

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-28369; File No. 812-13451]

Allianz Life Insurance Company of North America, et al.

August 28, 2008

Agency: Securities and Exchange Commission (the “Commission”).

Action: Notice of application for an order of approval pursuant to Section 26(c) of the Investment Company Act of 1940, as amended (the “1940 Act”), and an order of exemption pursuant to Section 17(b) of the Act from Section 17(a) of the Act.

Applicants: Allianz Life Insurance Company of North America (“Allianz Life”), Allianz Life Variable Account A (“Allianz Account A”), Allianz Life Variable Account B (“Allianz Account B”), Allianz Life Insurance Company of New York (“Allianz NY” and together with Allianz Life, “Insurance Company Applicants”), and Allianz Life of NY Variable Account C (“Allianz Account C” , and together with Allianz Account A and Allianz Account B, “Separate Accounts” and, collectively with Insurance Company Applicants, “Applicants”), and Allianz Variable Insurance Products Trust (“VIP Trust” and collectively with Applicants, “Section 17 Applicants”).

Summary of Application: Applicants seek an order pursuant to Section 26(c) of the 1940 Act, approving the substitutions of certain securities (the “Substitutions”) issued by certain management investment companies and held by Separate Accounts to support certain variable annuity contracts and variable life insurance contracts (the “Contracts”) issued by Insurance Company Applicants. Section 17 Applicants seek an order pursuant to Section 17(b) of the 1940 Act exempting them to the extent necessary to permit Insurance Company Applicants to carry out the Substitutions.

Filing Date: The application was originally filed on November 19, 2007 and amended on August 27, 2008.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Secretary of the Commission and serving Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on September 18, 2008, and should be accompanied by proof of service on Applicants and VIP Trust in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the requester's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Secretary of the Commission.

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090. Applicants and VIP Trust, Allianz Life Insurance Company of North America, 5701 Golden Hills Dr., Minneapolis, MN 55416-1297; Allianz Life Insurance Company of New York, One Chase Manhattan Plaza, 37th Floor, New York, NY 10005-1423; Allianz Variable Insurance Products Trust, 5701 Golden Hills Dr., Minneapolis, MN 55416-1297.

For Further Information Contact: Craig Ruckman, Law Clerk, at (202) 551-6753 or Harry Eisenstein, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 551-6795.

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee from the Public Reference Branch of the Commission, 100 F Street, NE, Washington, DC 20549 (202-551-8090).

Applicants' Representations:

1. Allianz Life is a stock life insurance company organized under the laws of the state of Minnesota. Allianz NY is a stock life insurance company organized under the laws of the state of New York.

2. Allianz Account A is registered as a unit investment trust under the 1940 Act (File No. 811-04965) and is used to fund certain variable life insurance policies issued by Allianz Life. Allianz Account A is divided into a number of subaccounts, each of which invests in and reflects the investment performance of a specific underlying registered investment company or portfolio thereof (each an "Investment Option"). Three variable life insurance contracts funded by Allianz Account A are affected by this application.

Allianz Account B is registered as a unit investment trust under the 1940 Act (File No. 811-05618) and is used to fund certain variable annuity contracts issued by Allianz Life. Allianz Account B is divided into a number of subaccounts, each of which invests in and reflects the investment performance of a specific Investment Option. Fourteen variable annuity contracts funded by Allianz Account B are affected by this application.

Allianz Account C is registered as a unit investment trust under the 1940 Act (File No. 811-05716) and is used to fund certain variable annuity contracts issued by Allianz NY. Allianz Account C is divided into a number of subaccounts, each of which invests in and reflects the investment performance of a specific Investment Option. Six variable annuity contracts funded by Allianz Account C are affected by this application.

3. For purposes of the 1940 Act, Allianz Life is the depositor and sponsor of Allianz Account A and Allianz Account B, and Allianz NY is the depositor and sponsor of Allianz Account C, as those terms have been interpreted by the Commission with respect to variable

annuity and variable life insurance separate accounts. Each Separate Account meets the definition of a “separate account” in Rule 0-1(e) under the 1940 Act.

4. The Contracts allow contractowners to allocate premium payments and transfer Contract value among the various subaccounts of the Separate Accounts. Of the 12 Contracts with effective and updated registration statements, eight offer all 78 Investment Options that are available under the Separate Accounts, two offer 74 Investment Options, one offers 73 Investment Options, and one offers 64 Investment Options. Two of these Contracts (known as Allianz Alterity and Allianz Rewards) have restrictions on the allocations that contractowners may make to the Investment Options if they select the optional Prime Plus Benefit. Under these Contracts, when certain risk or volatility limits are exceeded, allocations and transfers to certain Investment Options, including each of the Replaced Funds (as defined below), are limited or prohibited. The limits on allocations and transfers to the Replacement Funds (as defined below) under the Prime Plus Benefits are, and will be, no more restrictive than on the associated Replaced Funds.

In most instances, up to 12 transfers may be made during each year free of charge (the year is measured by the date of issuance of the Contract). Under these Contracts, Insurance Company Applicants have reserved the right to charge a \$25 fee (or the lesser of \$25 or 2% of the amount transferred for certain Contracts) for each transfer in excess of 12 per Contract year. Since the Contracts are not designed for professional market timing organizations, or other persons using programmed, large, or frequent transfers, Insurance Company Applicants have reserved the right to restrict transfer activity that they determine to be excessive or inappropriate.

