Allianz Life Insurance Company of North America

Understanding **fixed index universal life** insurance

Protection, **wealth accumulation**, and **tax advantages** in one policy

For all that's ahead.[SM]

Allianz

M-3959

What would happen if the unexpected happened?

UNCERTAINTY in life is the **ONLY CERTAINTY**.

For families and small-business owners of today, financial vulnerability is a bigger concern than ever.

What would happen if you died prematurely? Would your family have the financial assets to continue their current lifestyle? Would they be able to keep their home? Would there be money for college? And what about the funeral expenses and estate taxes at the time of your death?

What would happen if you outlived your retirement assets? Are you accumulating enough to ensure a comfortable retirement? What happens if you have a financial emergency or major financial obligation? How will tomorrow's economy affect the value of your assets?

Life insurance provides an income-tax-free death benefit for your loved ones.

FINANCIAL WORRIES are something you don't want to leave your family.

The main reason to buy life insurance is for the death benefit protection it provides.

This death benefit can address immediate needs when the insured dies, including:

- Income replacement
- College funding
- Mortgage and other debts
- Estate tax coverage
- Final expenses
- Business succession

Many U.S. households today are under-insured and vulnerable if a wage earner dies.

Despite the need for financial security for the future, many U.S. households today have inadequate life insurance protection – and even worse, no coverage at all.[1]

One in four households relies solely on a group or employer plan to provide their life insurance. Given the continuing instability in the job market, that coverage could easily be lost.[1]

Nearly **70%** of American households with children under 18 would be in **financial jeopardy** if the primary breadwinner died.[1]

[1] "Facts About Life 2010," LIMRA, 2010.

How fixed index universal life insurance is different from other policies

Different life insurance policies may provide different combinations of death benefit protection and accumulation potential.

Generally, the more flexibility in premium payments that a life insurance policy provides (that is, the choice of paying more or larger premiums and when), the greater your potential for tax-deferred cash value accumulation.

Matching the right policy to your needs depends upon finding the balance of death benefit protection, premium flexibility, risk tolerance, and accumulation potential with which you're most comfortable. Keep in mind that most life insurance policies require health underwriting and in some cases, financial underwriting.

Term

Term life insurance provides coverage for a specific period of time, after which the coverage stops and the policy terminates. Though they offer the advantage of level, predictable premium payments, term policies provide a death benefit only – they have no cash value accumulation potential.

Permanent

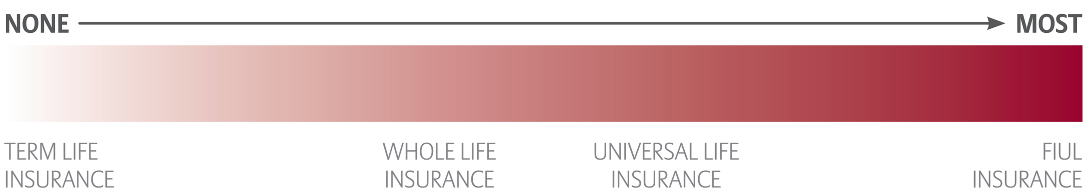
Whole life insurance also offers the predictability of level premium payments and can provide coverage for your entire life (instead of a set term). Unlike term policies, whole life policies have cash value you can access through policy loans and withdrawals.[1]

Universal life insurance can provide coverage for your entire lifetime. It offers you the flexibility to pay your premiums at any time and in any amount (subject to some limits), as long as the policy expenses and cost of coverage are met. Universal life policies also have cash value that can accumulate at a fixed interest rate, which you're able to access through policy loans and withdrawals.[1]

Fixed index universal life (FIUL) insurance also provides death benefit protection, but it accumulates cash value based on positive changes in an external index. That gives it greater accumulation potential than traditional universal life insurance; and the built-in annual floor ensures that the cash value will not decrease due to market volatility. With FIUL the cash value is not directly invested in the market.

Other types of permanent life insurance policies, including variable universal life insurance, are available in the marketplace. Contact your financial professional for more information.

Accumulation potential



[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.

Fixed index universal life insurance gives you upside potential with downside protection.

The coverage and flexibility of a fixed index universal life (FIUL) insurance policy can make it a valuable part of your overall financial strategy, by providing all this:

Financial security for your loved ones. Because it is a life insurance policy, you'll have the reassurance of knowing that if you die prematurely, your beneficiaries will receive a death benefit.

