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Allianz

Allianz Command Provider[SM] Annuity
Statement of Understanding

Thank you for considering the Allianz Command Provider Annuity. We want to be sure you are aware of all of the benefits, features, costs, and risks associated with the purchase of your contract.

Please read the following summary. If you need additional clarification on any of the items listed below, please refer to the annuity contract.

Once you have read this summary, please sign the last page to confirm you understand the contract you are considering.

How does Allianz Command Provider work?

Allianz Command Provider is a single premium immediate annuity, which means that you will pay premium only once and your income payments will begin immediately.

Allianz Command Provider is a fixed index insurance product. This means interest may be credited to your annuity payments based on the performance of one or more nationally recognized market indexes. You can choose to earn interest credits based on the S&P 500® or the Nasdaq-100®.

How do I choose – and change – the way my money is allocated?

You can allocate all of your money to one of the two indexes mentioned above, or allocate (in 25% increments) to both. Shortly after each annuity anniversary you will receive an annual report. It will include a form that allows you to change your current allocations. If that is your intention, you must complete the allocation change form and return it to the Home Office within 21 calendar days of your annuity anniversary. This will lock in your request and determine how your money is allocated over the annuity year. If the form is not received within 21 calendar days of your annuity's anniversary, your changes will not take effect until the next annuity anniversary.

What are my payment options?

Option I: Installments for life – You have the option to receive annuity payments as long as the annuitant is living. There will be no remaining payments available after the death of the annuitant.

Option II: Installments for life with a death benefit (refund feature) – You can choose to receive annuity payments as long as the annuitant is living. Upon death of the annuitant, a death benefit is payable to the beneficiary (which we will describe later.)

Option III: Joint and survivor – You can select to have annuity payments paid until the death of the annuitant with additional payments to the named survivor. In this case payments to the named survivor would continue until his or her death at 100%, 75%, or 50% of the original installments, based on your selection. Payments end upon death of both annuitants.

Option IV: Joint and survivor with a death benefit (refund feature) – Joint and survivor with a death benefit – You can select to have annuity payments paid until the death of the annuitant with additional payments to the named survivor. In this case payments to the named survivor would continue until his or her death at 100%, 75%, or 50% of the original installments, based on your selection. A death benefit is then payable to the beneficiary (which we will describe later.)

If you select Options III or IV, you will select the survivor percentage at time of application.

How is interest calculated and credited to my annuity payments?

Allianz Command Provider uses a monthly point-to-point method to track changes to your selected index(es). With monthly point-to-point crediting, we capture the value of the index(es) on the last business day before your contract is issued. We then capture it exactly one month later. We subtract the first value from the second to determine how much the index has changed. We then divide that difference by the initial value, to determine the positive or negative percentage of change that took place during the past month.

The example below shows how to calculate the monthly index return for an index.

Beginning index value	1,265.48
Ending index value	1,297.48
Monthly index return (1,297.48-1,265.48)/1,265.48 =	2.529%

Monthly index returns may be positive or negative. The monthly interest rate for your contract will equal this return, unless the return exceeds your annuity's stated monthly cap (which we define later.)

At the end of each contract year, the monthly interest rates are added together to calculate your annual interest rate for that year. The annual interest rate may be positive or negative. The annual interest rate will be applied to your interest adjusted payment (which we define later.)

SUBMIT WITH APPLICATION

Although an external index may affect your interest adjusted payments, the contract does not directly participate in any stock or equity investments. You are not buying any shares of stock or shares of an index. The index value does not include the dividends paid on the stocks underlying the index. These dividends are also not reflected in the interest credited to your contract.

What is a monthly cap, and how does it affect my contract's potential growth?

As we mentioned previously, monthly index returns may be positive or negative. In any given month, a positive monthly return may exceed the stated monthly cap, or maximum percentage increase, for a given index allocation. If the monthly index return for an index exceeds the monthly cap in a given month, the interest rate for that month will equal the monthly cap.

It is also important to note that your monthly cap(s) will be specific to your selected index(es). Each index may have a different monthly cap. The monthly cap for each index is established on every annuity anniversary, and it is guaranteed for the next annuity year. You will be informed of any changes in the monthly cap on your annual report. We guarantee that your monthly cap will never be lower than 1.25%.

Although there is a monthly cap on positive monthly returns, there is no established limit on negative monthly returns. This means that a large negative monthly return from one month could negate several positive monthly returns. The actual annual interest rate may be lower if the monthly index returns are negative, even if the index experienced an overall gain for the year.

Does this annuity have a participation rate?

Yes. The participation rate determines how much of the annual return for an index may be credited to your contract. The participation rate is 100% and is guaranteed for the life of the contract. Keep in mind, the amount of any gains allowed by your participation rate will still be subject to the monthly cap for your selected index(es).

