

**Allianz Life Insurance Company
of North America**
5701 Golden Hills Drive
Minneapolis, MN 55416

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May 15, 2008

Susan Ezalarab, CIE, CPCU, FLMI
Director, Bureau of Market Regulation
Office of the Commissioner of Insurance
State of Wisconsin
125 South Webster
Madison, WI 53707-7873

Re: ALLIANZ LIFE INSURANCE COMPANY OF NORTH
AMERICA MARKET CONDUCT EXAMINATION REPORT

Dear Ms. Ezalarab:

Allianz Life Insurance Company of North America (Allianz) is in receipt of the April 28, 2008 order of the Office of the Insurance Commissioner (OCI) based on recommendations included in the market conduct examination report (the Report) dated July 26, 2005. As we have discussed, enhancements were made to Allianz's compliance program after OCI completed its market conduct examination field work but before the company received the draft report, resulting in conformity with numerous recommendations in this report. In addition, Allianz has initiated or is in the process of initiating remedial measures based on the remaining recommendations in the Report. The following information describes the status of Allianz's compliance with the recommendations. All required remedial action plans and a detailed explanation of all corrective actions taken in response to the recommendations will be submitted to OCI within ninety (90) days of the date of the Order.

Marketing, Sales and Advertising

1. It is recommended that the Company's advertisements, numbers FLA 195, FLA 270, FLA 531, FLA 119, AND FLA 467, and all of the Company's other advertisements which show a specific rate of return on premiums or cash values shall also show, in close proximity thereto and with equal prominence, the guaranteed rate of interest paid on the cash value in order to comply with s. Ins 2.16(24), Wis. Adm. Code.

RESPONSE: The cited advertisements are no longer in use. In October 2006, Allianz implemented advertising guidelines that do not allow advertisements to show a specific rate of return.

2. It is recommended that the Company develop and implement a process to communicate to its agents, the Company's desire that agents participate in the company's suitability training, and track those agents who do not complete the training so that the Company can again encourage completion. It is further recommended that the Company maintain records of those agents who have and have not completed the Company's suitability training, and make such records, including the total number of agents who have and have not completed such training, available to the Commissioner upon request, in order to comply with s. 628.347 (3), Wis. Stat.

RESPONSE: Allianz products are sold by an independent agent force. In January 2008, Allianz launched its eLearning Center, which offers web-based training modules on the company's agent website on the topics of suitability, disclosure and replacements. The training is optional. Allianz has promoted this training via email, regular mail and conference calls and will continue to send out periodic reminders encouraging agents to take advantage of this training opportunity.

Allianz maintains records of those agents who have participated in this training, but reporting on that information is currently a manual process. The Company is developing a more robust reporting system, which it anticipates will be functional by the end of this year.

Consumer Complaints

3. It is recommended that the Company develop and implement a more consistent and thorough internal review process of all complaints against appointed agents involving misrepresentation, misappropriation/forgery and unsuitability of sale, and that a systematic and documented process be established by the Corporate Compliance Department to oversee complaint handling to assess the competence

and trustworthiness of the Company's agents as required in s. Ins. 6.59(5), Wis. Adm. Code and in order to comply with s. 628.347(3), Wis. Stat.

RESPONSE: Allianz is presently developing an enhanced internal complaint review process in order to provide greater oversight of the complaint handling function. The new oversight process will provide heightened review of these types of complaints, including those specifically mentioned.

4. It is recommended that the Company amend its complaint handling procedures so that three or more complaints of any kind against an agent will be reviewed by the Corporate Compliance Department for appropriate disposition, in order to comply, in part, with s. 628.347 (3), Wis. Stat.

RESPONSE: Since 2006, the Company has conducted periodic reviews on agents identified as having two or more justified complaints in a rolling twelve month period. An annual review is also conducted on those agents with the highest number of complaints in the previous year. In addition, the Company recently implemented a program to provide a holistic, risk based approach to reviewing agents and their sales practices. This approach utilizes objective criteria and fosters risk based decisions regarding agents who are identified through this process. Home office and insurance department complaints are two of the criteria that we use in the program. This enables us to review complaint history for agents throughout the year as we complete risk based reviews.

