

Allianz MasterDex 5 PlusSM Annuity

Statement of Understanding

Thank you for considering the Allianz MasterDex 5 Plus Annuity. We want to be sure that you are aware of the features, benefits, costs, and risks associated with the purchase of your contract.

Please read the following summary, and fully discuss each of the aspects of the contract described below with your agent. If you need additional clarification of any of the items listed below, please refer to the annuity contract.

Once you have read this summary, and discussed it completely with your agent, please sign the last page to confirm you understand the contract you are considering.

How does the Allianz MasterDex 5 Plus Annuity work?

The Allianz MasterDex 5 Plus Annuity is a fixed index insurance product. This means interest may be credited to your annuity's value 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, the Nasdaq-100®, the FTSE 100, or a blended index option that contains a predefined mix of domestic and international equity indexes along with a bond index.

Does the Allianz MasterDex 5 Plus Annuity have a bonus?

Yes, the Allianz MasterDex 5 Plus Annuity offers a premium bonus. This means that each time you make a premium payment during the first five contract years, we will add a bonus to your accumulation value. This bonus will equal 5% of each premium payment. Keep in mind that bonus annuities may have a higher surrender charge and a longer surrender charge schedule than you would get from similar annuities without the bonus feature.

How do I choose – and change – the way my annuity's value is allocated?

You can allocate all of your money to any of the index options mentioned above. In addition, when you purchase your annuity you can also divide its value and allocate it (in 1% increments) to any of these options.

Shortly after each contract 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 days after your contract anniversary. This will lock in your request and determine how your contract values are allocated over that contract year. If the form is not received within 21 days after your contract anniversary, your changes will not take effect until the next contract anniversary.

Assuming I allocate my money to an index option, how is interest calculated and credited to my contract?

If you choose the S&P 500, Nasdaq-100, or FTSE 100 option(s), you can choose annual point-to-point and/or monthly sum as your crediting method. If you choose the blended index option, you can choose annual point-to-point and/or monthly average as your crediting method.

Can you describe how annual point-to-point crediting works?

With annual point-to-point crediting, we capture the value of each index on the last business day before your contract is issued. We then capture it exactly one year later (and then on the last business day before each subsequent contract anniversary). We take the current year's index value and subtract the prior year's index value to determine how much the index has changed over that contract year. We then divide that difference by the prior year's index value, to determine the percentage of change that took place during the contract year.

As long as the percentage of change for an index does not exceed its stated annual cap (which we will define later), the indexed interest rate we will credit to your contract will be equal to the year's full percentage of change. If the percentage of change is greater than the annual cap, the annual cap percentage will be the indexed interest rate we will credit to your contract. If the percentage of change for an index is negative, the portion of your contract value allocated to that index option will not lose any value, but it will receive no indexed interest for that year.

Now can you describe monthly sum crediting?

We again start by capturing the value of each index on the last business day before your contract is issued. With monthly sum crediting, however, we capture the index value 12 more times each year, on the last business day before each of your contract's "monthiversaries." If your contract is dated the 14th of the month, for example, your monthiversary will be the 14th of every month throughout the life of your contract.

Each month, we take the current month's index value and subtract the previous monthiversary's index value. We then divide the difference (either positive or negative) by the previous month's index value. This determines the monthly return. For any month in which the monthly return exceeds the monthly cap for that index, the monthly cap percentage will be used to calculate the indexed interest rate you will receive. At the end of each contract year, we total these 12 monthly percentages (whether positive or negative) to determine the indexed interest rate we will credit to your contract for the year.

If the 12 monthly percentages for an index add up to a negative percentage, the portion of your contract value allocated to that index option will not lose any value, but it will receive no indexed interest for that year.

Can you describe how monthly average crediting works?

As is the case with monthly sum crediting, we start by capturing the value of each index on the last business day before your contract is issued. We then capture the index value 12 more times each year, on the last business day before each of your contract's monthiversaries. These 12 values are then added together, and divided by 12 to find the average. We take this average and subtract the starting index value, and then divide that difference by the starting index value to determine the percentage of change that took place during the contract year. Finally we subtract a spread (which we'll define later) from the percentage of change. If still positive, this is the indexed interest rate we will credit to your contract value for that contract year. If the result is negative, the portion of your contract value allocated to that index option will not lose any value, but it will receive no indexed interest for that year.

