



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
INVESTMENT MANAGEMENT

September 28, 2018

VIA ELECTRONIC MAIL

RESPONSE OF CHIEF ACCOUNTANT'S OFFICE
DIVISION OF INVESTMENT MANAGEMENT

Stewart Gregg
Allianz Life Insurance Company of North America

Email: stewart.gregg@allianzlife.com

Re: Allianz Life Insurance Company of North America and Allianz Life Insurance Company of New York

By letter dated September 28, 2018, you request authority under Regulation S-X §3-13 (“Rule 3-13”) for each of Allianz Life Insurance Company of North America (“Allianz Life”) and its wholly owned subsidiary, Allianz Life Insurance Company of New York (“Allianz New York” and, with Allianz Life, each a “Company”) to file its audited financial statements prepared in accordance with statutory accounting principles¹ (“SAP”), in place of financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), in registration statements submitted under the Securities Act of 1933 (“Securities Act”) on Form S-1 for certain insurance contracts more particularly described below (the “Contracts”), in satisfaction of the requirements of Items 11(e), 11(f) and 11(g) and Item 16(b) of Form S-1, as described in your letter.

Background

The Companies

You state that Allianz Life is a Minnesota-domiciled stock life insurance company and that Allianz New York, a wholly owned subsidiary of Allianz Life, is a New York domiciled stock life insurance company. You also state that Allianz Life and Allianz New York are wholly owned indirect subsidiaries of Allianz SE, whose stock trades only on the Frankfurt Xetra platform, and for whom the Companies prepare and maintain financial statements and records on an IFRS basis for consolidation with Allianz SE. In addition, you state that Allianz Life and Allianz New York prepare audited GAAP financial statements, but solely for the purpose of including them in the registration statements submitted for the Contracts under the Securities Act on Form S-1.

¹ You note that these principles are those that are prescribed or permitted by the Company’s domiciliary state regulator.

You also state that each Company relies on relief provided by Rule 12h-7 under the Securities Exchange Act of 1934.² In this regard, you note that each Company is subject to supervision, oversight, and examination by state insurance regulators, including regulators in its domiciliary state and each state in which it does business.³ In addition, you note that Allianz Life and Allianz New York also prepare and file audited SAP financial statements with their respective domiciliary states and with the National Association of Insurance Commissioners.⁴

Contracts

You state that the Contracts are structured as a combination of a registered index annuity and a registered variable annuity. The index portion of the annuity is registered on Form S-1, and the variable portion of the annuity is registered on Form N-4.⁵ The registered index annuity portion of this combined contract provides an annual return called a “credit” based on the performance of a referenced securities index. This credit is typically subject to a prescribed limit, which establishes the maximum credit the contract owner can receive in the stated term. The credit may also be subject to a prescribed floor, or buffer, which provides some protection against negative index performance.

In addition, you state that the Contracts do not constitute equity interests in the issuer and are subject to regulation under the insurance laws of Minnesota, in the case of Contracts issued by Allianz Life, and the insurance laws of New York, in the case of Contracts issued by Allianz NY. In addition, you state in this regard that the Contracts would not be listed, traded or quoted on an exchange, alternative trading system, inter-dealer quotation system, electronic

² Rule 12h-7 exempts insurance companies from filing Exchange Act reports with respect to certain specified types of securities that are subject to state insurance regulation and are registered under the Exchange Act if certain other conditions are satisfied. 17 C.F.R. §240.12h-7 (2018).

³ Rule 12h-7(a) and (c) specify that an issuer qualifying under that rule is a corporation subject to the supervision of the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of any State (as defined in the Securities Exchange Act); and files an annual statement of its financial condition with, and is supervised and its financial condition examined periodically by, the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of the issuer's domiciliary State (as defined in that Act). *Id.*

⁴ You state that SAP financial statements that will be filed in registration statements for the Contracts will be audited by an auditor that satisfies the independence standards in Regulation S-X, Article 2, and that is registered with and subject to inspection by the Public Company Accounting Oversight Board.

