

# Morgan Lewis

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June 8, 2017

Ms. Sara Crovitz  
Deputy Chief Counsel  
Division of Investment Management  
United States Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

SEC  
Mail Processing  
Section  
JUN 08 2017  
Washington DC  
410

Re: Amended and Restated Application for Order of Approval Pursuant to 26(c) – Allianz Life Insurance Company of North America, et al. (File No. 812-14722)

Dear Ms. Crovitz:

Morgan, Lewis and Bockius LLP represents Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, and Templeton Global Advisors Limited (together, the “Advisers”), in their opposition to the exemptive application referenced above. We initially submitted a letter to you, dated May 10, 2017, articulating our concern that the exemptive application filed on December 7, 2016 (the “Original Application”) would involuntarily change in a material and harmful way the variable annuity and variable life contracts that investors in the Allianz Life Insurance Company of North America (“Allianz”) products originally purchased and that the proposed substitutions, including the substitution of several series of the Franklin Templeton Variable Insurance Products Trust (“FTVIPT”), were not consistent with the protection of investors. Allianz subsequently filed an Amended and Restated Application on May 31, 2017 (the “Amended Application”). Having reviewed the revisions made in the Amended Application, we do not believe they address the concerns we previously raised.

The Amended Application revises several aspects of the Original Application, including proposing to substitute sixteen, instead of twenty-three, existing underlying investments. Even with substituting sixteen, instead of twenty-three, existing underlying investments, the same number of annuity and variable life contracts stand to be affected. Of the remaining proposed substitutions, eleven (instead of fifteen) would still replace an unaffiliated, third-party asset manager with a fund managed by Allianz Investment Management LLC, an affiliate of Allianz. Overall, however, it appears that the Amended Application continues to propose substitutions driven by the intent to reduce Allianz’s cost of hedging against the guarantees it sold to contractholders. The benefit to Allianz comes at the expense of each contractholder who will

end up overpaying for a guarantee that is less valuable than the guarantee he/she originally purchased. As a further indication of this driving intent, the Amended Application removes the proposed substitution of the Franklin U.S. Government Securities VIP Fund and the Franklin Rising Dividends VIP Fund, both of which are easily hedgeable and incur lower hedging costs for Allianz.

On balance, the Advisers believe that these changes do not fundamentally address the various concerns previously raised in the May 10 letter, and that granting the proposed substitutions as currently contemplated in the Amended Application would not be in the best interests of contractholders and would not result in the protection of investors as required by the Investment Company Act of 1940. Accordingly, if the Securities and Exchange Commission proceeds to issue a notice of the Amended Application without a satisfactory resolution of the issues presented in the May 10 letter, the Advisers still intend to request a hearing on the Amended Application.

Thank you in advance for considering this submission. If you should have any questions or would like to discuss the contents of this letter, please feel free to call me at 202-373-6725. We would also be happy to set up a time to discuss these issues in person.

Very truly yours,

A handwritten signature in black ink, appearing to read 'T. Harman', with a stylized, sweeping flourish extending to the right.

Thomas S. Harman

cc: The Hon. Jay Clayton, Chairman  
The Hon. Michael S. Piwowar, Commissioner  
The Hon. Kara M. Stein, Commissioner  
David Grim, Director, Division of Investment Management  
Douglas Scheidt, Associate Director and Chief Counsel  
Rick A. Fleming, Office of the Investor Advocate  
Craig S. Tyle, Franklin Templeton Investments  
Karen Skidmore, Franklin Templeton Investments  
Erik T. Nelson, Senior Securities Counsel, Allianz Life Insurance Company of North America  
Chip C. Lunde, Carlton Fields Jorden Burt, LLP