What are caps and spreads, and how do they affect my contract's potential growth?

A cap is a preset limit on the percentage of indexed growth that we use in calculating any indexed interest we credit to your contract each year. With annual point-to-point crediting, we apply an annual cap. If the percentage of change for an index during a contract year exceeds its annual cap, the annual cap percentage is the indexed interest rate you will receive. With monthly sum crediting, we apply a monthly cap. If the monthly return for an index during a contract month exceeds its monthly cap, the monthly cap percentage is used to calculate the indexed interest rate you will receive.

For monthly average crediting, there is no cap, but there is a spread. A spread is a preset deduction from the percentage of indexed growth that we use to calculate the indexed interest rate we credit to your contract each year. We subtract a spread from the percentage of change to determine the indexed interest rate you will receive.

Annual caps, monthly caps, and spreads for the first contract year are established when you purchase your contract. We may change these caps and spreads on each contract anniversary for the coming contract year. Annual caps will never be less than 1%. Monthly caps will never be less than 0.5%. Spreads will never be more than 12%.

Can I see how these three crediting methods could work?

Shown below are historical S&P 500 index values taken from three recent years. Each year was selected because it showcases the difference in hypothetical indexed interest rates calculated using the three crediting methods. **These examples are for illustration purposes only, to show the varying results obtained when each crediting method is applied to the same index performance.**

Please note: The monthly average crediting method is currently available only for the blended index option.

In each year we sample, one of the crediting methods outperforms the other two. So it is apparent that **no single crediting method offers superior performance under all market index conditions.**

For the three years shown, we show how each crediting method works, using hypothetical (non-guaranteed) caps and spreads. We also state what the indexed interest rates would have been if the caps and spreads were at their "worst case" levels.

Monthly average crediting would have produced the greatest growth in 1998:

End of month	S&P 500 index value	Monthly change	Capped at 0.50%	Capped at 2.60%
Dec	970.43	-	-	-
Jan	980.28	1.02%	0.50%	1.02%
Feb	1049.34	7.04%	0.50%	2.60%
Mar	1101.75	4.99%	0.50%	2.60%
Apr	1111.75	0.91%	0.50%	0.91%
May	1090.82	-1.88%	-1.88%	-1.88%
Jun	1133.84	3.94%	0.50%	2.60%
Jul	1120.67	-1.16%	-1.16%	-1.16%
Aug	957.28	-14.58%	-14.58%	-14.58%
Sep	1017.01	6.24%	0.50%	2.60%
Oct	1098.67	8.03%	0.50%	2.60%
Nov	1163.63	5.91%	0.50%	2.60%
Dec	1229.23	5.64%	0.50%	2.60%
Average	1087.86	Sum	-13.12%	2.50%

If you had selected annual point-to-point crediting:	At 1% cap	At 6.5% cap
Beginning year index value:	970.43	970.43
Ending index value:	1229.23	1229.23
Percentage of change:	26.67%	26.67%
Indexed interest rate:	1.00%	6.50%
If you had selected monthly sum crediting:	At 0.5% cap	At 2.6% cap
Sum of capped monthly returns:	-13.12%	2.50%
Indexed interest rate:	0.00%	2.50%
If you had selected monthly average crediting:	At 12% spread	At 2% spread
Beginning year index value:	970.43	970.43
Average index value:	1087.86	1087.86
Percentage of change:	12.10%	12.10%
Indexed interest rate:	0.10%	10.10%

Monthly sum crediting would have produced the greatest growth in 2004:

