

Bloomberg US
Dynamic Balance II
ER Index

Protection with potential

Bloomberg US Dynamic Balance II ER Index and
the annual point-to-point with a participation rate

Fixed index universal life (FIUL) insurance provides your beneficiaries with an income-tax-free death benefit,¹ which can help address financial concerns such as income replacement, final expenses, mortgages, and other debts.

FIUL provides the potential to build accumulation value based on positive changes in an external market index and a level of protection from negative index performance.

When you purchase your FIUL insurance policy, you can choose from a fixed interest allocation option, and also a variety of index allocation options. With an index allocation option, the performance of the index is tracked and your chosen crediting method, participation rate, and annual floor are applied to calculate how much indexed interest could be credited to your policy's accumulation value.

Although it's impossible to predict exactly how an index will perform, equity indexes have traditionally experienced more volatility than bond indexes. That's why we are offering an index with a balanced approach that is currently available exclusively through Allianz Life Insurance Company of North America (Allianz).

THE BLOOMBERG US DYNAMIC BALANCE II ER INDEX

The Bloomberg US Dynamic Balance II ER Index is comprised of the Bloomberg US Equity Custom Futures ER Index and the Bloomberg Barclays US Aggregate Custom RBI Unfunded Index and shifts weighting between them daily based on historical realized volatility. The Bloomberg US Equity Custom Futures ER Index is a custom index that tracks

futures on large-cap equities, similar to futures on the S&P 500® Index. The Bloomberg Barclays US Aggregate Custom RBI Unfunded Index is a custom index designed to track futures prices on the Bloomberg Barclays US Aggregate Bond Index – a well-established benchmark for the U.S. bond markets.

The Bloomberg US Dynamic Balance II ER Index uses an excess return methodology by tracking the price of futures. Futures prices reflect the expected future price of an index and account for expected dividends. Excess return indexes are designed to bring a level of stability to renewals (for the associated crediting method) from year to year by reducing the effect of changing short-term interest rates.

You also have the opportunity to choose between Select index allocations that include a 40% guaranteed interest bonus percentage and 1% annual asset charge or Bonused index allocations that include the opportunity for a 15% guaranteed interest bonus percentage each year. The participation rate will vary based on whether the index allocations selected offer a bonus or not.²



Must be accompanied by the Allianz Life Pro+ AdvantageSM Fixed Index Universal Life Insurance Policy consumer brochure.

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

²Bonused 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.

This content is general information for educational purposes, and is not intended to constitute fiduciary advice. Please consult your financial professional for a specific recommendation about purchasing this product.

How does it work?

Every day, the Bloomberg US Dynamic Balance II ER Index dynamically allocates between the Bloomberg US Equity Custom Futures ER Index and the Bloomberg Barclays US Aggregate Custom RBI Unfunded Index based on their historical realized volatility (a measure of the magnitude of daily movements, regardless of direction, of an index). In general, when the Bloomberg US Equity Custom Futures ER Index volatility is low, the balance shifts more toward the Bloomberg US Equity Custom Futures ER Index. And vice versa: When volatility is high, the balance shifts toward the Bloomberg Barclays US Aggregate Custom RBI Unfunded Index. The balancing of risk every day helps stabilize index performance over time. If volatility is high in both the equity and the bond component, the index may control volatility by decreasing the index weights so that they add up to less than 100%.

WHAT IS REALIZED VOLATILITY?

Realized volatility is simply defined as the amount of variation in one index from the average of the index over a period of time.

- For the Bloomberg US Equity Custom Futures ER Index, the greater of the 20- or 40-day realized volatility is used to determine the weighting.
- Realized volatility for the Bloomberg Barclays US Aggregate Custom RBI Unfunded Index is calculated based on historical daily returns over the corresponding period of 20 or 40 days.

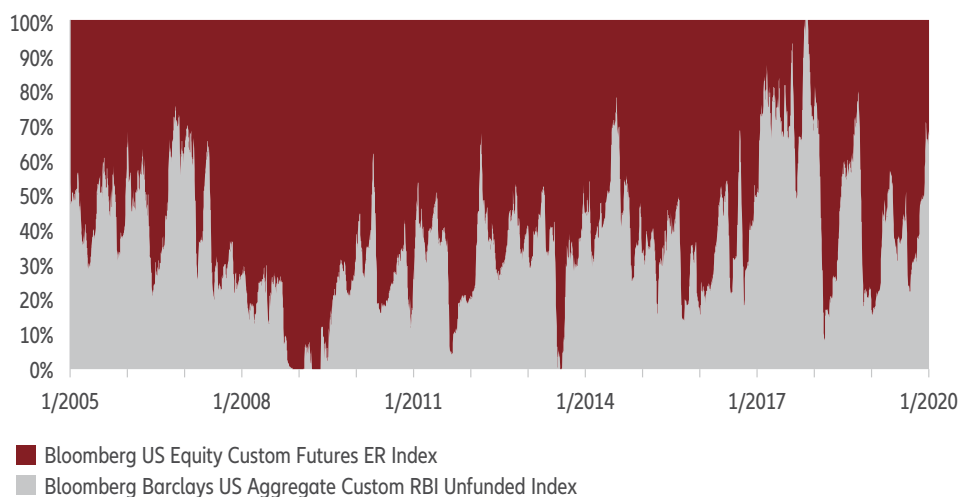
These realized volatilities are used to determine the final weight allocation daily.¹