⁵ Contracts offered by Allianz Life are registered under Securities Act file numbers 333-21703, 333-213125, 333-215103, and 333-222817. The variable annuities with which these Contracts are combined are registered under Securities Act file numbers 333-185866, 333-213127, 333-215105, and 333-222815, respectively, and are offered through Allianz Life Variable Account B (which is registered under Investment Company Act file number 811-05618). Contracts offered by Allianz NY are registered under Securities Act file numbers 333-217304, 333-213126, and 333-215104. The variable annuities with which these Contracts are combined are registered under Securities Act file numbers 333-192949, 333-213128, and 333-215106, respectively, and are offered through Allianz Life of NY Variable Account C (which is registered under Investment Company Act file number 811-05716).

communications network or any other similar system, network, or publication for trading or quoting.⁶

Discussion

You note Rule 3-13 provides that the Commission “may, upon the informal written request of the registrant, and where consistent with the protection of investors, permit the omission of one or more of the financial statements required by Regulation S-X or the filing in substitution therefore of appropriate statements of comparable character.” You assert that SAP financial statements audited by an independent auditor are appropriate statements of a comparable character for the Form S-1 registration statements for the Contracts.

In support of this claim, you assert that SAP financial statements are designed to facilitate regulatory oversight of insurance company solvency statements. Specifically, you state that SAP financial statements contain detailed information about an insurance company’s balance sheet as well as its regulatory capital and surplus, which serve as financial cushions for paying policyholder claims when due, based on the availability of readily marketable assets.

In addition, you assert that purchasers of the Contracts are also likely most interested in financial information relevant to assessing the Companies’ solvency, which is the focus of SAP financial statements.⁷ In this regard, you state that SAP financial statements provide purchasers of the Contracts with this same solvency information, which helps investors assess the Companies’ ability to fulfill their contractual obligations.⁸

Based on the facts and representations set forth in your letter as summarized above, as well as the conditions outlined above, and without necessarily agreeing with all of your analysis, your request for permission under Rule 3-13 for the Company to file SAP financial statements, audited by an independent auditor, in lieu of GAAP financial statements in registration statements filed for the Contracts, as it relates to the accounting basis of those financial

⁶ Rule 12h-7(b) specifies that the securities that would otherwise trigger Exchange Act reporting obligations must not constitute an equity interest in the issuer, and must either be securities subject to regulation under the insurance laws of the domiciliary State of the issuer or guarantees of securities that are subject to regulation under the insurance laws of that jurisdiction. C.F.R. §240.12h-7 (2018). Rule 12h-7(d) further requires that those securities must not be listed, traded, or quoted on an exchange, alternative trading system, inter-dealer quotation system, electronic communications network, or any other similar system, network, or publication for trading or quoting. *Id.*

⁷ You note the Commission had recognized, in proposing variable annuity registration forms, that investors in those products may only be interested in the solvency of the account depositor with respect to the insurance benefits offered in those products by the depositor. *Registration Form for Insurance Company Separate Accounts that Offer Variable Annuity Contracts*, Securities Act Release No. 33-6502 and Investment Company Act Release No. 13689 (December 22, 1983).

⁸ You also note that, while the use of GAAP assists investors in understanding an issuer’s going concern value, investors in the Contracts do not need information regarding the Company’s going concern value since there is no secondary market in the Contracts.

statements only and as described above, is granted.^{9 10}

If you have any questions regarding this letter, please call the Chief Accountant's Office of the Division of Investment Management at (202) 551-6918.

Sincerely,



Alison Staloch
Chief Accountant
Division of Investment Management

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

⁹ The staff notes that it would be receptive to considering applications under Rule 3-13 from other registrants seeking to file SAP financial statements in lieu of GAAP financial statements in registration statements filed for products similar to the Contracts described here, under circumstances similar to those described above.

¹⁰ Our analysis underlying this assurance has been developed in consultation with the staff of the Commission's Office of the Chief Accountant.

Allianz Life Insurance Company of North America

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September 28, 2018

Ms. Alison Staloch

Chief Accountant, Division of Investment Management
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
stalocha@sec.gov

VIA EMAIL

Re: Request for Exemption Pursuant to Rule 3-13 of Regulation S-X

Dear Ms. Staloch:

On behalf of Allianz Life Insurance Company of North America ("Allianz Life") and its wholly owned subsidiary, Allianz Life Insurance Company of New York ("Allianz New York") (Allianz Life and Allianz New York, together, are referred to as "we" or the "Applicants"), we respectfully request that the staff of the Division of Investment Management (the "Staff") advise Applicants that it will permit Applicants to:

File audited financial statements prepared in accordance with statutory accounting principles ("SAP financial statements") prescribed or permitted by its domiciliary state regulator, rather than financial statements prepared in accordance with US Generally Accepted Accounting Principles ("GAAP"), in registration statements filed on Form S-1, pursuant to Items 11(e),(f),(g), and 16(b) of such Form, for certain index-linked annuities (the "Index-linked Annuities") issued by the Applicants.