The opportunity for accumulation. As you pay premiums, a portion of each payment is added to the cash value, where it can grow tax-deferred. Your policy's cash value has the potential to increase based on positive changes in an external index, and is guaranteed to **never decrease** because of negative index changes.[1,2]

Flexibility. You can adjust your premium payments (within limits) to fit your lifestyle. You can also select optional "riders" that can help you customize your coverage for your specific needs.[3]

Financial help for future needs. If you need to, you can access your cash value income-tax-free through policy loans and withdrawals[4] that can help you:

- Supplement your retirement income
- Complement a college funding strategy
- Pay off debts (credit cards, student loans, mortgage, etc.)
- Pay for emergencies and unexpected events

[1] Although an external index or indexes may affect your policy values, the policy does not directly participate in any stock or equity investments. You are not buying shares of any stock or index.

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

[3] Riders are available at extra cost when you purchase your policy, and availability may vary by state. Ask your financial professional for details.

[4] 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.

How fixed index universal life insurance works

You pay your premium, with the flexibility to choose between the minimum and maximum premium amount.

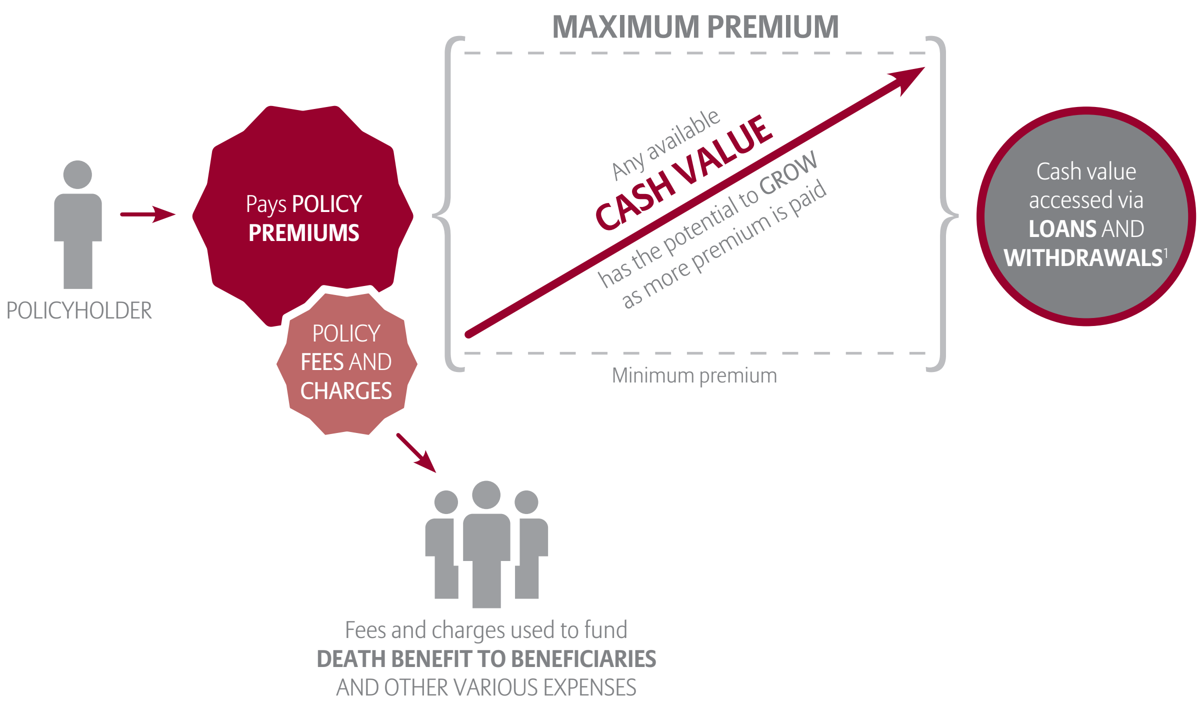
The minimum premium is determined by the insurance company and is the minimum amount required to keep the policy in force.

The maximum premium is the most the IRS will allow you to pay into the policy.

This premium, minus policy fees and charges, has the potential to build cash value in the policy, which can be accessed through policy loans and withdrawals.[1]

The premium also goes toward providing an income-tax-free death benefit for your beneficiaries.

All life insurance policies carry fees and charges. These policy fees and charges[2] are deducted from your premium and offset various expenses we incur in connection with your life insurance policy, including paying the death benefit, underwriting expenses, and issuing and administering the policy.



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[2] For information about a specific product's fees, please consult the brochure for the product you're considering.