5. Under the Contracts, Insurance Company Applicants reserve the right, subject to regulatory approval, to substitute one of the Investment Options with another Investment Option

after appropriate notice. Moreover, the Contracts permit Insurance Company Applicants to limit allocation of purchase payments to one or more subaccounts that invest in an Investment Option. The prospectuses or statements of additional information for the Contracts also contain appropriate disclosure of these rights. Thus, subject to regulatory approval, the Contracts permit Insurance Company Applicants to stop accepting purchase payments into one or more Investment Options and/or to substitute the shares representing an Investment Option held in a subaccount for the shares representing another Investment Option.

6. The Contracts are variable annuity contracts and variable life insurance policies. Allianz Life currently issues individual deferred variable annuity contracts and has previously issued immediate variable annuity contracts and variable life insurance policies. Allianz NY issues individual deferred variable annuity contracts offered for sale in New York.

7. Currently, Allianz Life has the following registration statements which are effective and updated with the Commission for Contracts sponsored by Allianz Account B that offer the Replaced Funds as Investment Options:

Separate Account	Registration No.	Contract Name	Type of Contract
Allianz Account B	333-82329	Allianz Alterity	Variable Deferred Annuity
Allianz Account B	333-90260	Allianz High Five	Variable Deferred Annuity
Allianz Account B	333-111049	Allianz High Five Bonus	Variable Deferred Annuity
Allianz Account B	333-120181	Allianz High Five L	Variable Deferred Annuity
Allianz Account B	333-95729	Allianz Rewards	Variable Deferred Annuity
Allianz Account B	33-23035	Valuemark II	Variable Deferred Annuity
Allianz Account B	33-72046	Valuemark III	Variable Deferred Annuity
Allianz Account B	333-06709	Valuemark IV	Variable Deferred Annuity

8. In addition, Allianz Life has the following registration statements that are effective, but no longer updated, for older Contracts sponsored by Allianz Account A and Allianz Account B that are no longer offered for sale and offer the Replaced Funds as Investment Options:

Separate Account	Registration No.	Contract Name	Type of Contract
Allianz Account B	333-126217	Allianz Custom Income	Variable Deferred Annuity

Separate Account	Registration No.	Contract Name	Type of Contract
Allianz Account B	333-134267	Allianz Elite	Variable Deferred Annuity
Allianz Account A	33-11158	Allianz ValueLife	Flexible Premium Variable Universal Life
Allianz Account B	333-63719	USAllianz Charter	Variable Deferred Annuity
Allianz Account B	333-101812	USAllianz Charter II	Variable Deferred Annuity
Allianz Account B	333-47886	USAllianz Dimensions	Variable Deferred Annuity
Allianz Account A	333-60206	USAllianz LifeFund	Flexible Premium Variable Universal Life
Allianz Account B	33-76190	Valuemark Income Plus	Variable Immediate Annuity
Allianz Account A	33-15464	Valuemark Life	Single Premium Variable Life

9. Currently Allianz NY has the following registration statements which are effective and updated with the Commission for Contracts sponsored by Allianz Account C that offer the Replaced Funds as Investment Options:

Separate Account	Registration No.	Contract Name	Type of Contract
Allianz Account C	333-19699	Allianz Advantage NY	Variable Deferred Annuity
Allianz Account C	333-105274	Allianz Charter II NY	Variable Deferred Annuity
Allianz Account C	333-124767	Allianz High Five NY	Variable Deferred Annuity
Allianz Account C	333-75718	Allianz Opportunity NY	Variable Deferred Annuity

10. In addition, Allianz NY has the following registration statements that are effective, but no longer updated, for older Contracts sponsored by Allianz Account C that are no longer offered for sale and offer the Replaced Funds as Investment Options:

Separate Account	Registration No.	Contract Name	Type of Contract
Allianz Account C	33-26646	Valuemark II NY	Variable Deferred Annuity
Allianz Account C	333-19699	Valuemark IV NY	Variable Deferred Annuity

11. Applicants propose to substitute certain classes of shares of the AZL Jennison 20/20 Focus Fund, AZL S&P 500 Index Fund, and AZL Small Cap Stock Index Fund (each a “Replacement Fund” and collectively the “Replacement Funds”) for certain classes of shares of the corresponding funds listed in the table below (each a “Replaced Fund” and collectively the “Replaced Funds”) currently held by the Separate Accounts.

Replacement Fund (Subadviser)	Share Class(es)	Replaced Fund (Adviser/Subadviser)	Share Class(es)
AZL Jennison 20/20 Focus Fund (Jennison Associates LLC)	Class2	Jennison 20/20 Focus Portfolio (Prudential Investments LLC/Jennison Associates LLC)	Class 2
AZL S&P 500 Index Fund (The Dreyfus Corporation)	Class 1 Class 2	Dreyfus Stock Index Fund, Inc. (The Dreyfus Corporation)	Initial Service
AZL Small Cap Stock Index Fund (The Dreyfus Corporation)	Class 2	Dreyfus Investment Portfolios Small Cap Stock Index Portfolio (The Dreyfus Corporation)	Service

12. Each Replacement Fund is a series of the VIP Trust, a Delaware business trust. The VIP Trust is registered as an open-end management investment company under the 1940 Act (File No. 811-9491) and its shares are registered as securities under the Securities Act of 1933, as amended (the “1933 Act”) (File No. 333-83423).

