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August 22, 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 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 submitted letters to you on behalf of the Advisers, dated May 10, 2017 and June 8, 2017, articulating their concerns that the exemptive application filed on December 7, 2016 (the “Original Application”) would involuntarily modify 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 multiple series of the Franklin Templeton Variable Insurance Products Trust (“FTVIPT” or the “Funds”), were not consistent with the protection of investors. Allianz subsequently filed an Amended and Restated Application on May 31, 2017 (the “Amended Application”) and a Second Amended and Restated Application on August 4, 2017 (the “Second Amended Application”). We have reviewed the revisions made in the Second Amended Application and we do not believe they address the concerns we previously raised in our letters to you.

While the Second Amended Application reduces the number of proposed fund substitutions from sixteen to fourteen, eleven of the remaining proposed substitutions would still replace an unaffiliated, third-party fund with a fund managed by Allianz Investment Management LLC (“Allianz Management”), an affiliate of Allianz. Thus, the Second Amended Application continues to propose substitutions apparently driven primarily by the revenue that would result from replacing third party funds with proprietary index funds of Allianz Management (which likely includes reducing Allianz’s cost of hedging against the guarantee it sold to

contractholders). For example, Allianz Management stands to gain about \$25 million annually in investment advisory fees.

While the removal of the Templeton Global Bond VIP Fund (a series of FTVIPT) from the Second Amended Application may represent an acknowledgement of the issues previously raised, the removal of this Fund does not fundamentally resolve these issues. In particular, investment decisions made by contractowners, as investors in the affected Funds, and their financial advisors would be unilaterally overturned, resulting in certain FTVIPT funds with long-standing track records of investment success being replaced by proprietary funds with materially shorter track records. For these reasons, among others, granting the proposed substitutions as currently contemplated in the Second Amended Application would not be consistent with the protection of investors or the purposes fairly intended by the Investment Company Act of 1940. If the Securities and Exchange Commission proceeds to issue a notice of the Second Amended Application without a satisfactory resolution of the issues raised in the May 10 and June 8 letters, 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,



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 Jordan Burt, LLP