End of month	S&P index value	Monthly change	Capped at 0.50%	Capped at 2.60%
Dec	1111.92	—	—	—
Jan	1131.13	1.73%	0.50%	1.73%
Feb	1144.94	1.22%	0.50%	1.22%
Mar	1126.21	-1.64%	-1.64%	-1.64%
Apr	1107.30	-1.68%	-1.68%	-1.68%
May	1120.68	1.21%	0.50%	1.21%
Jun	1140.84	1.80%	0.50%	1.80%
Jul	1101.72	-3.43%	-3.43%	-3.43%
Aug	1104.24	0.23%	0.23%	0.23%
Sep	1114.58	0.94%	0.50%	0.94%
Oct	1130.20	1.40%	0.50%	1.40%
Nov	1173.82	3.86%	0.50%	2.60%
Dec	1211.92	3.25%	0.50%	2.60%
Average	1133.97	Sum	-2.52%	6.98%

If you had selected annual point-to-point crediting:	At 1% cap	At 6.5% cap
Beginning year index value:	1111.92	1111.92
Ending index value:	1211.92	1211.92
Percentage of change:	8.99%	8.99%
Indexed interest rate:	1.00%	6.50%
If you had selected monthly sum crediting:	At 0.5% cap	At 2.6% cap
Sum of capped monthly returns:	-2.52%	6.98%
Indexed interest rate:	0.00%	6.98%
If you had selected monthly average crediting:	At 12% spread	At 2% spread
Beginning index value:	1111.92	1111.92
Average index value:	1133.97	1133.97
Percentage of change:	1.98%	1.98%
Indexed interest rate:	0.00%	0.00%

Annual point-to-point crediting would have produced the greatest growth in 2005:

End of month	S&P 500 index value	Monthly change	Capped at 0.50%	Capped at 2.60%
Dec	1211.92	—	—	—
Jan	1181.27	-2.53%	-2.53%	-2.53%
Feb	1203.60	1.89%	0.50%	1.89%
Mar	1180.59	-1.91%	-1.91%	-1.91%
Apr	1156.85	-2.01%	-2.01%	-2.01%
May	1191.50	3.00%	0.50%	2.60%
Jun	1191.33	-0.01%	-0.01%	-0.01%
Jul	1234.18	3.60%	0.50%	2.60%
Aug	1220.33	-1.12%	-1.12%	-1.12%
Sep	1228.81	0.69%	0.50%	0.69%
Oct	1207.01	-1.77%	-1.77%	-1.77%
Nov	1249.48	3.52%	0.50%	2.60%
Dec	1248.29	-0.09%	-0.09%	-0.09%
Average	1207.77	Sum	-6.96%	0.93%

If you had selected annual point-to-point crediting:	At 1% cap	At 6.5% cap
Beginning year index value:	1211.92	1211.92
Ending index value:	1248.29	1248.29
Percentage of change:	3.00%	3.00%
Indexed interest rate:	1.00%	3.00%
If you had selected monthly sum crediting:	At 0.5% cap	At 2.6% cap
Sum of capped monthly returns:	-6.96%	0.93%
Indexed interest rate:	0.00%	0.93%
If you had selected monthly average crediting:	At 12% spread	At 2% spread
Beginning year index value:	1211.92	1211.92
Average index value:	1207.77	1207.77
Percentage of change:	-0.34%	-0.34%
Indexed interest rate:	0.00%	0.00%

How is interest calculated for the blended index option?

The blended index option is made up of multiple market indexes in fixed percentages, or weights, that will not change during the life of your contract. The indexes (and their weights) are as follows: Dow Jones Industrial Average (35%), Barclays Capital U.S. Aggregate Bond Index (35%), FTSE 100 Index (20%), and Russell 2000 (10%). To calculate the indexed interest rate for the blended index, the percentage of change for each index in the blend is calculated using either the annual point-to-point or the monthly average methods we described previously, and then the percentages are combined according to the weight of each index.

The hypothetical example below shows how the indexed interest rate for the blended index option would be calculated.

	Beginning index value	Ending or average index value	Percentage of change	Weight	Weighted percentage of change
Index 1	2422.70	2589.00	6.864%	X35%	= 2.402%
Index 2	53.65	62.00	15.564%	X35%	= 5.447%
Index 3	2753.20	2633.66	-4.342%	X20%	= -0.868%
Index 4	168.31	189.00	12.293%	X10%	= 1.229%

In this example, the sum of the four bold weighted percentages of change = 8.21%.