13. Each of the Replacement Funds, as well as all other funds offered by the VIP Trust, is managed by Allianz Investment Management LLC (“AZIM”), a wholly owned subsidiary of Allianz Life. AZIM is registered as an investment adviser with the Commission pursuant to the Investment Advisers Act of 1940 (File No. 801-60167).

14. The AZL Jennison 20/20 Focus Fund is assessed a 12b-1 fee at an annual rate of 0.25% of average daily net assets, which is the maximum 12b-1 fee permitted under its distribution plan. Class 1 shares of the AZL S&P 500 Index Fund are not assessed a 12b-1 fee, while Class 2 shares of the AZL S&P 500 Index Fund are assessed a 12b-1 fee at an annual rate of 0.25% of average daily net assets attributable to Class 2 shares, which is the maximum 12b-1 fee permitted under its distribution plan. The AZL Small Cap Stock Index Fund is assessed a 12b-1 fee at an annual rate of 0.25% of average daily net assets, which is the maximum 12b-1 fee permitted under its distribution plan.

15. Under the terms of a “manager of managers” exemptive order issued by the Commission pursuant to Section 6(c) of the 1940 Act, Investment Company Act Release No. 25734 (September 17, 2002), AZIM selects and manages subadvisers for the various series of the VIP

Trust, subject to the oversight of the Board of Trustees of the VIP Trust, without obtaining shareholder approval (the “Manager of Managers Order”). The relief granted in the Manager of Managers Order extends to all of the Replacement Funds. The Replacement Funds are offered to contractowners via prospectuses containing disclosure (1) describing the existence, substance, and effect of the Manager of Managers Order; (2) holding the Replacement Funds out to the public as employing the management structure described in the application for the Manager of Managers Order; and (3) explaining that AZIM has the ultimate responsibility (subject to oversight by the Board of Trustees of the VIP Trust) to oversee the subadvisers and recommend their hiring, termination, and replacement. The Replacement Funds’ prospectuses will be provided to each affected contractowner prior to the Substitutions.

16. The Dreyfus Investment Portfolios Small Cap Stock Index Portfolio (“Dreyfus IP Small Cap Stock Index Portfolio”) is a series of Dreyfus Investment Portfolios (“Dreyfus IP”). Service shares of the Dreyfus IP Small Cap Stock Index Portfolio are assessed a 12b-1 fee at an annual rate of 0.25% of average daily net assets, which is the maximum 12b-1 fee permitted under its distribution plan.

Initial shares of the Dreyfus Stock Index Fund, Inc. are not assessed a 12b-1 fee, while Service shares of the Dreyfus Stock Index Fund, Inc. are assessed a 12b-1 fee at an annual rate of 0.25% of average daily net assets attributable to Service shares, which is the maximum 12b-1 fee permitted under its distribution plan. The Jennison 20/20 Focus Portfolio is a series of the Prudential Series Fund (the “Prudential Series”). Class 2 shares are assessed a 12b-1 fee at an annual rate of 0.25% of average daily net assets, which is the maximum 12b-1 fee permitted under its distribution plan.

17. The following chart summarizes the advisers, investment objective, principal investment strategies, principal investment risks, and asset size of the Jennison 20/20 Focus Portfolio and the AZL Jennison 20/20 Focus Fund, as stated in their respective prospectuses and statements of additional information.

	Replaced Fund	Replacement Fund
Fund Name	Jennison 20/20 Focus Portfolio	AZL Jennison 20/20 Focus Fund
Adviser/Subadviser	Prudential Investments LLC/Jennison Associates LLC	AZIM/ Jennison Associates LLC
Investment Objective	Long-term growth of capital	The investment objective of the AZL Jennison 20/20 Focus Fund is long-term growth of capital. This means that the Subadviser seeks investments whose prices will increase over several years.
Principal Investment Strategies	Invest in up to 40 equity and equity-related securities of U.S. companies that are selected by the Portfolio's two portfolio managers (up to 20 by the value and 20 by the growth portfolio manager) as having strong capital appreciation potential.	The Fund normally invests at least 80% of its total assets in approximately 40 (which may range up to 45) equity and equity-related securities of companies that the Subadviser believes have strong capital appreciation potential. The Fund's strategy is to combine the efforts of two portfolio managers with different styles (value and growth).
Principal Risks	<ul style="list-style-type: none"> ▪ Company risk ▪ Derivatives risk ▪ Foreign investment risk <ul style="list-style-type: none"> ○ Currency risk. ○ Emerging market risk. ○ Foreign market risk. ○ Information risk. ○ Liquidity risk. ○ Political developments. ○ Political risk. ○ Regulatory risk. ▪ Leveraging risk ▪ Management risk. ▪ Market risk 	<ul style="list-style-type: none"> ▪ Market Risk ▪ Selection Risk ▪ Focused Investment Risk ▪ Value Stocks Risk ▪ Growth Stocks Risk ▪ Initial Public Offerings Risk ▪ Frequent Trading ▪ Foreign Risk ▪ Convertible Securities Risk ▪ Derivatives Risk ▪ Real Estate Investments Risk ▪ Credit Risk ▪ Interest Rate Risk ▪ Liquidity Risk ▪ Issuer Risk
Fund Asset Level as of 12/31/07	\$379.9 million ¹	\$383.2 million

18. The following chart compares the management fees and the total operating expenses (before and after any waivers and reimbursements) for the year ended December 31, 2007,

¹ Assets held in the Separate Accounts on December 31, 2007 were \$112.7 million

expressed as an annual percentage of average daily net assets, of the Jennison 20/20 Focus Portfolio and the AZL Jennison 20/20 Focus Fund. As noted below, the Net Total Operating Expenses are less for the AZL Jennison 20/20 Focus Fund than for the Jennison 20/20 Focus Portfolio.