ABOUT HYPOTHETICAL HISTORICAL DEPICTIONS

This index was launched on August 9, 2018. All information presented prior to this launch date is hypothetical (back-tested), and back-tested performance is not actual performance. The back-tested performance is based on the methodology and mechanics of the index retroactively applied to historical market data, as if the index had previously existed, to generate hypothetical performance during the periods of time depicted. This back-tested performance for any constituent that makes up the index may have actual performance and history, and it will also have back-tested data for any period prior to its inception. Back-tested performance may not be a reliable indicator of future results. Prospective application of the methodology and mechanics of the index may not result in performance commensurate with the back-tested returns shown. In an effort to help the index achieve the target volatility, the index was changed as of 4/21/2020 so that the index weights may not add up to 100% in times of extreme volatility; therefore, any historical depictions including index weights and hypothetical returns will not include this change for data prior to 4/21/2020.

Hypothetical historical weighting

Bloomberg US Dynamic Balance II ER Index hypothetical Historical Index Weights (January 1, 2005 – December 31, 2019)



The 15-year period shown reflects the longest common period of historical data available for each of the indexes that comprise the Bloomberg US Dynamic Balance II ER Index.

This hypothetical chart is provided to show how the underlying indexes would have been balanced during the period shown, had the Bloomberg US Dynamic Balance II ER Index existed. The index came into existence on August 9, 2018. It is no guarantee of performance or of future results.

¹Weighting allocation can change up to 5% daily.

HOW COULD IT WORK?

The following hypothetical historical examples show how the Bloomberg US Dynamic Balance II ER Index could have worked over the last 15 years with annual point-to-point with a participation rate crediting method, if the policy had been available during the time periods specified (which it was not).

The first example shows:

Column A: The historical Bloomberg US Dynamic Balance II ER Index return over the last 15 years.

Column B: The impact of the participation rate each year based on the performance of the **Bonused index allocation** with a current 155% annual participation rate.

Column C: The impact of the participation rate each year based on the performance of the **Select index allocation** with a current 150% annual participation rate.

The following chart does not include the interest bonus in the totals; however, each year that the policy is credited with indexed interest, the applicable bonus and charge would be applied.¹

	A	B	C
Policy year	Bloomberg US Dynamic Balance II ER Index	Bonused index allocation option with a current 155% participation rate	Select index allocation option with a current 150% participation rate
2005	-0.83%	0.00%	0.00%
2006	6.12%	9.48%	9.17%
2007	2.86%	4.43%	4.29%
2008	0.37%	0.57%	0.55%
2009	5.81%	9.00%	8.71%
2010	8.46%	13.12%	12.69%
2011	5.19%	8.04%	7.78%
2012	6.92%	10.72%	10.38%
2013	8.01%	12.42%	12.02%
2014	6.88%	10.67%	10.33%
2015	-1.33%	0.00%	0.00%
2016	4.93%	7.64%	7.39%
2017	14.73%	22.84%	22.10%
2018	-0.66%	0.00%	0.00%
2019	12.83%	19.89%	19.24%

The least amount of interest a client will receive in any given year is 0.10%.

These illustrations are hypothetical in nature. Based on the data presented in the table, the following would have occurred. This hypothetical historical information is related directly to the numbers shown in the table above and reflects current caps which are not guaranteed. Actual caps that could have been applied over this time frame would have been different from the figures shown here and in some cases could have been dramatically different depending on a number of factors, including market conditions.

These figures represent hypothetical historical results only, are not indicative of future results, and may not be used to predict future results. They are not product-specific and do not take into account any policy fees and charges, which will reduce values.

- The annual floor would have come into play three times in the 15 years shown for the Bonused index allocation and three times for the Select index allocation, so your client's cash value would have been protected.
- The average annualized indexed interest credited over the last five years shown would have been 9.65% for the Bonused index allocation and 9.35% for the Select index allocation.
- The average annualized indexed interest credited over the last 10 years shown would have been 10.31% for the Bonused index allocation and 9.99% for the Select index allocation.
- The average annualized indexed interest credited over the entire 25 years shown would have been 8.38% for the Bonused index allocation and 8.12% for the Select index allocation.

