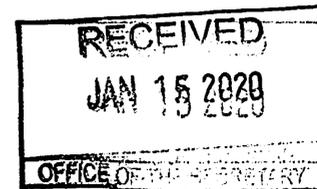


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BY HAND

January 14, 2020

Ms. Vanessa Countryman
Secretary
Office of the Secretary
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549



Re: Support of the Request for a Hearing on the 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. Countryman:

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 in support of the January 14, 2020 request for a hearing made by Franklin Advisers, Inc., Franklin Mutual Advisers, LLC and Templeton Global Advisors Limited (together, the “Advisers”), which serve as investment advisers to certain series of FTVIPT, on the application filed by Allianz Life Insurance Company of North America, et al. (“Allianz”) on December 7, 2016, amended on May 31, 2017, and amended further on August 4, 2017, May 31, 2019 and August 13, 2019, SEC file no. 812-14722 (as amended, 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, if granted by the Securities and Exchange Commission (the “Commission”), would permit the removal of 13 existing unaffiliated funds, including five of the Funds, as underlying investment options and replace them with different funds, ten of which are advised by affiliates of Allianz. The Independent Trustees estimate that

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 proposed substitutions will affect contractowners who, through their allocations to separate accounts, have nearly \$1.91 billion in the Funds, as of December 31, 2018.

The Independent Trustees believe that the substitutions as currently proposed would not be in the best interests of the contractowners, and thus would not result in the protection of investors as required by the Investment Company Act of 1940 (the “1940 Act”).² In particular, the Independent Trustees do not believe that there has been a satisfactory resolution of the issues they raised in their August 18, 2017 letter with respect to whether the proposed substitutions are in the best interests of the contractowners and whether the proposed substitutions would harm contractowners substituted out of the Funds as well as shareholders remaining in the Funds. Accordingly, the Independent Trustees support the Advisers’ request for a hearing and share the concerns discussed in the Advisers’ letter requesting a hearing.

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

As stated in our August 18, 2017 letter, 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. These investment choices that contractowners made with respect to their own retirement planning should not now be unilaterally changed by Allianz. Allianz seeks to change the investment choices of contractowners without a contractowner vote, or the oversight of a board acting in the interest of the disenfranchised contractowners. Allianz represents that contractowners can transfer all or a portion of their contract value to other investment options without regard to whether or not contractowners prefer to remain invested in their current funds. It seems that a granting of the Application results in the protection of Allianz and not the contractowners by replacing independent, third-party funds with funds managed by affiliates of Allianz, resulting in Allianz affiliates receiving new management fees. The Independent Trustees do not believe that it is plausible to maintain that granting the Application, under these circumstances, results in the protection of investors.

Furthermore, Allianz’s actions seem contrary to its position that the proposed substitutions are part of an ongoing effort to make the contracts more attractive to existing and prospective contractowners. Allianz is seeking to replace investment options managed by some of the largest, most reputable asset managers in the industry (such as Blackrock, Franklin Templeton, Fidelity) with investment options managed by Allianz and its affiliates. The Independent Trustees cannot understand how the contracts become “more attractive” to an investor when you replace investment options managed by multiple, highly regarded asset managers with investment options managed solely by Allianz and its affiliates. Further, a far less disruptive and potentially harmful path exists to achieve the stated goals. The Independent Trustees believe that it would be in the best interests of the contractholders for Allianz to offer the new investment options alongside the existing investment options and allow contractowners to continue to make their own investment

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).

choices. Allianz does not need its requested relief granted to offer new funds as additional investment choices for investors. It is inconsistent with the protection of the contractholders to allow the proposed substitutions under these circumstances and to take away the investment options chosen by the contractholders.

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

Also as stated in our August 18, 2017 letter, 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 \$1.91 billion. Such a dramatic decrease in assets could have the result of increasing the expenses of a Fund and, as a result, the costs borne by remaining shareholders.

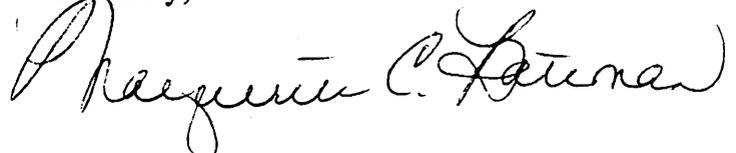
The Independent Trustees note the statement in the notice of application³ that provides that “[t]here is no indication in the legislative history of Section 26(c) that Congress was concerned with the impact of the substitution on the company in which the UIT was invested.”⁴ The Independent Trustees take issue with this statement and believe that the Commission is obligated to take into consideration the interests of *all* investors, including those shareholders who will remain in the Funds. Given the magnitude of the proposed substitutions, the Independent Trustees are concerned that the impact to the remaining shareholders has not been considered in determining whether the proposed substitutions result in the protection of all investors in the affected Funds.

Because Allianz still has not demonstrated how such an order granting the proposed substitutions is consistent with the protection of investors, the Independent Trustees continue to believe Allianz has not met the necessary threshold for approval of the proposed substitutions.

* * *

The Independent Trustees support the request for a hearing made by the Advisers as the Independent Trustees do not believe that the issues presented in this and previous letters to the staff in connection with this matter have been satisfactorily resolved.

Sincerely,



Marguerite Bateman

³ Notice of Application, Investment Company Act Release No. 33721 (Dec. 20, 2019).

⁴ Id.

Ms. Vanessa Countryman

January 14, 2020

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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
Dalia Blass, Director, Division of Investment Management
Paul G. Cellupica, Deputy Director and Chief Counsel, Division of Investment
Management
Rick A. Fleming, Office of the Investor Advocate
Edith E. Holiday, Lead Trustee, Franklin Funds
Alison Baur, Franklin Templeton
Kevin Kirchoff, Franklin Templeton
Eric T. Nelson, Senior Securities Counsel, Allianz Life Insurance Company of
North America
Chip C. Lunde, Carlton Fields, LLP