

September 24, 2019

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RE: Allianz Application for Order of Exemption, File No: 812-14722

Ms. Solomon:

As requested, this responds to your request for Allianz Life Insurance Company of North America ("Allianz") to provide certain additional information regarding Allianz's 4th amended and restated substitution application ("Application") (File No. 812-14722) filed on August 13, 2019. Specifically, you asked whether, for each Substitution involving a series of Franklin Templeton Variable Insurance Products Trust ("FTVIPT"), each Destination Fund's total annual operating expenses will be the same or lower than those of the corresponding Target Fund.¹

Analysis of Total Annual Operating Expenses

If the Substitutions are approved, Allianz projects that both the gross and net total annual operating expenses for each Destination Fund will be the same or lower than those of the corresponding Target Fund.

For the net expenses, these conclusions are based on current net fees disclosed in the respective Funds' fee tables (and as shown in Appendix C of the Application). For the gross expenses, these conclusions are based on the following:

Substitution	Reason For Destination Fund Same/Lower Gross Expenses Upon Substitution
Substitution 2	contractual reduction in management fee (see Application footnote 28), and "other expenses" due to assets from substitution (see pro forma below)
Substitution 5	contractual reduction in management fee (see Application footnote 40)
Substitution 6	contractual reduction in management fee (see Application footnote 46)
Substitution 8	currently lower
Substitution 9	currently lower

These conclusions are reflected in commitments stated in the Application, except that the Application does not describe the Substitution 2 Destination Fund's projected reduction in "other expenses" (as this result has not been a condition for substitution applications).² Specifically, the Application states on page 18 as follows:

¹ Proposed Substitutions 2, 5, 6, 8 and 9 involve Target Funds that are series of FTVIPT. In this document, the terms "Destination Fund" and "Target Fund" refer only to the Funds involved in these Substitutions.

² Also, Appendix C of the Application does not show the effect of the expected reduction in "other expenses" that would result from the increase in assets if the substitutions are approved because Form N-1A, Item 3, Instruction 3(d)(iii) does not allow funds to show decreases in operating expenses based on such increases in fund assets.

Except for proposed Substitution 2, the total annual operating expenses (before expense waivers and reimbursements) for each Destination Fund are the same or lower than those of the corresponding Target Fund(s), taking into account for Substitutions 2 through 8 the contractual management fee amendments which will be implemented for each respective Destination Funds on or before the Substitution Date. For all proposed Substitutions, including proposed Substitution 2, each Destination Fund's total net operating expenses will be the same or lower than those of the corresponding Target Fund for at least two years following the Substitution Date. In addition, except for proposed Substitution 7, the management fee for each Destination Fund is the same or lower than those of the corresponding Target Fund(s), taking into account for Substitutions 2 through 8 the contractual management fee amendments.³

The Application also states on page 23 that, "[f]or each Substitution, the combined current management fee and 12b-1 fee of the Destination Fund at **all asset levels** will be no higher than that of the corresponding Target Fund at corresponding asset levels." (Emphasis added.)⁴

The above conditions are consistent with the SEC staff's historical conditions for substitution applications, and are reflected in the fee tables in Appendix C of the Application.

Exhibit A (Current and Pro Forma Expenses)

To help demonstrate Allianz's conclusions, Exhibit A below shows current Fund expenses reflecting current assets, and pro-forma Fund expenses if the Substitutions are approved.⁵

Thank you for your consideration of and assistance with the Application.

Sincerely,



Chip Lunde

cc: Erik Nelson, Esq. (Allianz)

³ In addition, for proposed Substitution 5, the Destination Fund is a funds of funds, and the combined management fee, 12b-1 fee, and estimated acquired fund management and 12b-1 fees for the Destination Fund is lower than the combined management fee and 12b-1 fee for the corresponding Target Fund, taking into account the contractual management fee amendment.

⁴ The management fee breakpoint commitments are reflected in the following footnotes in the Application:

- Substitution 2: footnote 28,
- Substitution 5: n/a (no Target Fund management fee breakpoint),
- Substitution 6: footnote 46,
- Substitution 8: footnote 57, and
- Substitution 9: n/a (Destination Fund's management fee lower than Target Fund's management fee at max breakpoint).

⁵ For readability, Exhibit A compares fees only for one class shares of each Fund. However, the comparative results would be the same for Substitutions involving any other class of shares. As stated in the Application, for all Substitutions involving Franklin Target Funds, "the share class of the Destination Fund is the same as the share class of the corresponding Target Fund(s) with respect to the imposition of Rule 12b-1 fees, or the Destination Fund has a lower such fee or no such fee."