Note that, for the annual point-to-point method, an annual cap is

applied to the sum of the weighted percentages of change, not to each individual weighted percentage of change. As long as the sum of the weighted percentages of change for the blended index option does not exceed its stated annual cap, the indexed interest rate we will credit to your contract under the annual point-to-point crediting method will be equal to the year's full weighted percentage of change. If the sum of the weighted percentages of change for the blended index option exceeds the annual cap, the annual cap percentage is the indexed interest rate you will receive under that method. If the sum of the weighted percentages of change is a negative percentage, the portion of your contract value allocated to that index option will not lose any value, but it will receive no indexed interest for that year. For the monthly average crediting method, we will credit the year's full weighted percentage of change minus the spread. If the result after subtracting the spread is negative, the portion of your contract value allocated to that index option will not lose any value, but it will receive no indexed interest for that year.

Can my annuity's value go down due to losses in the index(es) I choose?

No. If the index(es) suffer a loss in any given year, your principal (the money you put into the annuity) is protected. Any interest – fixed or indexed – that has been previously credited is also safe from index losses. However, your annuity's value will be affected by when – and how – you decide to take money out of the contract.

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

Does this annuity have a participation rate?

Yes. The participation rate determines how much of the percentage of indexed growth for an index option will be used to calculate the interest that is 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 cap(s) or the spread(s) for your selected index(es) and crediting methods.

How will I know the value of my annuity contract?

The first thing you should know is that, throughout the life of your annuity contract, the Allianz MasterDex 5 PlusSM Annuity will actually have three separate values. Access to each of these values depends on when – and how – you take money out of the annuity. Those values are the:

- Accumulation value
- Cash surrender value
- Guaranteed minimum value

Accumulation value. The accumulation value equals the premium you pay into the contract, plus a 5% premium bonus and any interest credits earned. Withdrawals and any applicable surrender charges will decrease your contract’s accumulation value.

Cash surrender value. The cash surrender value is your accumulation value minus any applicable surrender charge. The surrender charge applies during the first 10 contract years and may result in the loss of some or all of your premium bonus,

Example 1

Table 1 (Assumes 6.5% annual cap)

End of contract year	Percentage of change	Indexed interest rate	Accumulation value	Surrender charge	Cash surrender value	Guaranteed minimum value
Issue			\$105,000	15.00%	\$ 89,250	\$ 87,500
1	19.5%	6.50%	\$111,825	15.00%	\$ 95,051	\$ 89,250
2	-10.1%	0.00%	\$111,825	15.00%	\$ 95,051	\$ 91,035
3	-13.0%	0.00%	\$111,825	15.00%	\$ 95,051	\$ 92,856
4	-23.4%	0.00%	\$111,825	12.86%	\$ 97,448	\$ 94,713
5	26.4%	6.50%	\$119,094	10.71%	\$106,334	\$ 96,607
6	9.0%	6.50%	\$126,835	8.57%	\$115,963	\$ 98,539
7	3.0%	3.00%	\$130,640	6.43%	\$122,241	\$100,510
8	13.6%	6.50%	\$139,131	4.29%	\$133,169	\$102,520
9	3.5%	3.50%	\$144,001	2.14%	\$140,915	\$104,571
10	-38.5%	0.00%	\$144,001	0.00%	\$144,001	\$106,662

In years 1, 5, 6 and 8, the percentage of change exceeds the assumed annual cap. Therefore, the indexed interest rate in each of those years is equal to the cap of 6.5%.

previously credited interest, and a partial loss of principal. We discuss surrender charges later.

Guaranteed minimum value. In addition to the two values just discussed, we provide a guaranteed minimum value with all fixed annuities. You would receive your contract’s guaranteed minimum value only if it were higher than your contract’s cash surrender value. The guaranteed minimum value equals 87.5% of your total premium, minus any withdrawals, growing at an annual interest rate no less than 2% nor greater than 3%, depending on your selection of indexed allocation options.

Can I see an illustration of the various values associated with my annuity?

