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BY HAND

August 18, 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

Re: Second Amended and Restated Application for an Order of Approval Pursuant to Section 26(c) of the Investment Company Act of 1940 – Allianz Life Insurance Company of North America, et al. (File No. 812-14722)

Dear Ms. Crovitz:

Schiff Hardin LLP represents the Independent Trustees of the Franklin Templeton Variable Insurance Products Trust ("FTVIPT").[1] The Independent Trustees have requested that we submit this letter on their behalf with respect to the second amended and restated application filed by Allianz Life Insurance Company of North America, et al. (collectively, "Allianz") with the Securities and Exchange Commission (the "Commission") on August 4, 2017 (the "Application"). Certain of the mutual funds that are series of FTVIPT (the "Funds") serve as underlying investment options for separate accounts funding variable annuity and variable life contracts issued by Allianz; therefore, the operation and performance of these Funds affect contractowners that have allocated contract value to the insurance company separate accounts that invest in the Funds. The Application requests that the Commission approve the substitution of 14 existing unaffiliated funds, including five of the Funds; nine of the replacement funds are advised by affiliates of Allianz. The Independent Trustees estimate that the proposed substitutions will impact tens of thousands of contractowners with investments approaching $2.4 billion in the Funds.

[1] The Independent Trustees are those members of the board of trustees of FTVIPT who are not "interested persons" as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940.

The Independent Trustees believe that the substitutions as currently proposed would not be in the best interests of contractowners, as investors in the affected Funds, and thus would not result in the protection of investors as required by the Investment Company Act of 1940 (the "1940 Act").[2] Furthermore, the significant decrease in assets in certain Funds as a consequence of the proposed substitutions would result in harm to those Funds and the remaining shareholders, which is also a concern of the Independent Trustees.

We understand that Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, and Templeton Global Advisors Limited, the investment advisers to the Funds (the "Advisers"), also have also submitted letters to the Commission expressing their concerns with the Application and we share the concerns discussed in their letters dated May 10, 2017 and June 8, 2017.

A. The Application Does Not Support a Finding of Best Interests of Contractowners

The Independent Trustees do not believe that the information in the Application supports a finding by the Commission that the proposed substitutions are in the best interests of contractowners and thus consistent with the protection of investors as required by the 1940 Act. The proposed substitutions, for the most part, would replace contractowners' current Fund investment options, which are actively managed by the Advisers as unaffiliated third-party managers, with passive proprietary funds that have a less attractive performance profile. Moreover, the proposed substitutions deprive contractowners of the benefit of the choices they made both when entering into their contracts and when allocating their investments to the Funds. Rather than add proprietary index funds to its menu of available fund options, Allianz seeks to bypass investor choice by requesting that the Commission approve the substitutions. While this move to proprietary investment funds would clearly benefit the insurance company, it is hard to see how the substitutions are in the best interests of the contractowners.

The Commission staff has historically supported the need for higher scrutiny in circumstances where proposals may adversely impact contractowners or shareholders, depending on the context, or deprive them of the benefit of the bargain they sought in making their investments. In 2009, Andrew Donohue, then Director of the Division of Investment Management, raised this benefit of the bargain issue, stating that "[i]nvestors have legitimate expectations that they will get the benefit of the bargain that they struck with an insurer when buying a contract. This is perhaps more important for variable contracts than for other investment vehicles, given the long-term nature of the investment...."[3] Mr. Donohue further noted the particular importance of the investment options for the contracts, noting that "[i]n some

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[2] In this regard, the Independent Trustees are mindful of the Division of Investment Management's directive that, "in the context of a two-tiered variable insurance offering, the finding of benefit to fund shareholders requires the likelihood of a benefit to the individual contractowners, not the insurance company separate account, which is the technical owner of the fund's shares." *American Council of Life Ins.,"* 1996 SEC No-Act. LEXIS 535 (pub. avail. May 30, 1996).

[3] A. Donohue, *"Remarks Before the ALI-ABA Conference on Life Insurance Company Products,"* Washington, DC (Nov. 6, 2009), *available at* https://www.sec.gov/news/speech/2009/spch110609ajd.htm.

cases, the contract was bought – or shall I say sold – on the basis of the investment options available."[4] This support for greater scrutiny was also expressed in 2014 by Norm Champ, the Director of the Division of Investment Management, as he discussed changes being observed by the Commission in the variable products space. He stated that the Commission is "seeking to be proactive in identifying changes in the variable insurance product space, and to ascertain whether such changes raise investor protection concerns, whether they are consistent with existing disclosures and, more fundamentally, whether they constitute a failure on the part of the issuer to honor the letter and the spirit of the bargain struck with investors."[5]

B. A Change to Contractowner Benefits and Protections in the Absence of a Contractowner Vote Should be Carefully Scrutinized

The 1940 Act and rules thereunder support the view that where fundamental aspects of the investment decision made by a contractowner are proposed to be changed, the contractowner should be permitted to vote on the changes or, in cases where the Commission may entertain an application for an order in lieu of a contractowner vote, there should be a high level of staff scrutiny to ensure that the arguments in support of the application provide the necessary evidence to support a finding of investor protection. The Independent Trustees believe that the proposed Fund substitutions deserve the Commission's close attention and should be subject to a high bar for approval given the potential harm to contractowners.