Living advantages of FIUL

You can adjust your premium payments to fit your financial goals.

You have the **FLEXIBILITY** to adjust your premium payments.

With fixed index universal life, you're not restricted based on your income on how much premium you can pay each year. There are no IRS rules like the ones that prevent persons in upper tax brackets from participating in certain tax-qualified plans.

Instead, to receive an income-tax-free death benefit and to ensure the cash value accumulates on a favorable tax-deferred basis, the Internal Revenue Code (IRC Section 7702A) regulates the relationship between the death benefit and the cash value accumulation. This can set limits on the timing and amount of premium you can pay.

But generally speaking, you have the flexibility to increase what you pay in premiums, enabling you to build up your cash value faster.

You get three kinds of tax advantages.

Today, the need is greater than ever to protect your estate while building your retirement assets and sheltering them from excessive taxation. Fixed index universal life insurance offers three kinds of tax advantages to provide financial security to your beneficiaries and help accumulate cash value for your future:

- Your beneficiaries get an **income-tax-free** death benefit.
- Your policy's cash value has the potential to grow **tax-deferred**.
- Your loans from the policy's cash value are **income-tax-free** while the policy remains in force.[1]

And of course, the less you pay in taxes, the more cash value that remains in your policy – adding to your potential to accumulate more for retirement and other financial needs.

Given the wave of boomers now reaching retirement age, we're looking at a future of **reduced benefits** or **increased taxes – or both**.

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Indexed interest: the fixed index universal life advantage

With an FIUL policy, your cash value can earn interest based on changes in an external index. We call this "indexed interest."

The interest you earn can **NEVER BE LOST.**

When you purchase your policy, you can select one or more index allocation options. We track the performance of your index(es) for you and then use a crediting method to calculate the indexed interest. This interest is added to your cash value.

You get upside potential when the going is good.

At the end of each policy year, if the result is positive, you'll automatically receive indexed interest credited to your policy (subject to a cap or participation rate, which we define on page 10). Any interest you receive is locked in each year – and once it's locked in, **it can never be lost**, even if the index drops below this amount. Keep in mind that fees and charges will reduce the cash value.

You get downside protection when the going gets tough.

If the result is negative, you'll receive no indexed interest – but your policy's cash **value won't decrease due to index performance**, because the value is locked in from the previous year. We can do this because you're not actually participating in the market or investing in any stock or bond.

How indexed interest builds your policy's cash value.

Indexed interest may be credited annually to your policy based on the performance of your chosen index allocations. The amount is calculated through one of three crediting methods which you choose when you buy your policy:

- Annual point-to-point
- Monthly average
- Monthly sum

No single crediting method is most effective in all situations, but **regardless of which crediting method you choose, your cash value is always protected from negative performance.**

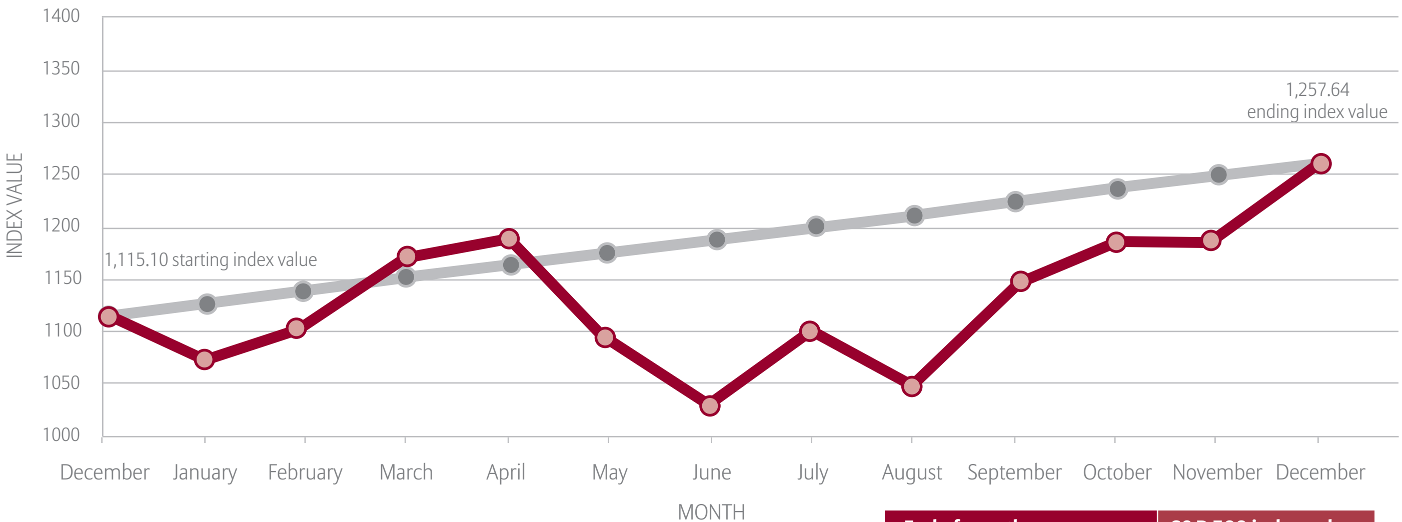
Ask your financial professional to help you choose a crediting method based on your needs and goals.