The following examples show hypothetical values for an Allianz MasterDex 5 Plus Annuity that was purchased with an initial premium of \$100,000. Example 1 shows 100% of the premium payment allocated to an index option with annual point-to-point crediting, a guaranteed minimum value interest rate of 2%, and no additional premium payments. Table 1 shows an assumed annual cap of 6.5% (nonguaranteed), Table 2 shows guaranteed contract values, which are based on a market index scenario where the indexed interest rate is zero for all contract years. You can track the changes in the \$100,000 initial premium and 5% bonus as they are impacted by the hypothetical changes in the index.

Notice the relationship between the accumulation value and the cash surrender value. You can see that once the contract has completed its 10-year surrender charge period, its accumulation value and cash surrender value are identical. That means that anytime after your 10th contract anniversary, you would be free to cancel your contract and receive your entire accumulation value. The guaranteed minimum value is also listed for your reference.

Table 2 (Guaranteed contract values with an assumed indexed interest rate of 0%)

End of contract year	Percentage of change	Indexed interest rate	Accumulation value	Surrender charge	Cash surrender value	Guaranteed minimum value
Issue			\$105,000	15.00%	\$ 89,250	\$ 87,500
1	–	0.00%	\$105,000	15.00%	\$ 89,250	\$ 89,250
2	–	0.00%	\$105,000	15.00%	\$ 89,250	\$ 91,035
3	–	0.00%	\$105,000	15.00%	\$ 89,250	\$ 92,856
4	–	0.00%	\$105,000	12.86%	\$ 91,500	\$ 94,713
5	–	0.00%	\$105,000	10.71%	\$ 93,750	\$ 96,607
6	–	0.00%	\$105,000	8.57%	\$ 96,000	\$ 98,539
7	–	0.00%	\$105,000	6.43%	\$ 98,250	\$100,510
8	–	0.00%	\$105,000	4.29%	\$100,500	\$102,520
9	–	0.00%	\$105,000	2.14%	\$102,750	\$104,571
10	–	0.00%	\$105,000	0.00%	\$105,000	\$106,662

I see there is a surrender charge. What is it?

The surrender charge is the penalty you pay to surrender (cancel) or withdraw all or part of your contract during the first 10 contract years. The surrender charge starts at 15% of the contract’s accumulation value and it decreases by 0.1786% on each monthiversary beginning in contract year four. On the first day of contract year 11, it will decrease to zero.

This chart details the surrender charges during the first 10 contract years for any withdrawals that are subject to a penalty. If you take a full or partial withdrawal that is subject to a penalty during this time, we will apply the surrender charge shown to your withdrawal.

Beginning of contract year	1	2	3	4	5	6	7	8	9	10	11
Surrender charge	15.00%	15.00%	15.00%	15.00%	12.86%	10.71%	8.57%	6.43%	4.29%	2.14%	0.00%

Note: The above chart shows annual decreases in the surrender charge. Actually, it decreases monthly (at a rate of 0.1786% per month), from year four until day one of contract year 11.

How do I avoid surrender charges?

After 10 contract years you will avoid surrender charges, and you can take your full accumulation value as a lump sum. During the surrender charge period, you can also take penalty-free partial withdrawals (which are described later) from your contract, and no surrender charges or other contract penalties will apply. Regardless of whether a withdrawal is penalty-free or subject to a surrender charge and/or other contract penalty, however, any time you take a withdrawal from your annuity it may be subject to taxes (which are discussed later).

Can I take money out of my annuity without incurring a surrender charge while the contract is in deferral?

Yes. It’s quite possible you will want money from your annuity contract somewhere down the road. But you may not need it all.

We offer a variety of ways you can get some of your money out of your annuity without incurring surrender charges, including:

- Penalty-free partial withdrawals
- Contract loans
- Required minimum distributions
- Our Nursing Home Benefit

How can I take a penalty-free partial withdrawal from my contract?