New Business

5. It is recommended that the Company amend the Product Suitability Form, NB 3051, to include a question disclosing the amount of the surrender charge, if any, the applicant will incur if an existing life or annuity policy is surrendered to fund the new annuity, to better comply with the requirements of s. 628.347 (2)(b), Wis. Stat .

RESPONSE: Allianz added questions regarding surrender charges to the form in December 2006.

6. It is recommended that the Company develop and implement a process to ensure that all questions on the Product Suitability Form, NB3051 are answered and complete, and that they are reviewed for inconsistencies as required by its own Company procedures and the requirements of s. 628.347, Wis. Stat.

RESPONSE: The collection of product suitability form responses was automated on August 1, 2005, which helps assure that all questions are answered and complete. The system also applies Company designed business rules to the Product Suitability Form and application form information to stop the processing

of a sale where there is a question of suitability. These cases are referred to an elevated review team for further evaluation before the policy can be issued.

7. It is recommended that the Company establish and implement a procedure to ensure it is in compliance with its own Company procedures and s. Ins 2.07(5)(a) 4. a., Wis. Adm. Code which requires the Company to obtain with the application a copy of the Important Notice when replacement is indicated on the application.

RESPONSE: The Company believes that copies of the Important Notice were obtained with applications, but in some cases were misfiled or lost due to human error. Since early 2004 all new business paperwork has been imaged upfront as soon as the application is received. This procedure has substantially reduced the potential for documents such as the Important Notice to be lost or misfiled.

8. It is recommended that the Company establish and implement a procedure to ensure it is in compliance with its own Company procedures and s. Ins 2.07(5)(a) 4. b., Wis. Adm. Code which requires the Company to mail a notice of possible replacement to the company being replaced within 5 days of receipt of the application.

RESPONSE: Training sessions were conducted on March 30 and 31, 2006 for the New Business/Transfer & Exchange Department. These sessions reviewed all the requirements necessary to comply with the regulations for replacement processing, including which forms were to be sent to the replaced insurer, the need for sending the notification within five days of receipt of the application and recording the replacement information appropriately into the Replacement Database. Each representative was then tested on the information to assure that the information presented was complete and understood. This is an ongoing process, as we continue to train new employees and give refresher training to our experienced representatives to assure compliance and consistency with replacement regulations.

Allianz would like to draw your attention to Page 19 of the Report, which states, "The Company does not allow agents to submit fixed annuity business to the company electronically, and currently has no plans to do so." The Company's plans regarding electronic submissions have changed. Allianz is currently working on implementing an e-application for its fixed annuity products.

Producer Licensing

9. It is recommended that the Company develop and implement a process to ensure that it has submitted an application for agent appointment to OCI for each agent who it intends to have represent the company, and before the Company accepts any business from the agent as required by ss. Ins. 6.57(1) and (5), Wis. Adm. Code.

RESPONSE: Since the examiners conducted this review, several processes have been changed to ensure that agent appointment applications are submitted and to prevent business from being issued before the agent is appointed. The systems used to monitor an agent's pending business have been enhanced to prevent business from being issued if the agent is not appointed and if the agent information is not current or correct.

10. It is recommended that the Company develop and implement a process to provide all agents whose appointment to represent the Company has been terminated, a written notice stating that the agent is no longer a representative of the company, and requesting that the agent return to the Company all indicia of agency as required by s. Ins. 6.57(2), Wis. Adm. Code.

RESPONSE: In order to eliminate the human errors made, in August 2005 a Quality Assurance Program was implemented. One component of this program is an audit of the agent appointment process to identify and resolve any noncompliance with Allianz procedures or state regulations. A second component is a review of files to assure appropriate documentation has been sent to the agents. This Program has enhanced our process to ensure that all agents will receive written notice that they are no longer representing the Company.

We appreciate this opportunity to discuss Allianz's efforts to address concerns raised during the 2005 Market Conduct Examination. We will provide additional correspondence within ninety (90) days of the adoption date of the report to specifically describe how Allianz has complied with each recommendation. Please do not hesitate to contact me if you should have any questions or concerns with this information.

Sincerely,



Rebecca Huerta
Compliance Senior Director