	Replaced Fund	Replacement Fund
Fund Name	Jennison 20/20 Focus Portfolio	AZL Jennison 20/20 Focus Fund
Management Fee	0.75%	0.77%
12b-1 Fees	0.25%	0.25%
Other Expenses	0.22%	0.10%
Acquired Fund Fees & Expenses	0.00%	0.00%
Total Annual Fund Operating Expenses	1.22%	1.12%
Fee Waiver	0.00%	0.00%
Net Annual Fund Operating Expenses	1.22%	1.12%

19. The following chart summarizes the advisers, investment objective, principal investment strategies, principal investment risks, and asset size of the Dreyfus Stock Index Fund, Inc. and the AZL S&P 500 Index Fund, as stated in their respective prospectuses and statements of additional information.

	Replaced Fund	Replacement Fund
Fund Name	Dreyfus Stock Index Fund, Inc.	AZL S&P 500 Index Fund
Adviser/Subadviser	The Dreyfus Corporation	AZIM/ The Dreyfus Corporation
Investment Objective	The fund seeks to match the total return of the Standard & Poor's 500 Composite Stock Price Index.	The AZL S&P 500 Index Fund seeks to match the total return of the Standard & Poor's 500 Composite Stock Price Index (S&P 500®).
Principal Investment Strategies	To pursue this goal, the fund generally invests in all 500 stocks in the S&P 500® in proportion to their weighting in the index	To pursue its goal the Fund's subadviser, The Dreyfus Corporation ("Dreyfus"), normally invests in all 500 stocks in the S&P 500® in proportion to their weighting in the index.
Principal Risks	<ul style="list-style-type: none"> ▪ Market Risk ▪ Issuer Risk ▪ Indexing Strategy Risk 	<ul style="list-style-type: none"> ▪ Market Risk ▪ Indexing Strategy Risk ▪ Issuer Risk

	▪ Derivatives Risk	▪ Derivatives Risk ▪ License Termination Risk
Fund Asset Level as of 12/31/07	\$3.2 billion ²	\$28.0 million ³

20. The following chart compares the management fees and the total operating expenses (before and after any waivers and reimbursements) for the year ended December 31, 2007, expressed as an annual percentage of average daily net assets, of the Dreyfus Stock Index Fund, Inc. and the AZL S&P 500 Index Fund. As noted below, an expense cap will be in place for the AZL S&P 500 Index Fund for two years from the date of the Substitution so that the Net Total Operating Expenses for the AZL S&P 500 Index Fund are expected to be no greater than for the Dreyfus Stock Index Fund, Inc.

Fund Name	Replaced Fund		Replacement Fund	
	Dreyfus Stock Index Fund, Inc.		AZL S&P 500 Index Fund	
	Initial Class	Service Class	Class 1	Class 2
Management Fee	0.25%	0.25%	0.17%	0.17%
12b-1 Fees	0.00%	0.25%	0.00%	0.25%
Other Expenses	0.02%	0.02%	0.31%	0.31%
Acquired Fund Fees & Expenses	0.00%	0.00%	0.00%	0.00%
Total Annual Fund Operating Expenses	0.27%	0.52%	0.48%	0.73%
Fee Waiver	0.00%	0.00%	0.24%	0.24%
Net Annual Fund Operating Expenses	0.27%	0.52%	0.24%*	0.49%*

* Net Annual Fund Operating Expenses will be capped by the Fund's manager at 0.24% and 0.49%, net of Acquired Fund Fees and Expenses, for Class 1 and Class 2 shares respectively for two years from the date of the Substitution.

21. The following chart summarizes the advisers, investment objective, principal investment strategies, principal investment risks, and asset size of the Dreyfus IP Small Cap Stock Index

² Includes \$2.7 billion for Initial shares and \$532.7 million for Service shares. Assets held in the Separate Accounts on December 31, 2007 were \$20.1 million for Initial shares, \$315.0 million for Service shares.

³ Class 1 and Class 2 combined.

Portfolio and the AZL Small Cap Stock Index Fund, as stated in their respective prospectuses and statements of additional information.

	Replaced Fund	Replacement Fund
Fund Name	Dreyfus IP Small Cap Stock Index Portfolio	AZL Small Cap Stock Index Fund
Adviser/Subadviser	The Dreyfus Corporation	AZIM/ The Dreyfus Corporation
Investment Objective	The portfolio seeks to match the performance of the Standard & Poor's (S&P) SmallCap 600 Index®.	The AZL Small Cap Stock Index Fund seeks to match the performance of the Standard & Poor's (S&P) SmallCap 600 Index®.
Principal Investment Strategies	To pursue this goal, the portfolio invests in a representative sample of stocks included in the S&P SmallCap 600 Index, and in futures whose performance is related to the index, rather than attempt to replicate the index.	To pursue this goal the Fund's subadviser, The Dreyfus Corporation ("Dreyfus"), invests in a representative sample of stocks included in the S&P SmallCap 600 Index® and in futures whose performance is related to the index, rather than attempting to replicate the index.
Principal Risks	<ul style="list-style-type: none"> ▪ Market Risk ▪ Issuer Risk ▪ Small and midsize company Risk ▪ Indexing Strategy Risk ▪ Derivatives Risk 	<ul style="list-style-type: none"> ▪ Market Risk ▪ Indexing Strategy Risk ▪ Capitalization Risk ▪ Issuer Risk ▪ Derivatives Risk ▪ License Termination Risk
Fund Asset Level as of 12/31/07	\$373.4 million ⁴	\$22.1 million ⁵