A penalty-free partial withdrawal will not be subject to a surrender charge, although taxes and tax penalties may apply. A penalty-free partial withdrawal will reduce each of your guaranteed minimum value and accumulation value by the partial withdrawal amount. If the partial withdrawal is not penalty-free, your guaranteed minimum value will be reduced by the partial withdrawal amount and your accumulation value will be reduced by the partial withdrawal amount and any associated surrender change.

To be penalty-free, a partial withdrawal must meet all of the following conditions:

- The partial withdrawal must be taken after the contract anniversary following your most recent premium; and
- The cumulative partial withdrawal amount within a contract year must not exceed 10% of your total premium paid.

We will recalculate any penalty-free partial withdrawal as if it were not penalty-free under certain conditions. We will make this recalculation if, within a contract year after you take a penalty-free partial withdrawal:

- You request a full surrender; or
- You send us additional premium.

Penalty-free partial withdrawals from index allocations are eligible to receive interest at the end of the contract year the withdrawals were taken. This interest is based on the indexed interest rate and the amount of time during that year before each free withdrawal was taken.

What if I need to take a contract loan?

Loans are available on nonqualified annuities and some tax-qualified annuities (TSAs). You can borrow up to 50% of your contract's cash surrender value (up to a \$50,000 maximum). Like any loan, contract loans are subject to an annual interest charge, but they are contract-penalty-free as long as they are repaid with interest. Please note: Loans on nonqualified annuities may be subject to ordinary income tax and tax penalties at distribution.

I understand I may have to take required minimum distributions someday. Does my annuity allow these?

Based on your age (usually 70½ or older) and the tax designation of your contract (IRA, SEP, etc.) you may have to take minimum distribution payments. If they are taken annually in December or monthly throughout the year, required minimum distributions (RMDs) are penalty-free, although they will reduce or eliminate the amount available for other penalty-free partial withdrawals. You may not exceed the annual RMD amount specified by the IRS, which will be based on your age and the value of your contract, without incurring surrender charges. Allianz will only send a required minimum distribution for the contracts you have with us, and only if you request that we do so.

How can your Nursing Home Benefit help me access my money without surrender charges or other contract penalty?

After the first contract anniversary, if you are the contract owner and you become confined to a nursing home for 30 out of 35 consecutive days, your full accumulation value can be paid to you as annuity payments over as little as five years.

How do I avoid surrender charges and get my contract's full accumulation value?

To avoid surrender charges and receive 100% of your annuity's full accumulation value, you must keep the contract in force at least until your 10th contract anniversary – at this point the surrender charge expires. After you have held your contract for at least 10 contract years, then you can take your contract's full accumulation value as a lump-sum payment.

After the fifth contract year you also have the option to take interest-only annuity payments over the next five years, or payments of both principal and interest over a period of at least 10 years. This is what is meant by "annuitization." Once you begin taking your accumulation value as annuity payments, it will no longer receive additional fixed and/or indexed interest.

If you decide not to keep your contract in force for 10 full years, or if you choose an annuity payment option different from those listed below, you will receive your contract's cash surrender value rather than its accumulation value.

Please note: Even when surrender charges are no longer a factor, there may still be tax consequences when you withdraw money from your annuity. See "Are there tax consequences if I withdraw money?" later in this document.

What are my options for receiving annuity payments?

After you keep your contract in deferral for at least five contract years, you can choose to receive annuity payments in any of the following ways.

- Interest only – You have the option to receive interest-only annuity payments for five years. Interest will be paid as earned based on your then-current accumulation value. After five years of taking interest-only payments, you may then take your accumulation value as a lump-sum payment.
- Installments for a guaranteed period – You can choose to receive annuity payments in equal installments for a period from 10 to 30 years. Each installment would consist of part principal and part interest.
- Installments for life – You have the option to receive annuity payments in equal installments for the rest of your life. Payments end upon your death, even if we have paid only one annuity payment at the time you die.
- Installments for life with a guaranteed period – You can choose to receive annuity payments in equal installments for the rest of your life. Upon your death, payments for the balance of the guaranteed period, if any, will be paid to your beneficiary in the same way as they were previously being made.
- Installments for a selected amount – You may select to receive annuity payments in equal installments of an amount that you choose, as long as the payments last for at least 10 years. Payments continue until your accumulation value and interest are gone.
- Joint and survivor – You can select to have equal installments paid until your death with additional payments to your named survivor. In this case, payments to your named survivor would continue until his or her death at 100%, 2/3, or 1/2 of your original installments, based on your selection.