Index-linked Annuities are a new, innovative retirement product that is attractive to both customers and financial professionals. However, the Applicants believe that the requirement to prepare GAAP financial statements to support these products is a significant impediment to insurers entering this market and engaging in product innovation and developing new products. Allowing issuers to use SAP financial statements rather than GAAP will strengthen the marketplace for annuity products substantially, by reducing accounting costs and eliminating duplicative and burdensome accounting requirements. It also will establish a broader, more robust market for these new products and increase choice for product investors. Further, the ability to use SAP financial statements will have certain beneficial collateral effects that will expedite and streamline annuity product development.

Applicants believe that the Staff has clear authority to issue the requested relief, in accordance with Regulation S-X Rule 3-13. This Rule provides that registrants may be permitted, upon informal written request, to omit or substitute financial statements consistent with the protection of investors. In fact, the Staff has already granted similar relief to use SAP financial statements instead of GAAP financial statements in similar Form S-1 registration statements pursuant to a letter issued to another insurance company issuer in 2016¹.

Applicants further believe that the requested relief is supported both by the Commission's statements of policy inherent in Rule 12h-7, adopted pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), and also by statements of policy pertaining to financial statement reporting that were recently issued by the Chairman of the Commission. In accordance with Rule 12h-7, Applicants' Index-linked Annuities are subject to regulation under the insurance laws of their domiciliary States as required by Rule 12h-7(b), and do not constitute an equity interest in either issuer within the meaning of Rule 12h-7(b).

Applicants believe that for purposes of Index-linked Annuities SAP financials would be of a comparable character to GAAP financial statements, and that because of the distinct nature of the Index-linked Annuities, the use of SAP financial statements would be consistent with investor protection.

Background

Allianz Life is a Minnesota domiciled stock life insurance company. Allianz New York is a wholly owned subsidiary of Allianz Life, and is a New York domiciled stock life insurance company. Applicants issue variable annuities registered on Form N-4, and also variable and Index-linked Annuities, which are registered on both Form N-4 and Form S-1. Allianz Life also issues non SEC-registered fixed index annuities and fixed index life insurance.

IFRS Financial Statements

Allianz Life and Allianz New York are wholly owned indirect subsidiaries of Allianz SE, a European Union holding company based in Munich, Germany. Allianz SE stock trades only on the Frankfurt Xetra² platform, and Allianz SE prepares its financial statements on an IFRS basis³. Because Allianz Life and Allianz New York are wholly owned subsidiaries of Allianz SE, we must also prepare and maintain financial statements and records on an IFRS basis for European

¹ Great-West Life & Annuity Insurance Company, SEC No-Action Letter, 2016 WL 6916155 (November 16, 2016)

² Frankfurt Xetra platform is an electronic trading venue operated by the Frankfurt Stock Exchange. In 2015, 90 percent of trading in shares of all German exchanges was transacted through the Xetra platform.

³ Allianz SE financials are filed with BaFin, the German Federal Financial Supervisory Authority (German: Bundesanstalt für Finanzdienstleistungsaufsicht). BaFin regulates the German insurance industry to ensure minimum capital requirements are met. BaFin recognizes the capital requirements of the United States regulators to be adequate for their purposes and have granted "equivalency," supporting that United States financial statement rules are adequate.

Union regulatory purposes and for consolidation with Allianz SE. Applicants' performance is measured primarily on the basis of IFRS reporting.

SAP Financial Statements

As life insurance companies domiciled in Minnesota and New York, respectively, Allianz Life and Allianz New York also prepare annual and quarterly financial statements in accordance with SAP. These financial statements are prepared in accordance with guidance from the NAIC using SAP accounting principles. The annual SAP financial statements are audited by an independent auditor who meets the requirements set forth in Regulation S-X Article 2. Any annual SAP financial statements that are filed with the Commission as part of a registration statement will be audited by an independent auditor.] This includes the independence requirements as well as the requirement to be registered with the Public Company Accounting Oversight Board ("PCAOB") and subject to PCAOB inspection.