Annual point-to-point crediting

These examples track changes in the S&P 500 index from one policy anniversary to the next, and credit interest to the cash value based on that positive annual change (up to the cap which is defined on page 10). If that change is negative, the indexed interest credited for that year is zero.

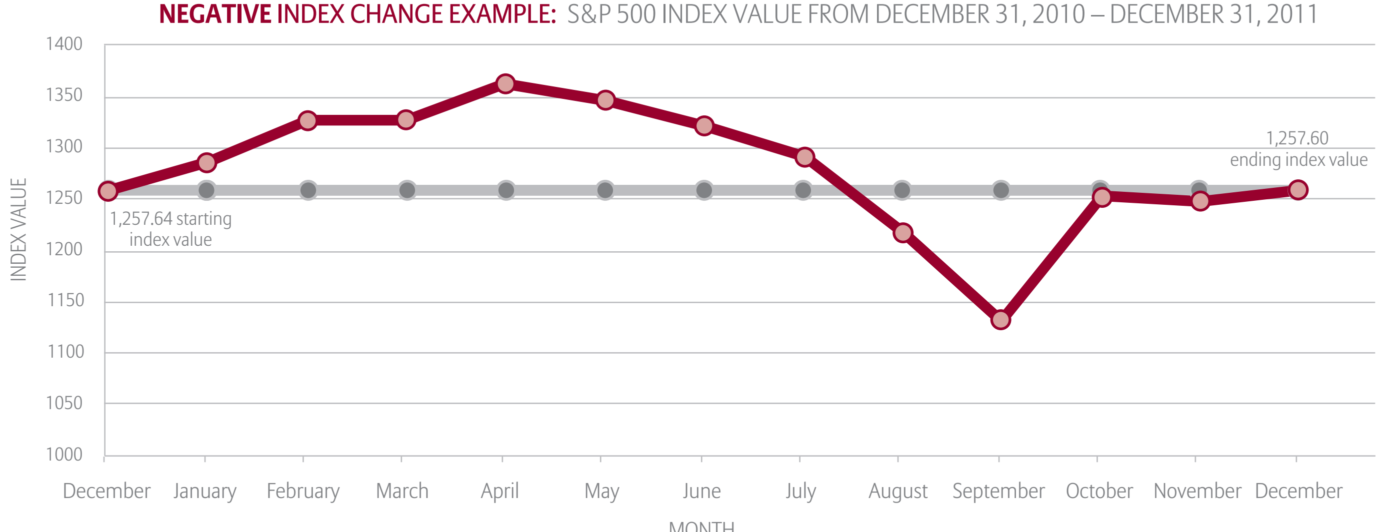
The following examples use actual S&P 500 data, a 100% participation rate, 0% floor, and a 13.00% annual cap.

POSITIVE INDEX CHANGE EXAMPLE: S&P 500 INDEX VALUE FROM DECEMBER 31, 2009 – DECEMBER 31, 2010



End of month	S&P 500 index value
December 2009	1,115.10
December 2010	1,257.64
Percentage of change (× 100% participation rate)	12.78%
Indexed interest credited	**12.78%**

NEGATIVE INDEX CHANGE EXAMPLE: S&P 500 INDEX VALUE FROM DECEMBER 31, 2010 – DECEMBER 31, 2011



End of month	S&P 500 index value
December 2010	1,257.64
December 2011	1,257.60
Percentage of change (× 100% participation rate)	-0.003%
Indexed interest credited	**0.00%**

RED LINE = actual S&P 500 index performance

GRAY LINE = annual point-to-point crediting method

Monthly average crediting

The individual positive and negative monthly index values are tracked and totaled at the end of the policy year and divided by 12 to determine the average. We then subtract the starting index value from the average to determine the amount of positive or negative index change in the index. This amount is divided by the starting value to determine the percentage of annual change. This amount, if negative, can never go below zero.