Can you show me how all of this works?

This chart shows monthly positive and negative changes in a hypothetical index, how they are affected by the monthly cap, and how they add up to the interest rate for the year.

Month	1	2	3	4	5	6	7	8	9	10	11	12
Market index return (%)	5.0	-5.0	2.0	-1.0	1.9	2.0	4.0	1.0	0.0	-2.0	5.0	0.0
Monthly cap (%)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Monthly index rate (%)	+3.3	-5.0	+2.0	-1.0	+1.9	+2.0	+3.3	+1.0	+0.0	-2.0	+3.3	+0.0

At the end of the annuity year, the 12 individual monthly interest rates are added up to determine the annual interest rate:

+3.3 +(-5.0) +2.0 +(-1.0) +1.9 +2.0 +3.3 +1.0 +0.0 +(-2.0) +3.3 +0 = 8.8%

What are the annuity date and the annuity anniversary?

The annuity date is the date your annuity payments begin. The annuity anniversary marks each year since your annuity date.

How are my annuity payments calculated?

Payments are initially established on the annuity date, based on the single premium amount, your life expectancy, and the annuity payment option selected. **Depending on the state you reside in, premium tax may be deducted on the annuity date**. The annuity payment you receive is called the current payment. Your current payment at the beginning of each annuity year will be the greater of the interest adjusted payment, the annual floor, or the lifetime floor. Your current payment is guaranteed for that annuity year. The following components help determine the amount of your current payment:

- **Interest adjusted payment.** On the annuity date, the interest adjusted payment equals the current payment. After the annuity date, the interest adjusted payment is increased by positive annual interest rates from your selected index(es) or decreased by negative annual interest rates from your selected index(es). The interest adjusted payment change, or amount your interest adjusted payments increase or decrease annually (on your annuity anniversary), is equal to your previous interest adjusted payment multiplied by the annual interest rate.

Interest adjusted payment	$6,900.00
Annual interest rate	8.80%
Interest adjusted payment change ($6,900 * 8.8%) =	$607.20
Interest adjusted payment ($6,900 + $607.20) =	$7,507.20

- **Annual floor.** The annual floor places a limit on how much the current payment can decrease in any annuity year. The annual floor percentage is declared by Allianz on the annuity date and is guaranteed for the life of the contract. The annual floor is 85%, which means that your current payment will never decrease by more than 15% in any given year.
- **Lifetime floor.** The lifetime floor represents the lowest payment you would ever receive in any year. The lifetime floor is 100% of your initial current payment. For survivorship options less than 100%, the survivor income payment will never by less than the initial payment multiplied by the survivor percentage.

Can I see an example of how my annuity payments are calculated?

Table 1 shows how Allianz Command ProviderSM operates and how changes in an index can impact interest adjusted payments after the annuity date. This illustration is not intended – and may not be used – to project or predict returns from an index and payment values. It assumes a $100,000 single premium payment, allocated to one index, the owner is a 65-year-old male and he is also the annuitant, the owner selects to receive annual annuity payments based on annuity Option II (installments for life with a death benefit) and the monthly cap is 3.3%.

Notice that the annual floor protects the interest adjusted payment in year five, limiting your current payment decrease to 15%. It continues to protect your current payment until the interest adjusted payment increases to a payment level above the annual floor. Your current payment can never decrease below your lifetime floor. Keep in mind, your current payment will be the greater of the interest adjusted payment, the annual floor, or the lifetime floor (as shown in bold).

Table 1 (Assumes 3.3% cap)

Annuity year	Interest adjusted payment	Annual floor	Lifetime floor	**Current payment**	Annual interest rate
1	**$6,900**			**$6,900**	8.80%
2	**$7,507**	$6,900	$6,900	**$7,507**	14.45%
3	**$8,592**	$7,507	$6,900	**$8,592**	13.21%
4	**$9,727**	$8,592	$6,900	**$9,727**	-24.63%
5	$7,331	**$8,268**	$6,900	**$8,268**	8.52%
6	$7,956	**$8,268**	$6,900	**$8,268**	24.98%
7	**$9,944**	$8,268	$6,900	**$9,944**	13.37%
8	**$11,273**	$9,944	$6,900	**$11,273**	-2.87%
9	**$10,950**	$10,950	$6,900	**$10,950**	0.13%
10	**$10,964**	$10,950	$6,900	**$10,964**	10.50%

Table 2 (Assumes minimum 1.25% cap)

Annuity year	Interest adjusted payment	Annual floor	Lifetime floor	**Current payment**	Annual interest rate
1	**$6,900**			**$6,900**	1.09%
2	**$6,975**	$6,900	$6,900	**$6,975**	9.54%
3	**$7,641**	$6,975	$6,900	**$7,641**	5.86%
4	**$8,089**	$7,641	$6,900	**$8,089**	-25.54%
5	$6,023	$6,875	**$6,900**	**$6,900**	5.10%
6	$6,330	$6,900	**$6,900**	**$6,900**	11.97%
7	**$7,087**	$6,900	$6,900	**$7,087**	8.74%
8	**$7,707**	$7,087	$6,900	**$7,707**	-5.51%
9	**$7,282**	$7,282	$6,900	**$7,282**	-3.44%
10	**$7,031**	$7,031	$6,900	**$7,031**	3.66%

Tell me more about the death benefit.