22. The following chart compares the management fees and the total operating expenses (before and after any waivers and reimbursements) for the year ended December 31, 2007, expressed as an annual percentage of average daily net assets, of the Dreyfus IP Small Cap Stock Index Portfolio and the AZL Small Cap Stock Index Fund. As noted below, an expense cap will be in place for the AZL Small Cap Stock Index for two years from the date of the Substitution so that the Net Total Operating Expenses for the AZL Small Cap Stock Index Fund are expected to be no greater than for the Dreyfus IP Small Cap Stock Index Portfolio.

	Replaced Fund	Replacement Fund
Fund Name	Dreyfus IP Small Cap Stock Index Portfolio	AZL Small Cap Stock Index Fund
Management Fee	0.35%	0.26%
12b-1 Fees	0.25%	0.25%

⁴ Assets held in the Separate Accounts on December 31, 2007 were \$227.1 million.

⁵ The fund commenced operations on May 1, 2007.

Other Expenses	0.01%	0.36%
Acquired Fund Fees & Expenses	0.00%	0.00%
Total Annual Fund Operating Expenses	0.61%	0.87%
Fee Waiver	0.00%	0.29%
Net Annual Fund Operating Expenses	0.61%	0.58%

23. As a result of the Substitutions, the number of Investment Options under each Contract will either not be decreased, or, in those cases where the number of Investment Options is being reduced, continue to offer a significant number of alternative Investment Options. Specifically, the number of Investment Options is currently expected to range in number from 29 to 75 after the Substitutions versus 29 to 78 before the Substitutions.

24. At the close of business on the day of the Substitution (the “Substitution Date”), Insurance Company Applicants will each redeem shares of the Replaced Funds held by their Separate Accounts in kind and apply the proceeds of such redemptions to the purchase shares of the corresponding Replacement Funds. Thus, after the Substitutions, each subaccount of the Separate Accounts previously holding shares of a Replaced Fund will hold shares of the corresponding Replacement Fund.

25. Redemption requests and purchase orders will be placed simultaneously so that redemption of Replaced Fund shares and purchase of Replacement Fund shares will both occur at the price for such shares computed as of the close of business on the Substitution Date in a manner consistent with Rule 22c-1 under the 1940 Act. As a result, the full net asset value of the Replaced Fund shares held by the Separate Accounts will be reflected in the contractowners’ Contract values following the Substitutions, without reduction for brokerage or other such fees or charges. All expenses incurred in connection with the Substitutions, including legal, accounting,

transactional, and other fees and expenses, including brokerage commissions, will be paid by Insurance Company Applicants, or the manager of the Replacement Funds. Accordingly, Contract value attributable to contractowners then invested in the Replaced Funds will remain fully invested at all times, and the Substitutions will take place at relative net asset value with no change in the amount of any contractowner's Contract value, death benefit, or in the dollar value of his or her investments in the applicable Separate Account.

26. Affected contractowners will not incur any fees or charges in connection with the Substitutions so that the net asset value of redeemed shares of the Replaced Funds held by the Separate Accounts will be reflected in the contractowners' Contract values following the Substitutions. Moreover, neither the obligations of the respective Insurance Company Applicants under the Contracts nor the rights of contractowners will be altered in any way by the Substitutions. The Substitutions will not impose any tax liability or have any adverse tax consequences on contractowners. The Substitutions will not cause Contract fees and charges currently being paid by existing owners of Contracts to be greater after the Substitutions than they were before the Substitutions. For a period of at least 30 days following the Substitutions, Insurance Company Applicants will not exercise any right it may have under the Contracts to impose restrictions on transfers except pursuant to any Investment Option allocation restrictions under the Contracts.⁶

27. From the date that notice of the Substitutions was provided to affected contractowners by means of a prospectus supplement (the "Pre-Substitution Supplement") through the date 30 days after the Substitution (the "Free Transfer Period"), the respective Insurance Company Applicants will allow the affected contractowners to make one transfer of Contract value held in each

⁶ One exception to this would be restrictions that Allianz Life or Allianz NY may impose to deter or prevent "market timing" activities by owners of Contracts or their agents.

subaccount investing in the Replaced Funds (before the Substitutions) or Replacement Fund (after the Substitutions) to one or more Investment Options available pursuant to the Contracts without charge and without assessing transfer fees. Such a transfer also will not be counted as a transfer request under any contractual provisions of the Contracts that limit the number of transfers that may be made without charge.

28. Under the Manager of Managers Order, subject to the approval of the Board of Trustees of the VIP Trust, AZIM may retain one or more subadvisers for any fund of the VIP Trust without the approval of shareholders of the fund. However, after the Substitution Date, Insurance Company Applicants represent that AZIM will not retain any new subadviser for the AZL S&P 500 Index Fund and the AZL Small Cap Stock Index Fund, or otherwise rely on the Manager of Managers Order in connection with AZL S&P 500 Index Fund and the AZL Small Cap Stock Index Fund, without first obtaining shareholder approval of either: (1) the new subadviser, or (2) the fund's ability to rely on the Manager of Managers Order.