¹ 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.

HOW INTEREST COULD HAVE BEEN CREDITED TO ALLIANZ LIFE PRO+ ADVANTAGESM FIXED INDEX UNIVERSAL LIFE INSURANCE POLICY

This hypothetical example is intended to show how the index allocation can impact policy values using a \$1,000 initial amount. The example below includes the benefit of the interest bonus that is added to the indexed interest as well as the impact of the asset charge on the Select index allocations. The Select index allocation values have a 40% interest bonus percentage and a 1% annual asset charge, and the Bonused index allocation values include a 15% interest bonus percentage. There is no guarantee that a policy will be credited with an interest bonus in any given year as it is based on the growth of an index.

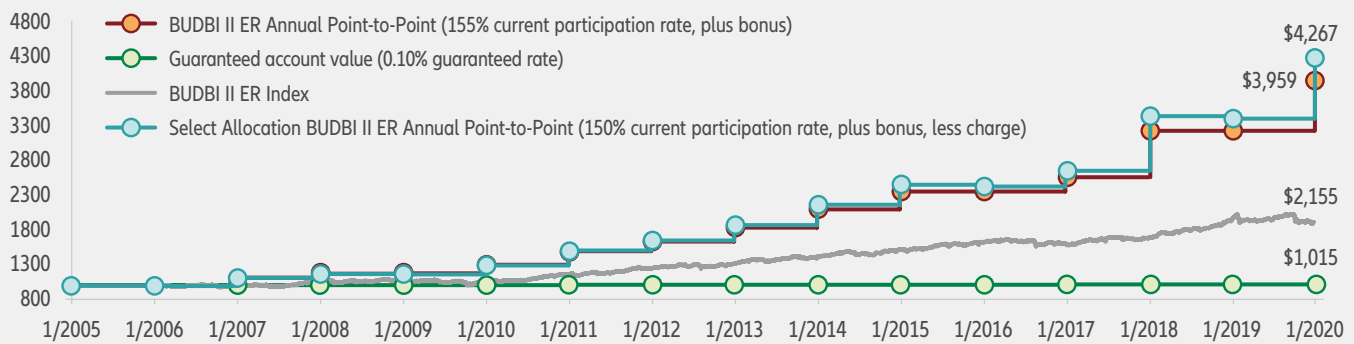
It also shows the benefits of annual reset, as interest is credited and locked in annually and cannot be lost due

to negative index performance (although certain fees and expenses, like the asset charge on the Select index allocations, will reduce cash value). This example is not intended to reflect actual results that would be realized in a policy, and is provided to show how certain policy features work.

It is not a promise of future results. No single index allocation consistently delivers the most interest under all market conditions. Although an external index may affect your interest credited, the policy does not directly participate in any equity or fixed income investments. You are not buying shares in an index.

Hypothetical \$1,000 allocated to the Barclays US Dynamic Balance II ER Index, Annual Point-to-Point

January 1, 2005 – December 31, 2019



The 15-year period shown reflects the longest common period of historical data available for each of the indexes that comprise the Bloomberg US Dynamic Balance II ER Index.

These illustrations are hypothetical in nature. Because the life insurance product and the Bloomberg US Dynamic Balance II ER Index did not exist during the entire time frame illustrated, this chart represents hypothetical historical information only and reflects current participation and annual floor rates which are not guaranteed. Actual participation rates that could have been applied over this time frame would have been different from the figures shown here, and in some cases could have been dramatically different depending on a number of factors, including market conditions.

These figures represent hypothetical historical results only, are not indicative of future results, and may not be used to predict future results.

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.

Actual interest credited will vary based on the crediting method and allocation options chosen, whether the interest bonus was earned, as well as the annual floor, and current caps and participation rates. In addition, policy values will be assessed policy fees and expenses, which will reduce the net result of any interest credited. For details of these charges, refer to the appropriate fixed index universal life insurance product brochure.



The Bloomberg US Dynamic Balance II ER Index is one of several index allocation options available in Allianz FIUL products. Contact your financial professional to discuss which may be appropriate for your situation.

The Bloomberg US Dynamic Balance II ER Index is comprised of the Bloomberg Barclays US Aggregate Custom RBI Unfunded Index and the Bloomberg US Equity Custom Futures ER Index and shifts weighting daily between them based on realized market volatility. The Bloomberg Barclays US Aggregate Custom RBI Unfunded Index is comprised of a portfolio of derivative instruments that are designed to provide exposure to U.S. Investment-grade and Treasury bond markets in excess of a benchmark rate. The Bloomberg US Equity Custom Futures ER Index is designed to provide exposure to large cap U.S stocks in excess of a benchmark rate.

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