Exhibit A

Proposed Substitution 2⁶

	Target Fund	Destination Fund (Current)	Destination Fund (Pro Forma)
	Templeton Growth VIP Fund, Class 1	AZL MSCI Global Equity Index Fund, Class 1	AZL MSCI Global Equity Index Fund, Class 1
Management Fees	0.79%	0.70% ⁶	0.70% ⁶
Distribution (12b-1) Fees	0.00%	0.00%	0.00%
Other Expenses	0.04%	0.19%	0.10%
Acquired Fund Fees and Expenses	0.00%	0.00%	0.00%
Total Annual Fund Operating Expenses	0.83%	0.89%	0.80%
Fee Waiver/Expense Reimbursement	0.00%	0.39% ⁷	0.39% ⁷
Total Annual Fund Operating Expenses after Fee Waiver/Expense Reimbursement	0.83%	0.50%	0.41%
Management Fee Breakpoints	1.000% up to and including \$100 million; 0.900% over \$100 million up to and including \$250 million; 0.800% over \$250 million up to and including \$500 million; 0.750% over \$500 million up to and including \$1 billion; 0.700% over \$1 billion up to and including \$5 billion; 0.675% over \$5 billion up to and including \$10 billion; 0.655% over \$10 billion up to and including \$15 billion; 0.635% over \$15 billion up to and including \$20 billion; and 0.615% over \$20 billion.	n/a	0.70% on the first \$5 billion, 0.65% on the next \$5 billion, and 0.61% on all assets over \$10 billion.

⁶ If Substitution 2 is approved, the contractual management fee of the Destination Fund will be amended, on or before the Substitution Date, to 0.70% on the first \$5 billion, 0.65% on the next \$5 billion and 0.61% on all assets over \$10 billion.

⁷ The Manager and the Fund have entered into a written agreement reducing the management fee to 0.31% through at least April 30, 2020, after which the fee waiver may be terminated by the Manager or the Fund at any time and for any reason.

Proposed Substitution 5⁸

	Target Fund	Destination Fund (Current)	Destination Fund (Pro Forma)
	Franklin Allocation VIP Fund, Class 2 ⁹	AZL Moderate Index Strategy Fund, Class 1	AZL Moderate Index Strategy Fund, Class 1
Management Fees	0.55%	0.40% ⁸	0.20% ⁸
Distribution (12b-1) Fees	0.25%	0.00%	0.00%
Other Expenses	0.03%	0.02%	0.01%
Acquired Fund Fees and Expenses	0.03%	0.59%	0.59%
Acquired Management Fees¹⁰	n/a	0.28%	0.28%
Acquired Distr. (12b-1) Fees¹¹	n/a	0.25%	0.25%
Total Annual Fund Operating Expenses	0.86%	1.01%	0.80%
Fee Waiver/Expense Reimbursement	0.04% ¹²	0.35% ¹³	0.15% ¹³
Total Annual Fund Operating Expenses after Fee Waiver/Expense Reimbursement	0.82%	0.66%	0.65%
Management Fee Breakpoints	n/a	n/a	n/a

⁸ If Substitution 5 is approved, the contractual management fee of the Destination Fund will be amended, on or before the Substitution Date, to 0.20%.

⁹ Prior to May 1, 2019, this Fund was known as Franklin Founding Funds Allocation VIP Fund and was a fund of funds.

¹⁰ Acquired Management Fees and Acquired Distribution (12b-1) Fees are estimated, based upon data obtained from Morningstar Direct on or about May 25, 2019, using applicable portfolio holdings at December 31, 2018, and applicable fees disclosed in prospectuses current at May 1, 2019.

¹¹ Acquired Management Fees and Acquired Distribution (12b-1) Fees are estimated, based upon data obtained from Morningstar Direct on or about May 25, 2019, using applicable portfolio holdings at December 31, 2018, and applicable fees disclosed in prospectuses current at May 1, 2019.

¹² [Applicable waiver applies through at least April 30, 2020.]

¹³ The Manager and the Fund have entered into a written agreement reducing the management fee to 0.05% through at least April 30, 2020, after which the fee waiver may be terminated by the Manager or the Fund at any time and for any reason.