29. Notice of the Substitutions and Free Transfer Period has been given to all affected contractowners by means of the Pre-Substitution Supplement for each of the Contracts stating that Applicants have filed the application and seek approval of the Substitutions. The Pre-Substitution Supplement sets forth the anticipated Substitution Date and advises affected contractowners that Contract values allocated to subaccounts investing in shares of the Replaced Funds will be transferred to subaccounts investing in shares of the Replacement Funds, without charge (including sales charges or surrender charges) and without counting toward the number of transfers that may be permitted without charge, on the Substitution Date. The Pre-Substitution Supplement states that, during the Free Transfer Period, affected contractowners may make one transfer of Contract value from each subaccount investing in a Replaced Fund (before the

Substitutions) or a Replacement Fund (after the Substitutions) to one or more other subaccount(s), subject to any Investment Option allocation restrictions under their Contract, without charge and without the transfer counting against any limitations on transfers. Further, prior to the Substitutions, all affected contractowners will receive a copy of the most recent prospectus for the Replacement Funds.

30. Within five days following the Substitutions, Insurance Company Applicants will send a written notice to affected contractowners stating that the Substitutions were carried out and reiterating the information set forth in the Pre-Substitution Supplement.

31. For those who were contractowners on the date of the proposed Substitutions, Insurance Company Applicants will reimburse, on the last business day of each fiscal period (not to exceed a fiscal quarter) during the 24 months following the Substitution Date, those contractowners whose subaccount invests in any Replacement Fund such that the sum of such Replacement Fund's (a) operating expenses (taking into account fee waivers and expense reimbursements), net of any acquired fund fees and expenses, and (b) asset-based fees and charges for the Contracts for such period will not exceed, on an annualized basis, the sum of the corresponding Replaced Fund's operating expenses (taking into account any fee waiver or expense reimbursement) and subaccount expenses for the fiscal year ended December 31, 2007. Thereafter, expenses for the Replacement Funds will vary from year to year and may exceed those of the corresponding Replaced Funds.

Applicants' Legal Analysis:

1. Applicants represent that Section 26(c) of the 1940 Act makes it unlawful for any depositor or trustee of a registered unit investment trust holding the security of a single issuer to substitute another security for such security unless the Commission approves the substitution.

Applicants note that the Commission will approve such a substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

2. Applicants note the legislative history makes clear that Congress intended Section 26(c) of the 1940 Act to provide the Commission scrutiny of proposed substitutions that could otherwise, in effect, force shareholders dissatisfied with the substituted security to redeem their shares, thereby possibly incurring either a loss of the sales load deducted from initial purchase payments, an additional sales load upon reinvestment of the proceeds of redemption, or both.

3. Applicants assert that Section 26(c) of the 1940 Act would not appear to have been designed to prohibit transactions like the Substitutions, in which a number of customer protections are provided, including the fact that the applicable unit investment trusts (the Separate Accounts) offer in excess of 63 different Investment Options.

4. Applicants claim that the purposes, terms, and conditions of the Substitutions are consistent with the principles and purposes of Section 26(c) of the 1940 Act and do not entail any of the abuses that Section 26(c) of the 1940 Act is designed to prevent. Contractowners will not be assessed charges in connection with the Substitutions and their annual fund net total operating expenses are expected to remain the same or decrease. In addition, to the extent a contractowner does not wish to participate in the Substitutions, he or she is free to make one transfer to any other option available under the relevant Contract at any time prior to the date of the Substitutions or during the 30-day period following the date of the Substitutions without any transfer fee and without that transfer counting as a transfer request under any contractual provisions of the Contracts that limit the number of transfers that may be made without charge.

Moreover, the Contracts have features that Applicants believe provide adequate protection to contractowners. These features include:

- (1) a significant number of different Investment Options;
- (2) Investment Options that are reasonably diversified;
- (3) Investment Options that are reasonably seasoned;
- (4) reasonable transferability between Investment Options;
- (5) investment choices that include an option that is intended to reduce or eliminate fluctuation of principal; and
- (6) reasonable liquidity in the form of free partial withdrawal rights.

5. In addition, contractowners will be substituted into Replacement Funds whose investment objectives, principal investment policies, and risks Applicants believe will be substantially similar or virtually identical to those of the corresponding Replaced Funds, with net total operating expenses that are anticipated to be equal to or less than those of their corresponding Replaced Funds. Like the Replaced Funds which are not assessed a 12b-1 fee, their corresponding Replacement Funds will not be assessed a 12b-1 fee.

6. In addition to substantially similar or virtually identical investment objectives, principal investment policies, and risks, as well as anticipated equal or lower net total operating expenses, Applicants maintain that the types of investment advisory and administrative services that will be provided to the Replacement Funds by their subadvisers will be comparable to the types of investment advisory and administrative services currently provided to the Replaced Funds by their respective investment advisers. Contractowners who become beneficial owners of the Replacement Funds as a result of the proposed Substitutions will enjoy continuity of their asset manager. These Replacement Funds will be managed by AZIM, but the asset management activity will be handled by the subadviser that currently manages the corresponding Replaced Fund.