Are there any options for receiving annuity payments before the end of five contract years?

Yes, our Flexible Annuity Option Rider allows you to receive payments based on your accumulation value (**less any applicable bonus and/or interest earned on that bonus**) anytime after the first contract year but before the sixth contract year over a period certain of 10 to 30 years. Or, at higher attained ages as shown in the Flexible Annuity Option Rider you may request this value in equal installments for a period certain of less than 10 years. Each installment will consist of part principal and part interest. There is no charge for this rider.

What happens if I cancel my contract?

That depends on when you cancel it. This contract is designed for people who are willing to hold their contracts for 10 years (or longer), after which they can cancel their annuity contract without penalty and receive its full accumulation value. If you fully (or partially) surrender your annuity contract before its 10th contract anniversary, the amount you receive will be subject to a surrender charge. This could result in the loss of some or all of your premium bonus, previously credited interest, and a partial loss of principal.

Are there any tax consequences if I withdraw money (or surrender my contract)?

Regardless of whether a withdrawal is penalty-free or subject to a surrender charge and/or other contract penalty, anytime you take a withdrawal from your annuity it may be taxed as ordinary income. This includes partial withdrawals and loans. In addition, any amount you withdraw from your annuity prior to age 59½ may be subject to a 10% federal tax penalty. These taxes and tax

penalties may result in a partial loss of principal, as well as a partial loss of any indexed or fixed interest earned previously. Allianz does not provide legal counsel or tax advice, so please consult a tax or legal advisor for further information about tax issues.

Can I add money to my Allianz MasterDex 5 PlusSM Annuity down the road?

Yes. Additional money (or premium) may be added to your annuity at any time within the first five contract years. The additional premium you pay during a contract year will automatically be credited with a 5% bonus and then placed into an interim interest allocation where it will earn fixed interest – guaranteed to be at least 0.5% – until your next contract anniversary. It will then be allocated to your selected index options according to your premium allocation percentages.

How will I know how my contract is doing?

You will receive an annual report following each contract anniversary. This report will show your contract’s current accumulation value, along with its cash surrender value. The annual report will also reflect any premium payments and any surrenders or withdrawals, and will show fixed interest rates, the annual and monthly caps, and spreads for the current contract year.

What happens if I die before annuity payments have begun under my Allianz MasterDex 5 Plus Annuity?

Your beneficiary(ies) will receive the greater of the contract’s accumulation value or its guaranteed minimum value. In either case, they can elect to receive a lump-sum payment or payments over the course of five years (or longer).

Are there any other important points I should know about annuities like the Allianz MasterDex 5 PlusSM Annuity?

If you are purchasing the Allianz MasterDex 5 Plus to replace an annuity you currently own, compare the two products carefully. The benefits and guarantees offered by the two products may be different. Keep in mind that you may incur a surrender charge if you cancel an existing annuity to purchase the Allianz MasterDex 5 Plus. You will also begin a new surrender charge period with your purchase of the Allianz MasterDex 5 Plus. Purchasing the Allianz MasterDex 5 Plus within an IRA or other qualified retirement plan that already provides tax deferral under the Internal Revenue Code results in no additional tax benefit to you. If you are considering the purchase of the Allianz MasterDex 5 Plus in a qualified retirement plan, you should therefore base your decision on its other benefits and features as well as its risks and costs.

I have read the information above. It has been explained to me by the agent. I understand that, during the first 10 contract years, amounts payable under this contract are subject to a surrender charge which may result in a partial loss of premium and the loss of some or all of the bonus and any interest credits earned previously.

I have also received and read the Allianz MasterDex 5 Plus Annuity consumer brochure. I understand that any values shown, other than guaranteed minimum values, are not guarantees, promises, or warranties. I understand that I may return my contract for a full refund 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 _____ Date _____

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