Policy loans will reduce available cash values and death benefits and may cause the policy to lapse, or affect guarantees against lapse. 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. Tax laws are subject to change and you should consult their tax professional.



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 2.2 million contracts issued, Allianz helps millions of 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 pride ourselves on our financial strength, we're made of much more than our balance sheet. We believe in making a difference with our clients by being true to our commitments and keeping our promises. 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.

Product and feature availability may vary by state.

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