7. Moreover, because the Replacement Funds operate pursuant to the Manager of Managers Order, Applicants believe that the proposed Substitutions will provide protection to contract owners by giving AZIM the flexibility to change the subadvisers of the Replacement Funds should such a change become warranted or advisable. Thus, Applicants will provide contractowners with investment vehicles following the Substitutions that will be substantially similar to those offered prior to the Substitutions.

8. In further support of their contention that the Substitutions do not present the type of costly forced redemption or other harms that Section 26(c) of the 1940 Act was intended to guard against and are consistent with the protection of investors and the purposes fairly intended by the 1940 Act, Applicants note that, the Substitutions will be subject to the following terms and conditions:

- (1) a contractowner may request that his or her Contract value be reallocated to another Investment Option, subject to any Investment Option allocation restrictions under their Contract, at any time during the Free Transfer Period without charge. The Free Transfer Period provides sufficient time for contractowners to reconsider their Investment Options;
- (2) the Substitutions will be at net asset value of the respective shares, without the imposition of any transfer, brokerage or similar charge;
- (3) neither the contractowners, the Replaced Funds, nor the Replacement Funds will bear any costs of the Substitutions, and all legal, accounting, and transactional costs and any brokerage or other costs incurred in the Substitutions will be paid by Insurance Company Applicants or the managers to the Replacement Funds, and accordingly, the Substitutions will have no impact on the contractowners' Contract values;

(4) the Substitutions will in no way alter the contractual obligations of Insurance Company Applicants or the rights and privileges of contractowners under the Contracts; and

(5) the Substitutions will in no way alter the tax benefits to contractowners.

9. Applicants request an order of the Commission pursuant to Section 26(c) of the 1940 Act approving the Substitutions on the terms set forth in this Application. Applicants believe, for all of the reasons stated above, that each Substitution is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

10. Section 17 Applicants also request that the Commission issue an order pursuant to Section 17(b) of the 1940 Act exempting them from Section 17(a) of the 1940 Act to the extent necessary to permit Insurance Company Applicants to carry out the Substitutions by redeeming shares of the Replaced Funds in kind and using the proceeds to purchase shares of the Replacement Funds.

11. Section 17(a)(1) of the 1940 Act prohibits any affiliated person of a registered investment company, or an affiliated person of an affiliated person, acting as principal, from selling any security or other property to such registered investment company. Section 17(a)(2) of the 1940 Act prohibits any of the persons described above, acting as principal, from purchasing any security or other property from such registered investment company. Section 2(a)(3) of the 1940 Act defines the term “affiliated person” of another person in relevant part as:

(A) any person directly or indirectly owning, controlling, or holding with power to vote, five per centum or more of the outstanding voting securities of such other person; (B) any person five per centum or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person; (C) any person directly or indirectly controlling, controlled by, or under common control with, such other person; (D) any officer, director, partner, copartner, or employee of such other person; (E) if such other person is an investment company, any investment adviser thereof or any member of an advisory board thereof; and (F) if such other person is an unincorporated investment company not having a board of directors, the depositor thereof.

12. Applicants may be considered affiliates of each of the Replacement Funds based upon the definition of “affiliated person” in Section 2(a)(3) of the 1940 Act. Shares of the funds of the VIP Trust are held solely by Separate Accounts. Because shares held by a separate account of an insurance company are legally owned by the insurance company, Insurance Company Applicants, and their affiliates collectively, own of record all of the shares of the funds of the VIP Trust, including the Replacement Funds. Further, AZIM, an affiliated person of the VIP Trust by virtue of Section 2(a)(3)(E) of the 1940 Act, is a wholly owned subsidiary of Allianz Life. For these reasons, the VIP Trust and the Replacement Funds are arguably under the control of Insurance Company Applicants notwithstanding the fact that contractowners may be considered the beneficial owners of those shares held in the Separate Accounts. If the VIP Trust and the Replacement Funds are under the control of Insurance Company Applicants, then Insurance Company Applicants, or any person controlling Insurance Company Applicants, or any person under common control with Insurance Company Applicants, is an affiliated person of the VIP Trust and the Replacement Funds. Similarly, if the VIP Trust and the Replacement Funds are under the control of Insurance Company Applicants, then the VIP Trust and the Replacement Funds are affiliated persons of Insurance Company Applicants, and of any persons that control Insurance Company Applicants or are under common control with Insurance Company Applicants.

At the close of business on the Substitution Date, Insurance Company Applicants will redeem shares of the Replaced Funds either in kind or in cash and use the proceeds of such redemptions to purchase shares of the corresponding Replacement Funds, with each subaccount of the applicable Separate Account investing the proceeds of its redemption from the Replaced Funds in the applicable Replacement Funds. Thus, the proposed transactions may involve a

transfer of portfolio securities by the Replaced Funds to Insurance Company Applicants; immediately thereafter, Insurance Company Applicants would purchase shares of the Replacement Funds with the portfolio securities received from the Replaced Funds. This aspect of the Substitutions may be deemed to involve one or more sales by Insurance Company Applicants of securities or other property to the Replacement Funds. Accordingly, this aspect of the Substitutions could be viewed as being prohibited by Section 17(a) of the 1940 Act. Accordingly, Section 17 Applicants seek relief from Section 17(a) of the 1940 Act for the in-kind purchases and sales of the Replacement Fund shares.