Proposed Substitution 6¹⁴

	Target Fund	Destination Fund (Current)	Destination Fund (Pro Forma)
	Franklin Income VIP Fund, Class 1	AZL Fidelity Institutional Asset Management Multi-Strategy Fund, Class 1	AZL Fidelity Institutional Asset Management Multi-Strategy Fund, Class 1
Management Fees	0.46%	0.70% ¹⁴	0.43% ¹⁴
Distribution (12b-1) Fees	0.00%	0.00%	0.00%
Other Expenses	0.01%	0.06%	0.04%
Acquired Fund Fees and Expenses	0.02%	0.00%	0.00%
Total Annual Fund Operating Expenses	0.49%	0.76%	0.47%
Fee Waiver/Expense Reimbursement	0.02% ¹⁵	0.30% ¹⁶	0.01% ¹⁶
Total Annual Fund Operating Expenses after Fee Waiver/Expense Reimbursement	0.47%	0.46%	0.46%
Management Fee Breakpoints	0.625% up to and including \$100 million; 0.500% over \$100 million up to and including \$250 million; 0.450% over \$250 million up to and including \$7.5 billion; 0.440 over \$7.5 billion up to and including \$10 billion; 0.430% over \$10 billion up to and including \$12.5 billion; 0.420% over \$12.5 billion up to and including \$15 billion; and 0.400% over \$15 billion.	n/a	0.43% on the first \$20 billion, and 0.40% on all assets over \$20 billion

¹⁴ If Substitution 6 is approved, the contractual management fee of the Destination Fund will be amended, on or before the Substitution Date, to 0.43% on the first \$20 billion and 0.40% on all assets over \$20 billion.

¹⁵ [Applicable waiver applies through at least May 1, 2020.]

¹⁶ [Applicable waiver applies through at least April 30, 2020.]

Proposed Substitution 8¹⁷

	Target Fund	Destination Fund (Current)	Destination Fund (Pro Forma)
	Franklin Strategic Income VIP Fund, Class 2	AZL Fidelity Institutional Asset Management Total Bond Fund, Class 2	AZL Fidelity Institutional Asset Management Total Bond Fund, Class 2
Management Fees	0.61%	0.50% ¹⁷	0.50% ¹⁷
Distribution (12b-1) Fees	0.25%	0.25%	0.25%
Other Expenses	0.06%	0.06%	0.06%
Acquired Fund Fees and Expenses	0.07%	0.00%	0.00%
Total Annual Fund Operating Expenses	0.99%	0.81%	0.81%
Fee Waiver/Expense Reimbursement	0.04% ¹⁸	0.00%	0.00%
Total Annual Fund Operating Expenses after Fee Waiver/Expense Reimbursement	0.95%	0.81%	0.81%
Management Fee Breakpoints	0.625% up to \$500 million; 0.525% over \$500 million up to and including \$1 billion; 0.480% over \$1 billion up to and including \$1.5 billion; 0.435% over \$1.5 billion up to and including \$6.5 billion; 0.415% over \$6.5 billion up to and including \$11.5 billion; 0.400% over \$11.5 billion up to and including \$16.5 billion; 0.390% over \$16.5 billion up to and including \$19 billion; 0.380% over \$19 billion up to and including \$21.5 billion; and 0.370% over \$21.5 billion.	n/a	0.50% on the first \$2.5 billion, 0.40% on the next \$15 billion, and 0.37% on all assets over \$17.5 billion.

¹⁷ If Substitution 8 is approved, the contractual management fee of the Destination Fund will be amended, on or before the Substitution Date, to 0.50% on the first \$2.5 billion, 0.40% on the next \$15 billion, and 0.37% on all assets over \$17.5 billion.

¹⁸ [Applicable waiver applies through at least May 1, 2020.]

Proposed Substitution 9

	Target Fund	Destination Fund (Current)	Destination Fund (Pro Forma)
	Franklin Mutual Shares VIP Fund, Class 1	AZL Russell 1000 Value Index Fund, Class 1	AZL Russell 1000 Value Index Fund, Class 1
Management Fees	0.68%	0.44%	0.44%
Distribution (12b-1) Fees	0.00%	0.00%	0.00%
Other Expenses	0.03%	0.06%	0.06%
Acquired Fund Fees and Expenses	0.01%	0.00%	0.00%
Total Annual Fund Operating Expenses	0.72%	0.50%	0.50%
Fee Waiver/Expense Reimbursement	0.00%	0.08% ¹⁹	0.08% ¹⁹
Total Annual Fund Operating Expenses after Fee Waiver/Expense Reimbursement	0.72%	0.42%	0.42%
Management Fee Breakpoints	0.675% up to \$5 billion; 0.645% over \$5 billion, up to \$10 billion; 0.625% over \$10 billion, up to \$15 billion; 0.595% over \$15 billion, up to \$20 billion; 0.585% over \$20 billion, up to \$25 billion; 0.565% over \$25 billion, up to \$30 billion; 0.555% over \$30 billion, up to \$35 billion; and 0.545% in excess of \$35 billion.	n/a	n/a

¹⁹ [Applicable waiver applies through at least April 30, 2020.]