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Allianz Life Insurance Company of North America

Auto Lock case study: Creating a level of certainty in times of volatility

Flexibility, control, and the potential for interest credits every year

Meet Kevin, a hypothetical 45-year-old and owner of an Allianz Life Accumulator® Indexed Universal Life Insurance Policy.

Along with protection for his loved ones,[1] he's interested in accumulation potential for the future.

In discussion with his financial professional, Kevin says he'd like his **policy to achieve an average interest rate of 8%**. However, he feels that the market will continue to be volatile and will impact his accumulation value, and he's looking for a level of control.

Kevin has already taken one step, allocating his accumulation value to a volatility-controlled index – the Bloomberg US Dynamic Balance III ER Index, one of many allocation options available.[2]

To help alleviate his concerns further, he decides to use the policy's Index Lock feature and its Auto Lock option.



With **Index Lock**, Kevin's policy can lock in an index value at any time during the crediting period and hold it at that level until the end of the period.[3] And with the **Auto Lock** option, the policy can activate the Index Lock automatically when it reaches Kevin's upper or lower target – which means he doesn't have to closely monitor the volatile swings of the index. Kevin also has the option to elect auto-renewal with his upper target, which means his set target will renew each year for the length of the policy, unless he changes or cancels it.

Keep reading to learn more about Auto Lock and Kevin's strategy.

Must be accompanied by the Allianz Life Accumulator® consumer brochure (M-8119) and Index Lock sales idea (CSI-512) for more detailed information and business rules.

[1] The death benefit is generally income-tax-free when passed on to beneficiaries.

[2] In addition to index allocation options, Allianz Life Accumulator® also offers a fixed interest allocation.

[3] Exercising an Index Lock may result in a credit higher or lower than if the Index Lock had not been exercised.

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Setting Auto Lock to help account for ongoing volatility

At any time during the crediting period, Kevin can set his upper target at the index interest rate percentage he wants – 10% in his case. He chooses 10% because he realizes that he will not get an interest rate of 8% every year, so to make up for the down years, he needs to set his Auto Lock target higher.

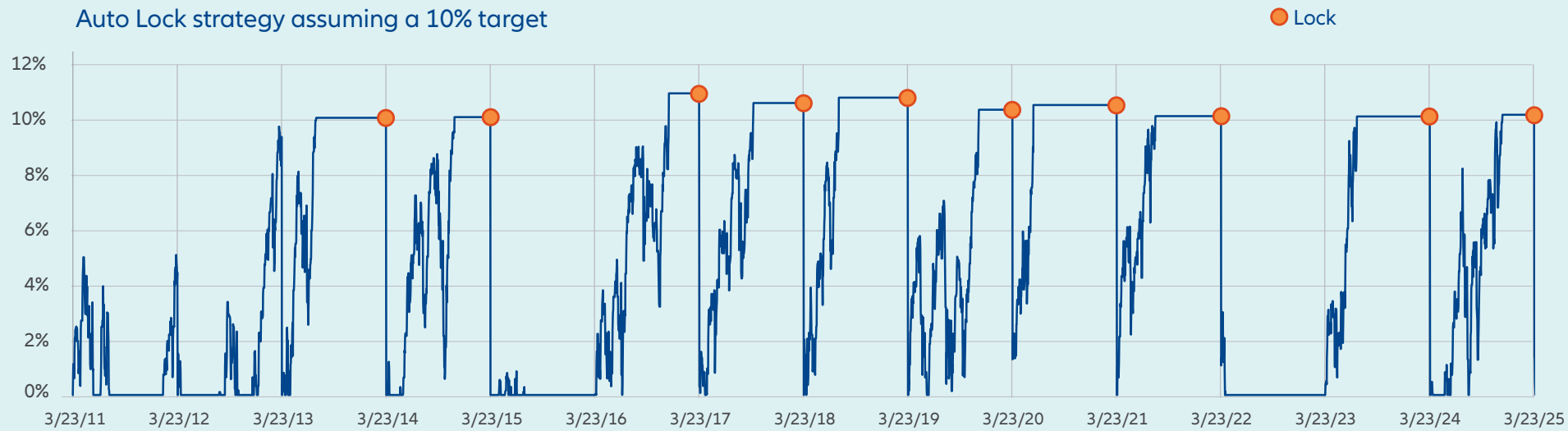
If his allocation reaches or exceeds the target at the end of the business day, Auto Lock will automatically lock in the index value until the end of the crediting period.[1] Because Kevin has selected the auto-renewal feature, his 10% target will renew automatically each year, until he cancels or changes it.