In adopting Section 1(b)(6) of the 1940 Act, Congress recognized the importance of obtaining shareholder consent when making certain changes to an investment. Section 1(b)(6) states: "the national public interest and the interest of investors are adversely affected…when investment companies are reorganized, become inactive, or change the character of their business, or when the control or management thereof is transferred, without the consent of their security holders." Further to this point, Section 8(b) of the 1940 Act requires that an investment company file a registration statement with the Commission containing the information the Commission deems, by rule, "to be necessary or appropriate in the public interest or for the protection of investors." Among other things, Section 8(b) requires that an investment company list those policies that may only be changed upon shareholder approval. Finally, in those instances where the Commission has issued an order permitting an exemption from a 1940 Act provision, such order typically contains conditions intended to protect shareholder interests and board approval is required. These and other provisions demonstrate the importance the 1940 Act and the rules thereunder ascribe to the protection of shareholder interests and the preservation of the "bargain" that each contractowner purchased.[6]

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[4] *Id.*

[5] N. Champ, "*Remarks to the ALI CLE 2014 Conference on Life Insurance Company Products,*" Washington, DC (Nov. 13, 2014), *available at* https://www.sec.gov/news/speech/2014-spch111314-nc.

[6] *E.g.,* in the adopting release for Rule 17a-8 under the 1940 Act [Final Rule: Investment Company Mergers; IC-25666 (July 18, 2002)] the staff of the Commission noted that it had received a comment on its proposing release that acquired fund shareholder approval should be required when the merger would result in a change that, in a context other than a merger, would require a shareholder vote under the 1940 Act. The Commission Staff further noted "[w]e believe such an approach has merit because it would

Allianz seeks an order that would allow it to bypass contractowners yet fundamentally change their financial interests – by changing their current investments and changing their future investment options to funds with different fundamental investment objectives and/or policies than the existing investment options. It proposes to do so without a contractowner vote, or the oversight of a board acting in the interest of the disenfranchised contractowners. Because this Application fails to demonstrate how such an order granting the proposed substitutions is consistent with the protection of investors as articulated above, the Independent Trustees believe it has not met the necessary threshold for approval.

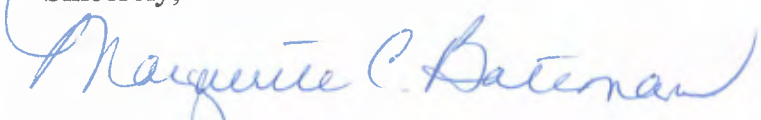
C. The Proposed Substitutions Would Harm Contractowners Substituted out of the Funds as well as Remaining Fund Shareholders

The proposed substitutions would harm not only current contractowners but the impacted Funds and those investors remaining in the Funds. The proposed Fund substitutions would result in significant redemptions from the separate accounts underlying the contracts, nearly $2.4 billion. Such a dramatic decrease in assets could impact the ability of an impacted Fund to follow its current investment strategy and would likely have the result of increasing the expenses of the Fund and, as a result, the costs borne by remaining shareholders. While redemptions occur with regularity, to allow substitutions of this magnitude without due consideration of the broader impact causes the Independent Trustees concern. This impact also is a factor that is relevant to the Commission's assessment of the best interests of contractowners and, ultimately, the protection of all investors in the affected Funds.

* * *

We believe that under Rule 30-5 of the Rules of the Commission this Application "present[s] significant issues that have not been previously settled by the Commission or raise[s] questions of fact or policy indicating that the public interest or the interest of investors warrants that the Commission consider the matter." However, if the staff determines to notice the Application without a satisfactory resolution of the issues presented in this letter, the Independent Trustees intend to request a hearing on the Application on behalf of the Funds. Under Rule 0-5(a) under the 1940 Act, which governs hearing requests, we believe that "a hearing is necessary or appropriate in the public interest or for the protection of investors." We also believe that the Funds would be "interested persons" within the meaning of Rule 0-5 and accordingly meet the other prerequisite for making a hearing request.

Sincerely,



Marguerite Bateman

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preserve important values embodied in the Investment Company Act…." Rule 17a-8, as adopted, does require acquired fund shareholder approval if the merger would result in changes to fundamental objectives and/or other fundamental policies.

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
John Wilson, Lead Trustee, Franklin Family of Funds
Craig S. Tyle, Franklin Templeton Investments
Karen Skidmore, Franklin Templeton Investments
Eric T. Nelson, Senior Securities Counsel, Allianz Life Insurance Company of North America
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