Both Allianz Life and Allianz New York file the annual and quarterly SAP financial statements with their respective domiciliary states (Minnesota for Allianz Life and New York for Allianz New York) and with the National Association of Insurance Commissioners ("NAIC"). State regulators review the annual and quarterly SAP financial statements as part of a comprehensive regulatory regime that focuses on the company's solvency with the goal of ensuring that the company can fulfill its obligations to contract and policy holders. The Applicants' annual and quarterly SAP financial statements are available to the public. Allianz Life and Allianz New York are subject to comprehensive supervision, oversight, and examination by state insurance regulators, including regulators in their domiciliary state and each state in which they do business. In many respects, insurance regulation is a form of "solvency" or "safety and soundness" regulation. To implement this regulatory objective, statutory accounting principles focus on the insurance company's balance sheet and emphasize the company's liquidity.

As part of their solvency regulation, state insurance departments require Applicants to maintain certain levels of capital and surplus at all times and in such forms as are required by state law, so as to provide a margin of safety. To meet these requirements, and also to meet the requirements of rating agencies, Allianz Life currently maintains statutory capital of between \$6 and \$7 Billion. To further protect purchasers of annuity contracts, purchasers in all fifty states receive the benefit of state "guarantee fund" protections.

GAAP Financial Statements

Allianz Life and Allianz New York also prepare audited financial statements prepared on a GAAP basis. These GAAP financial statements are prepared solely for the purpose of including them in the Form S-1 registration statements for Applicants' Index-linked Annuities. Neither Allianz Life nor Allianz New York have any outstanding publicly traded equity or debt securities. While the Applicants issue registered annuities filed on Form S-1 and so are public issuers of securities, we rely on relief provided by Rule 12h-7 under the Exchange Act, and so do not file annual reports on Form 10-K, quarterly reports on Form 10-Q, or current reports on Form 8-K.

In assessing the use of SAP accounting, rather than GAAP, to meet the requirements of the Federal securities laws, it is important to note that there is a significant mismatch in the timing of the publication of the Applicants' SAP and GAAP financials. Pursuant to state insurance laws, the Applicants are required to file their annual SAP financial statements by March 1 of each year. In contrast, the Applicants' GAAP financial statements used in Form S-1 filings are typically not filed until mid-April of each year. What this means is that GAAP financial statements are filed nearly 4-6 weeks after SAP financial statements are filed. At this point the SAP financial statements have been available to and reviewed by regulators, financial services professionals rating agencies, and interested consumers, and when the GAAP financial statements are subsequently published, these financial statements are somewhat stale, and do not provide any significant additional information. For this and other reasons, we believe that SAP financial statements are the financial statements that are primarily used by state regulators, analysts, and rating agencies.

The Index-linked Annuities

The Index-linked Annuities are structured as a combination of a registered index annuity and a registered variable annuity. The index portion of the annuity is registered on Form S-1, and the variable portion is registered on Form N-4. The Index-linked Annuities are sold through a combined prospectus, which meets the requirements of both Form S-1 and Form N-4.

The Index-linked Annuities offer both index-linked investment options⁴ and variable investment options:

⁴ The Index-linked Annuities are registered with the SEC at:

Allianz Life Variable Account B 811-05618

Index Advantage N-4 333-185866

Index Advantage ADV N-4 333-213127

Index Advantage NF N-4 333-215105

Index Advantage Income N-4 333-222815

Allianz Life of NY Variable Account C 811-05716

Index Advantage NY N-4 333-192949

Index Advantage ADV NY N-4 333-213128

Index Advantage NF NY N-4 333-215106

Allianz Life Insurance Co of North America

Index Advantage S-1 333-217303

Index Advantage ADV S-1 333-213125

Index Advantage NF S-1 333-215103

Index Advantage Income S-1 333-222817

Allianz Life Insurance Co of New York

Index Advantage NY S-1 333-217304

Index Advantage ADV NY S-1 333-213126

Index Advantage NF NY S-1 333-215104

- Index-linked investment options provide an annual return called a “credit” based on the performance of a referenced securities index⁵. The credit is typically subject to a prescribed Cap, which establishes the maximum credit the contract owner can receive in a stated term. Amounts withdrawn from Index-linked investment options before the end of a stated term receive a value based on a formula we use to calculate imputed contract value that that we would have applied to the amounts withdrawn had they been held to the end. The credit may also be subject to a prescribed Floor or Buffer, which provides some protection against negative index performance. In general, an index-linked investment option with a Floor or Buffer has a substantially higher Cap and the potential for a substantially higher credit, but it also exposes the contract owner to greater risk. Index-linked investment options in Index-linked Annuities generally offer contract owners the potential for higher returns than what is available in a traditional fixed annuity or a fixed index annuity.
- Applicants’ Index-linked Annuities also offer variable investment options, in the form of insurance product dedicated mutual funds whose performance is passed directly to the contact owner. Variable investment options, like index-linked investment options, offer contract owners the potential for higher returns than traditional fixed annuities or fixed index annuities. In general, variable investment options have more return potential but also have more potential risk than index-linked investment options.

An investor purchasing an Index-linked Annuity is permitted to invest in any or all of the Index-linked investment options and the variable investment options.

Financial Statements contained in registration statements for Index-linked Annuities

Currently, the financial statements for an Index-linked Annuity filed on Form S-1 are prepared on a GAAP basis.

The financial statement requirements for an annuity registered on Form S-1 differ materially from the requirements for other registered annuities, including annuities registered on Form N-4. The Applicants register the variable investment option portion of the Index-linked Annuities on Form N-4, which permits Applicants to file SAP financial statements, rather than GAAP, assuming certain conditions are met. However, this relief only applies if the Applicants do not have to prepare GAAP financial statements for any purpose other than for use in registration statements filed on Forms N-3, N-4 or N-6. Because Applicants prepare GAAP financial statements for the Form S-1 portion of the Index-linked Annuities, the Form N-4 portion of the Index-linked Annuities—and any other variable products registered by the Applicants on Forms N-3, N-4 and N-6—must also include GAAP financial statements.

⁵ Available indices are S&P 500[®] Index, Russell 2000 Index[®], Nasdaq-100[®] Index and EURO STOXX 50[®].

The exception allowing use of SAP financial statements in variable annuity registration statements has been in place since Form N-4 was adopted in 1985⁶. The exception was incorporated into the Form N-6 for variable life insurance policies when that form was adopted in 2002⁷.

If it were not for the index-linked investment options available in the Index-Linked Annuities, Applicants would not be required to prepare GAAP financial statements for any registered security, and therefore, would be eligible to file SAP financial statements in their Form N-4 registration statement filings.

GAAP financial statements do not provide additional financial information valuable to purchasers of Index-linked Annuities that warrants the additional costs and administrative burdens of preparing these financials.

Applicants' ability to fulfill their obligations under the Index-linked Annuities depends on their solvency. While the use of GAAP financial statements assist an investor in determining the going concern value of the insurer, investors do not need this value as there is no secondary market for the Index-linked Annuities. SAP financial statements are designed to facilitate regulatory oversight of insurance company solvency. SAP financial statements provide detailed information about an insurance company's balance sheet and its regulatory capital and surplus, which serve as a financial cushion for paying both current and future contract claims when due based on the availability of readily marketable assets. Consequently, SAP financial statements also provide purchasers of Index-linked Variable Annuity with sufficient information to determine issuer solvency, which helps investors assess Applicants' ability to fulfill their contractual obligations.

As noted above, in a similar context, the SEC already permits the use of SAP financial statements in Form N-3 and N-4 registration statements for variable annuity contracts, and in Form N-6 registration statements for variable life insurance policies, so long as the issuer would not otherwise have to prepare GAAP financial statements. When it proposed Forms N-3 and N-4, along with instructions permitting the use of SAP financial statements, the SEC recognized that the guarantees associated with annuity payments, which are backed by the insurance company's general account, depend on the insurer's solvency, and that investors may not want or need disclosure about the insurer's financial performance⁸. Applicants' ability to fulfill their obligations under the Index-linked Annuities similarly depends on their solvency. Purchasers of Index-linked Annuities are likely most interested in financial information relevant to assessing Applicants' solvency, which is the focus of SAP financial statements. GAAP financial statements

⁶ See Registration Forms for Insurance Company Separate Accounts that Offer Variable Annuity Contracts (Adopting Release), Securities Act Release No. 6588, Investment Company Act Release No. 14575 (June 14, 1985).