The following examples use actual blended index data, a 150% participation rate, 0% floor, and no annual cap.

POSITIVE INDEX CHANGE EXAMPLE: JANUARY 1 – DECEMBER 31, 2011

End of month	Dow Jones Industrial Average value	EURO STOXX 50 Index value	Barclays Capital U.S. Aggregate Bond Index value	Russell 2000 Index value
December 2010	11,577.51	2,792.82	1,641.10	783.65
January 2011	11,891.93	2,953.63	1,643.01	781.25
February 2011	12,226.34	3,013.09	1,647.12	823.45
March 2011	12,319.73	2,910.91	1,648.03	843.55
April 2011	12,810.54	3,011.25	1,668.95	865.29
May 2011	12,569.79	2,861.92	1,690.73	848.30
June 2011	12,414.34	2,848.53	1,685.78	827.43
July 2011	12,143.24	2,670.37	1,712.53	797.03
August 2011	11,613.53	2,302.08	1,737.55	726.80
September 2011	10,913.38	2,179.66	1,750.19	644.16
October 2011	11,955.01	2,385.22	1,752.07	741.06
November 2011	12,045.68	2,330.43	1,750.55	737.42
December 2011	12,217.56	2,316.55	1,769.79	740.92
Average index value	**12,093.42**	**2,648.64**	**1,704.69**	**781.39**
Initial index value	**11,577.51**	**2,792.82**	**1,641.10**	**783.65**
Percentage of change	**4.46%**	**-5.16%**	**3.87%**	**-0.29%**
Weight	**35%**	**20%**	**35%**	**10%**
Participation rate	**150%**			
Indexed interest rate[1]	**2.78%**			

[1] Indexed interest rate = weighted percentage of change x participation rate (150%)

NEGATIVE INDEX CHANGE EXAMPLE: JANUARY 1 – DECEMBER 31, 2008

End of month	Dow Jones Industrial Average value	EURO STOXX 50 Index value	Barclays Capital U.S. Aggregate Bond Index value	Russell 2000 Index value
December 2007	13,264.82	4,399.72	1,381.70	766.03
January 2008	12,650.36	3,792.80	1,404.91	713.30
February 2008	12,266.39	3,724.50	1,406.86	686.18
March 2008	12,262.89	3,628.06	1,411.66	687.97
April 2008	12,820.13	3,825.02	1,408.71	716.18
May 2008	12,638.32	3,777.85	1,398.38	748.28
June 2008	11,350.01	3,352.81	1,397.25	689.66
July 2008	11,378.02	3,367.82	1,396.11	714.52
August 2008	11,543.55	3,365.63	1,409.36	739.50
September 2008	10,850.66	3,038.20	1,390.43	679.58
October 2008	9,325.01	2,591.76	1,357.61	537.52
November 2008	8,829.04	2,430.31	1,401.80	473.14
December 2008	8,776.39	2,447.62	1,454.10	499.45
Average index value	**11,224.23**	**3,278.53**	**1,403.10**	**657.11**
Initial index value	**13,264.82**	**4,399.72**	**1,381.70**	**766.03**
Percentage of change	**-15.38%**	**-25.48%**	**1.55%**	**-14.22%**
Weight	**35%**	**20%**	**35%**	**10%**
Participation rate	**150%**			
Indexed interest rate[1]	**0.00%**			

[1] Indexed interest rate = weighted percentage of change x participation rate (150%)

Monthly sum crediting

Individual monthly increases and decreases in the index values are tracked and added up. Their sum (if positive) determines the amount of interest credited. Each monthly positive change is subject to a cap and the negative change is not subject to a cap. If the sum is a negative number, no interest will be credited.

The following examples use actual S&P 500 index data, a 100% participation rate, 0% floor, and a 4.00% monthly cap.