So how would Kevin have done with Auto Lock?

Let's take a look to see how many times his Auto Lock feature would have activated, based on the hypothetical historical results over the past 14 years and assuming an upper target of 10% each year.

- Auto Lock would have activated the Index Lock **10 times**, locking in at **10% or higher** – and would have no longer been subject to market volatility during the remainder of those crediting periods.
- In the other **year**, Auto Lock would not have activated.

Over the 14-year period, Kevin would have averaged an 8.42% return,
locking in 10 times AND exceeding his desired average return of 8%.



Historical returns of the Bloomberg US Dynamic Balance III ER Index with 175% participation rate and 40% bonus based on a policy start date of 3/23/2011. Actual 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] Setting targets authorizes Allianz to automatically activate an Index Lock once the target is reached, based on the index interest rate percentage at the end of the business day. Targets need to be renewed after each crediting period unless auto-renewal is active. Auto-renewal is only available with the upper target. Activating Index Lock manually will cancel any current targets you have set for the current crediting period.



Kevin can set his Auto Lock target at any value

Goal of 10% return

Based on hypothetical historical data, if Kevin had a goal of returning 10% on average, he should have set his Auto Lock at 13.80% each year.

- Kevin could experience **more volatility** with a higher lock
- He could experience **fewer locks** over time
- He could have the potential to receive a **higher average rate**

Goal of 6% return

Based on hypothetical historical data, if Kevin had a goal of returning 6% on average, he should have set his Auto Lock at 7.00% each year.

- Kevin could experience **less volatility** with a lower lock
- He could experience **more locks** over time
- He could have the potential to receive a **lower average rate**

By setting an Auto Lock target, Kevin gets a **level of control over his index allocations** and doesn't have to track the movements of the index on a daily basis.

To discuss how Allianz Life Accumulator® Indexed Universal Life Insurance Policy, Index Lock, and Auto Lock can help support your financial goals, contact your financial professional.

Index Lock is available with certain indexes and only available with the annual point-to-point with participation rate 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.

The Bloomberg US Dynamic Balance III ER Index is comprised of varying exposure to the Bloomberg US Equity Futures Basket ER Index, where the exposure is primarily determined by market implied volatility. The Bloomberg US Equity Futures Basket ER Index is comprised of three sub-indexes: the Bloomberg US Equity Custom Futures ER Index, the Bloomberg US Small Cap Custom Futures ER Index, and the Bloomberg US Tech Custom Futures ER Index, with intended weights of 80%, 10%, and 10%, respectively, rebalanced daily. The Bloomberg US Equity Custom Futures ER Index generally maintains exposure to large cap U.S stocks via futures in excess of the corresponding benchmark portfolio. The Bloomberg US Small Cap Custom Futures ER Index generally maintains exposure to small cap U.S stocks via futures in excess of the corresponding benchmark portfolio. The Bloomberg US Tech Custom Futures ER Index generally maintains exposure to technology sector U.S stocks via futures in excess of the corresponding benchmark portfolio.

"Bloomberg®", and Bloomberg US Dynamic Balance III ER Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the Index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Allianz Life Insurance Company of North America ("Allianz"). Bloomberg is not affiliated with Allianz Life Insurance Company of North America ("Allianz"), and Bloomberg does not approve, endorse, review, or recommend the Allianz product. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Allianz product.

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