⁷ Registration Form for Insurance Company Separate Accounts that Offer Variable Life Insurance Policies (Adopting Release), Securities Act Release No. 8088, Investment Company Act Release No. 25522 (June 1, 2002).

⁸ See Registration Form for Insurance Company Separate Accounts that Offer Variable Annuity Contracts (Proposing Release) Rel. Nos. 33-6502 and IC-13689 (December 22, 1983).

do not provide additional disclosure value that justifies the additional costs and administrative burden of preparing and auditing an additional set of financial statements solely for the purpose of filing Form S-1 registration statements for the Index-linked Annuities.

Furthermore, when providing GAAP relief in Forms N-3, N-4 and N-6, the SEC recognized that alleviating disclosure burden is a legitimate reason to permit the use of SAP financial statements by insurance companies. In the adopting release for Forms N-3 and N-4, the SEC stated that “the use of statutory financial statements is permitted solely to relieve the disclosure burden upon this group of registrants and their sponsoring insurance companies⁹.” We submit that the rationale for providing relief in Form N-4 applies equally to the disclosure burden of preparing and obtaining independent audits of GAAP financial statements solely for inclusion in the Form S-1 registration statements for Index-linked Annuities.

Rule 3-13 of Regulation S-X provides that the SEC “may, upon the informal written request of the registrant, and where consistent with the protection of investors, permit the omission of one or more financial statements required by Regulation S-X or the filing in substitution thereof of appropriate statements of comparable character.” As stated above, we believe that SAP financial statements audited by an independent auditor are of comparable character to GAAP financial statements, and that the use of SAP financial statements rather than GAAP in Form S-1 registration statement filings is consistent with the protection of investors.

Burdens associated with preparation of GAAP Financial Statements

Applicants expend significant resources to prepare and obtain an independent audit of GAAP financial statements for inclusion in the Form S-1 registration statements for the Index-linked Annuities. Currently, the Applicants’ cost to maintain both SAP and IFRS accounting and reporting totals approximately \$20 million annually. The cost of preparing and obtaining an independent audit of GAAP financial statements for inclusion in Form S-1 registration statements for the Index-linked Annuities is estimated to cost an additional \$1.5 million annually.

Pending changes to GAAP will materially increase costs and burdens of preparing GAAP financial statements, particularly for companies that are also preparing IFRS financial statements

Changes to GAAP that either have been issued¹⁰ or, for insurance contracts/policies, are expected to be issued in the next six to twelve months and implemented in the next three to four years, will significantly increase the costs of preparing GAAP financial statements. In

⁹ See Registration Form for Insurance Company Separate Accounts that Offer Variable Annuity Contracts (Adopting Release) Rel. Nos. 33-6588 and IC-14575 (June 14, 1985) at footnote 9.

¹⁰ Update 2016-12, Revenue Recognition (Topic 605), Update 2016-13, Financial Instruments – Credit Losses (Topic 326), Update 2016-02, Leases (Topic 842), Update 2016-01, Financial Instruments – Overall (Subtopic 925-10), and Update 2017-12, Derivatives and Hedging (Topic 815)

addition, these changes will cause IFRS and GAAP accounting principles to diverge further, making the integration of IFRS and GAAP more difficult and increasing the costs of maintaining separate IFRS and GAAP accounting systems.

For Applicants, the most significant accounting changes will result in the use of different measurement models under IFRS and GAAP for financial instruments and insurance contracts/policies. These GAAP changes are expected to cost an additional \$4 to \$6 million and would be avoided if SAP financial statements were able to be used for the product filings described. Modifying Applicants' accounting systems to implement these GAAP changes while also implementing expected IFRS changes over the same period will strain Applicants' internal accounting resources.

Further, it should be noted that the ability to use SAP financial statements will have certain beneficial collateral effects on the product development process, and further reduce product development costs. For example, as noted above, the Applicants do not currently prepare GAAP financial statements on a quarterly basis. This means that, if the Applicants need quarterly financial statements for mid-year product development purposes, they must go through the laborious process of generating "stub" financial statements that they do not otherwise prepare, including any required prior period financial statements. If, however, the Applicants are permitted to use SAP financial statements, quarterly financial statements will already be available with minimal cost and effort, because the Applicants already prepare quarterly SAP financial statements for state insurance filing purposes.