POSITIVE INDEX CHANGE EXAMPLE: JANUARY 1 – DECEMBER 31, 2010

End of month	S&P 500 monthly change	Capped monthly change
January 2010	-3.70%	-3.70%
February 2010	2.85%	2.85%
March 2010	5.88%	**4.00%**
April 2010	1.48%	1.48%
May 2010	-8.20%	-8.20%
June 2010	-5.39%	-5.39%
July 2010	6.88%	**4.00%**
August 2010	-4.74%	-4.74%
September 2010	8.76%	**4.00%**
October 2010	3.69%	3.69%
November 2010	-0.23%	-0.23%
December 2010	6.53%	**4.00%**
Sum	**13.80%**	**1.76%**
Indexed interest rate[1]		**1.76%**

NEGATIVE INDEX CHANGE EXAMPLE: JANUARY 1 – DECEMBER 31, 2011

End of month	S&P 500 monthly change	Capped monthly change
January 2011	2.26%	2.26%
February 2011	3.20%	3.20%
March 2011	-0.10%	-0.10%
April 2011	2.85%	2.85%
May 2011	-1.35%	-1.35%
June 2011	-1.83%	-1.83%
July 2011	-2.15%	-2.15%
August 2011	-5.68%	-5.68%
September 2011	-7.18%	-7.18%
October 2011	10.77%	**4.00%**
November 2011	-0.51%	-0.51%
December 2011	0.85%	0.85%
Sum	**1.15%**	**-5.63%**
Indexed interest rate[1]		**0.00%**

[1] The sum of capped monthly changes equals the year's indexed interest rate with a 0% floor protection.

The amount of indexed interest you receive may be affected by participation rates, caps and floors.

Participation rate

When the indexes reflect a positive change, the cash value of your policy will increase, subject to a percentage known as the participation rate, in addition to the crediting method. The participation rate may vary depending on the product selected.

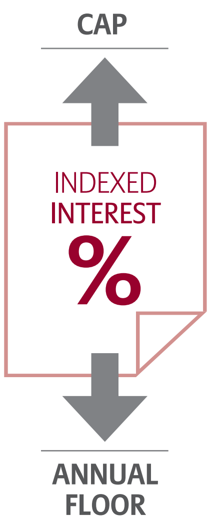
Hypothetical example

150% x 7% = **10.5%**

PARTICIPATION RATE x POSITIVE INDEX CHANGE = **INDEXED INTEREST CREDITED**

Cap

A cap sets the maximum percentage of indexed interest your cash value can earn. The cap can be on a monthly or annual basis, depending on the crediting method you choose. Allianz establishes the cap on the policy anniversary and guarantees it for one year.



Annual floor

With fixed index universal life insurance, you may give up a little of your upside potential for downside protection – what we call your policy's annual floor. This is the minimum annual interest rate your policy will be guaranteed in a given year. The annual floor may vary among different Allianz products.

Please note: Additional factors may affect how much indexed interest you receive. For complete product specific information, ask your financial professional. As an alternate to indexed interest, you can allocate all or part of your cash value to a fixed interest account.

You can access your policy's cash value for future needs.

Fixed index universal life insurance can provide a systematic way to accumulate and protect your money for future needs on a tax-efficient basis.

Your cash value can be accessed income-tax-free in several ways.

You can borrow from YOUR CASH VALUE AND **STILL EARN INTEREST.**[1]

Participating loan:[1] When you take a participating loan, both your borrowed and unborrowed cash value continue to earn indexed interest. For example, if the charge for the loan is 5.3% and the index returns 7%, you've recouped the cost of the loan and then some. In other words, you can make money even as you borrow money from your policy.

Fixed loans:[2] You may take a standard loan from your fixed interest allocation anytime. During the first 10 policy years, there is a low net 2% cost. For example, the policy would charge 4% in advance each year, then credit back 2% at the end of each year the loan is outstanding.

After the first 10 policy years, you may take a preferred loan with a net 0% cost. For example, the policy would charge 2% in advance each year, then credit back 2% at the end of each year the loan is outstanding.

You may request a free withdrawal (or "partial surrender") from your FIUL policy if the need arises. Partial surrenders do not incur surrender charges, but they do reduce policy values (including the death benefit). Partial surrenders could also affect your death benefit guarantee.

You may also request a full surrender of your policy. If you request a full surrender during your policy's surrender charge period, a surrender charge will apply.

Some of these options may have restrictions, and excess withdrawals may incur fees and cause your policy to lapse. Policy loans and withdrawals are only income-tax-free if the policy does not lapse or become a modified endowment contract (MEC).

[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.

[2] Standard and preferred loan options do not apply to cash value allocated to an index. If you take a policy loan, the loan will be proportionately deducted from your policy's current index allocations and/or fixed interest allocations. Loans will reduce your cash value and death benefit and could affect your death benefit guarantee.

Ask your financial professional for more details about the policy you're considering.

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Talk to your financial professional about how fixed index universal life insurance can help provide **financial security** for your loved ones, while helping you **accumulate potential cash value** for future needs.

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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