As we mentioned earlier, payment Options II and IV include a death benefit payment to the beneficiary. The remaining premium used in the death benefit calculation will equal the initial single premium, minus the payments received, minus any applicable premium tax. The beneficiary(ies) can choose how the contract's remaining premium will be paid:

Single payment: The beneficiary(ies) will receive a lump-sum payment equal to the remaining premium reduced to its own "present value" by the calculation shown in Table 4. The present value calculation assumes the current payment amount, at the time of death, is paid out each year until the remaining premium has been exhausted.

Scheduled payments: When the payment amount and schedule in effect at time of death are continued, the beneficiary(ies) will receive all remaining premium plus a 10% bonus.

Can I see what these death benefit values would look like?

Table 3 below shows the death benefit values we just described, based on the same 65-year-old male from Table 1 with annuity Option II (installments for life with a death benefit) selected and the same annual interest as shown in Table 1.

Table 3

Annuity year	**Current payment** from Table 1	**Remaining premium** assuming no premium tax	Annuity payments **death benefit amount**	Single payment **death benefit amount**
1	$6,900	$93,100	$102,410	$68,908
2	$7,507	$85,593	$94,152	$66,022
3	$8,592	$77,001	$84,701	$62,401
4	$9,727	$67,273	$74,001	$56,843
5	$8,268	$59,005	$64,905	$49,626
6	$8,268	$50,737	$55,810	$43,561
7	$9,944	$40,793	$44,872	$36,543
8	$11,273	$29,520	$32,472	$27,251
9	$10,950	$18,570	$20,428	$17,471
10	$10,964	$7,607	$8,367	$7,283

Table 4

The calculation of the present value of remaining premium is as follows:

Present value of remaining premium = the total of the present values for each current payment amount.
Present value for a current payment amount = (current payment amount) / (1 + i[1]) ^ (annuity year -1)

[1]i = the interest rate used to calculate the initial current payment amount + 1.0%. In this example, i = 4.44%

Table 4 illustrates the calculation of the single payment death benefit amount of $68,908 if death occurred in annuity year one.

Annuity year	1	2	3	4	5	6	7	8
Current payment amount at time of death	n/a	$6,900	$6,900	$6,900	$6,900	$6,900	$6,900	$6,900
Present value of current payment amount at time of death	n/a	$6,607	$6,326	$6,057	$5,799	$5,553	$5,317	$5,091

Annuity year	9	10	11	12	13	14	15	**Total**	
Current payment amount at time of death	$6,900	$6,900	$6,900	$6,900	$6,900	$6,900	$3,400	**$93,100**	**Remaining premium**
Present value of current payment amount at time of death	$4,874	$4,667	$4,469	$4,279	$4,097	$3,923	$1,851	**$68,908**	**Present value of remaining premium**

Will purchasing this product have any tax consequences?

All or a portion of your annuity payments will be taxed as ordinary income to you. Distributions from this contract before age 59½ may subject you to a 10% federal tax penalty depending upon whether the contract is qualified or nonqualified, the purpose of the distributions and how the payments are structured. Allianz does not provide legal counsel or tax advice, so please consult a legal or tax advisor for further information about the tax consequences of purchasing this contract.

Are there any other important points I should know about annuities like Allianz Command Provider[SM]?

You may not transfer ownership or assign any benefits of this policy. Also, if you are purchasing the Allianz Command Provider to replace an annuity you currently own, compare the two products carefully. The benefits offered by the two products may be different. Keep in mind that you may incur a surrender charge when you cancel your existing annuity to purchase Allianz Command Provider.

I have read the information above. It has been explained to me by the agent. I have also received and read the Allianz Command Provider℠ consumer brochure. I understand that any values shown are not guarantees, promises, or warranties. I understand that I may return my contract within the free look period (shown on the first page of my contract) if I am dissatisfied for any reason.

Owner____ Date________________________

I have presented and provided a signed copy of this disclosure to the owner. I have not made statements that differ from the disclosure form and no promises or assurances have been made about the future values of the contract.

Agent/Registered representative____________________________ Date________________________

Not FDIC insured • May lose value • No bank or credit union guarantee • Not a deposit • Not insured by any federal government agency or NCUA/NCUSIF

Product availability and features may vary by state.

SUBMIT WITH APPLICATION