13. Section 17 Applicants assert that any in-kind redemptions and purchases for purposes of the Substitutions will be effected in a manner consistent with the investment objectives and policies of the Replacement Funds. Subject to the oversight of AZIM, the subadvisers of each of the Replacement Funds will review the securities holdings of their corresponding Replaced Fund and determine which of the Replaced Fund holdings would be suitable investments for the corresponding Replacement Fund in the overall context of that Replacement Fund's investment objective and policies and consistent with their management of the Replacement Fund, and will accept only those securities as consideration for shares that it would have acquired for each such fund in a cash transaction. Section 17 Applicants submit that these portfolio securities will be of the type and quality that the Replacement Funds would each have acquired with the proceeds from share sales had the shares been sold for cash.

14. Section 17 Applicants state that any securities to be paid out as redemption proceeds and subsequently contributed to the Replacement Funds to effect the contemplated in-kind purchases of shares will be valued in accordance with the normal valuation procedures of the redeeming and purchasing portfolios. The redeeming and purchasing values will be the same. Consistent

with Rule 17a-7(d) under the 1940 Act, no brokerage commissions, fees, or other remuneration will be paid by the Replaced Funds or the Replacement Funds in connection with the in-kind transactions. If AZIM declines to accept particular portfolio securities of any of the Replaced Funds for purchase of in-kind shares of any of the Replacement Funds, those positions will be liquidated by the applicable Replaced Fund, and shares of the corresponding Replacement Fund will be purchased with cash.

15. Section 17(b) of the 1940 Act provides that the Commission may, upon application, grant an order exempting any transaction from the prohibitions of Section 17(a) of the 1940 Act if the evidence establishes that: (1) the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; (2) the proposed transaction is consistent with the policy of each registered investment company concerned, as recited in its registration statement and records found under the 1940 Act; and (3) the proposed transaction is consistent with the general purposes of the 1940 Act.

16. Section 17 Applicants submit that the terms of the Substitutions, including the consideration to be paid and received, are reasonable and fair and do not involve overreaching on the part of any person concerned principally because the transactions will conform with all but one of the conditions enumerated in Rule 17a-7 under the 1940 Act. The use of in-kind transactions will not cause contractowner interests to be diluted. The proposed transactions will take place at relative net asset value in conformity with the requirements of Section 22(c) of the 1940 Act and Rule 22c-1 thereunder with no change in the amount of any contractowner's Contract value or death benefit or in the dollar value of his or her investment in any of the Separate Accounts. Contractowners will not suffer any adverse tax consequences as a result of

the Substitutions. Fees and charges under the Contracts will not increase because of the Substitutions. Even though they may not rely on Rule 17a-7 under the 1940 Act, Section 17 Applicants submit that the Rule's conditions outline the type of safeguards that result in transactions that are fair and reasonable to registered investment company participants and preclude overreaching in connection with an investment company by its affiliated persons.

17. The board of the VIP Trust has adopted procedures, as required by paragraph (e)(1) of Rule 17a-7 under the 1940 Act (the “17a-7 Procedures”), pursuant to which the Replacement Funds may purchase and sell securities to and from their affiliates. Section 17 Applicants will carry out the proposed in-kind purchases in conformity with all of the conditions of Rule 17a-7 and the 17a-7 Procedures, except that the consideration paid for the securities being purchased or sold may not be entirely cash. Nevertheless, the circumstances surrounding the proposed Substitutions will be such as to offer to each Replacement Fund the same degree of protection from overreaching that Rule 17a-7 provides to them generally in connection with their purchase and sale of securities under that Rule in the ordinary course of their business. In particular, Insurance Company Applicants (or any of their affiliates) cannot effect the proposed transactions at a price that is disadvantageous to any of the Replacement Funds. Although the transactions may not be entirely for cash, each will be effected based upon (1) the independent market price of the portfolio securities valued as specified in paragraph (b) of Rule 17a-7, and (2) the net asset value per share of each fund involved, valued in accordance with the procedures disclosed in its respective registration statement and as required by Rule 22c-1 under the 1940 Act. No brokerage commission, fee, or other remuneration will be paid to any party in connection with the proposed transactions. The transactions will be reviewed by the Chief Compliance Officer of

the VIP Trust, or his agents, and will be reported to the VIP Trust's Board of Trustees in the same manner as any other 17a-7 transaction by any of the Replacement Funds would be reported.

18. Section 17 Applicants also submit that the in-kind portfolio security transactions are consistent with the policies of the Replacement Funds and the VIP Trust as recited in the current registration statements and reports filed by each under the 1940 Act.

19. In addition, Section 17 Applicants submit that the proposed in-kind portfolio security transactions are consistent with the general purposes of the 1940 Act as stated in the Findings and Declaration of Policy in Section 1 of the 1940 Act. The proposed transactions do not present any of the conditions or abuses that the 1940 Act was designed to prevent. Further, Section 17 Applicants note that securities to be paid out as redemption proceeds and subsequently contributed to the Replacement Funds to effect the contemplated in-kind purchases of shares will be valued based on the normal valuation procedures of the redeeming Replaced Funds and purchasing Replacement Funds. Therefore, there will be no change in value to any contractowner as a result of the Substitutions.

Conclusion:

Applicants assert that for the reasons summarized above that the proposed Substitutions and related transactions meet the standards of Section 26(c) of the Act and are consistent with the standards of Section 17(b) of the Act and that the requested orders should be granted.

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

Florence E. Harmon
Acting Secretary