Request for relief allowing use of SAP financial statements in Form S-1 registration statement filings

Preparing and obtaining an independent audit of GAAP financial statements solely for inclusion in Form S-1 registration statements for Index-linked Annuities is costly and burdensome, and does not provide additional information material to investors beyond what is already available in SAP financial statements. Applicants request relief pursuant to Rule 3-13 of Regulation S-X to file SAP financial statements in place of GAAP financial statements.

Authority Supporting Request for Relief

Form N-4 for variable annuities and Form N-6 for variable life insurance policies already provide the relief requested in this letter to variable annuity and life insurance products. Treating insurance products registered on Forms S-1 or S-3 differently from variable insurance products registered on Forms N-3, N-4 and N-6 is not founded on public policy or investor protection. This different treatment of insurance products results in a sort of unintended "regulatory arbitrage", which unfairly favors certain companies and types of insurance products.

Rule 3-13 of Regulation S-X provides that the SEC "may, upon the informal written request of the registrant, and where consistent with the protection of investors, permit the omission of one or more financial statements required by Regulation S-X or the filing in substitution thereof

of appropriate statements of comparable character.” For the reasons explained above, we believe that SAP financial statements audited by an independent public accountant are of comparable character to GAAP financial statements, and that the use of SAP financial statements rather than GAAP in Form S-1 registration statement filings is consistent with the protection of investors.

In Exchange Act Rule 12h-7, the Commission adopted a rule that, based in large part upon the extensive consumer protections contained in state insurance laws, broadly exempts issuers of registered insurance company products from the status of “public company.” Rule 12h-7 relieves an insurance company that issues insurance products registered under the Securities Act from the requirement to file reports on Forms 10-K, 10-Q, or 8-K unless the company also issues other types of non-insurance product registered securities. This relief reflects a determination by the Commission that certain generally applicable disclosure requirements imposed by federal securities laws need not apply to registered insurance products, which are subject to comprehensive state regulation.

The Applicants have relied upon the provisions of Rule 12h-7 for a number of years. The Applicants originally began relying upon the Rule for variable annuity products in May of 2009. Subsequently, when the Applicants began issuing registered Index-linked Annuities in September of 2013, they relied upon the Rule for those products. In accordance with the provisions of the Rule, Allianz Life and Allianz New York are corporations subject to the supervision of the insurance commissioners of Minnesota and New York, respectively. The Index-linked Annuities do not constitute an equity interest in the issuer, and are subject to regulation under the insurance laws of the Applicants’ domiciliary states. The Applicants file an annual statement of financial condition with, and are supervised and their financial condition is examined periodically by, the insurance commissioners of their domiciliary states. The Index-linked Annuities are not listed, traded, or quoted on an exchange, alternative trading system, inter-dealer quotation system, electronic communications network, or any other similar system, network, or publication for trading or quoting. The Applicants have taken steps reasonably designed to assure a secondary trading market does not develop.

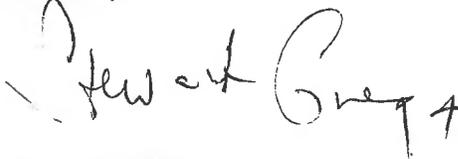
SEC Chairman Jay Clayton has publicly acknowledged that the Commission’s rules may require public companies to make disclosures that are burdensome to produce but are not material to the total mix of information available to investors, and because of this unnecessary burden it may be appropriate for the Commission to issue relief under Rule 3-13 of Regulation S-X¹¹. We believe that preparing GAAP financial statements solely for inclusion in Form S-1 registration statements, when we already prepare financial statements on an IFRS and SAP basis, presents such a circumstance.

¹¹ Remarks of SEC Chairman Jay Clayton at the Economic Club of New York (July 12, 2017).

For the foregoing reasons, Applicants respectfully request that pursuant to the SEC's authority in Rule 3-13 of Regulation S-X, the Applicants be permitted to file SAP financial statements rather than GAAP financial statements in Form S-1 registration statements for the Index-linked Annuities.

Thank you for your attention to this matter. Please contact me at 763-765-2913 if you need additional information or have any questions concerning this request.

Sincerely,

A handwritten signature in black ink that reads "Stewart D. Gregg". The signature is written in a cursive, flowing style.

Stewart D. Gregg
Senior Securities Counsel