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September 12, 2019

Ms. Dalia Blass, Director
Division of Investment Management
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Fourth 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. Blass:

Morgan, Lewis & Bockius LLP represents Franklin Advisers, Inc., Franklin Mutual Advisers, LLC and Templeton Global Advisors Limited (together, the “Advisers”), in their opposition to the exemptive application referenced above. We previously submitted letters to Ms. Sara Crovitz, formerly of the Division of Investment Management, 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”) and, upon a review of the revisions made in the Second Amended Application, we submitted another letter to Ms. Crovitz, dated August 22, 2017, in which we stated, on behalf of the Advisers, that we did not believe that the revisions made in the Second Amended Application addressed the concerns that were raised in our previous letters.

Allianz recently filed a Third Amended and Restated Application on May 31, 2019 (the “Third Amended Application”) and a Fourth Amended and Restated Application (the “Fourth Amended Application”) on August 13, 2019. We are hereby submitting this letter, again on behalf of the Advisers, to inform you that we believe that the revisions made in the Third and Fourth Amended Applications do not address the concerns we previously raised in our letters.

The Third and Fourth Amended Applications reduce the number of proposed fund substitutions from fourteen to thirteen, but ten 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 Third and Fourth Amended Applications 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, based on assets as of December 31, 2018, Allianz Management stands to gain about \$12.5 million annually in investment advisory fees. Further, the Third and Fourth Amended Applications do not address the economic effect of the proposed fund substitutions on the contractholders whose assets will remain in the funds after the substitutions occur. We have done a preliminary analysis, and the effect of the proposed substitutions is that some of the funds would experience an increase in their total operating expense ratios and one fund would also lose the benefit of fee breakpoints.

In particular, we note that granting the requested relief would unilaterally overturn the investment decisions of contractowners, as investors in the affected Funds, and their financial advisors, resulting in certain FTVIPT funds with long-standing track records of investment success being replaced by proprietary funds with shorter track records. For these reasons, among others, granting the proposed substitutions as currently contemplated in the Fourth 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 Fourth Amended Application without a satisfactory resolution of the issues raised in the May 10, June 8 and August 22, 2017 letters, the Advisers may find themselves with no option other than 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. Robert J. Jackson, Jr., Commissioner
The Hon. Hester M. Peirce, Commissioner
The Hon. Elad L. Roisman, Commissioner
The Hon. Allison Herren Lee, Commissioner

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