

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-28480; File No. 812-13474]

Allianz Life Insurance Company of North America, et al; Notice of Application

October 30, 2008

Agency: Securities and Exchange Commission (“SEC” or “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” or “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”) and Allianz Life Insurance Company of New York (“Allianz NY”) (together the “Insurance Company Applicants”), their respective separate accounts Allianz Life Variable Account A (“Allianz Account A”), Allianz Life Variable Account B (“Allianz Account B”), and Allianz Life of NY Variable Account C (“Allianz Account C”) (collectively with the Insurance Company Applicants, the “Applicants”), and Allianz Variable Insurance Products Trust (the “VIP Trust” and collectively with the Applicants, the “Section 17 Applicants”).

Summary of Application: The Applicants seek an order pursuant to Section 26(c) of the 1940 Act, approving the substitution of certain securities (the “Substitution”) issued by the Franklin Templeton Variable Insurance Products Trust (“FTVIPT”) and held by Allianz Account A, Allianz Account B, or Allianz Account C (collectively, the “Separate Accounts”) to support certain variable annuity contracts and variable life insurance contracts (the “Contracts”) issued by Allianz Life and Allianz NY. The Section 17 Applicants seek an order pursuant to Section 17(b) of the 1940 Act exempting them to the extent necessary to permit them to engage in certain in-kind transactions in connection with the Substitution.

Filing Date: The application was filed on January 11, 2008 and amended on October 30, 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 should be received by the Commission by 5:30 p.m. on November 24, 2008, and should be accompanied by proof of service on Applicants 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, SEC, 100 F Street, NE, Washington, DC 20549-1090. Applicants, Allianz Life Insurance Company of North America, 5701 Golden Hills Dr., Minneapolis, MN 55416-1297.

For Further Information Contact: Sally Samuel, Senior Counsel, or Joyce M. Pickholz, 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 SEC's Public Reference Branch, 100 F Street, NE, Washington, DC 20549 (tel. (202) 551-8090).

Applicants' and VIP Trust's Representations:

1. The Applicants propose to substitute certain classes of shares of the AZL Schroder Emerging Markets Equity Fund (the "New Fund") for the corresponding class of shares of the Templeton Developing Markets Securities Fund (the "Replaced Fund") currently held by the Separate Accounts. The following table shows the share classes of the New Fund and the Replaced Fund (each, a "Fund" and collectively, the "Funds") involved in the Substitution:

New Fund (Adviser/Subadviser)	Share Classes	Replaced Fund (Adviser)	Share Classes
AZL Schroder Emerging Markets Equity Fund (Allianz Investment Management LLC/ Schroder Investment Management North America Inc.)**	Class 1 Class 2*	Templeton Developing Markets Securities Fund (Templeton Asset Management Ltd.)	Class 1 Class 2*

* A distribution fee is assessed against assets attributable to this class of shares at the annual rate of 0.25% of the average daily net assets attributable to the class.

** Prior to December 10, 2007, the AZL Schroder Emerging Markets Equity Fund was subadvised by OppenheimerFunds, Inc. and was known as the AZL Oppenheimer Developing Markets Fund. Effective December 10, 2007, pursuant to an exemptive order issued to the VIP Trust on September 17, 2002, the VIP Trust replaced OppenheimerFunds, Inc. with Schroder Investment Management North America Inc. as subadviser to the Fund.

2. The New Fund is a series of the VIP Trust, a Delaware statutory 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).

3. Shares of the VIP Trust are sold to separate accounts of Allianz Life and Allianz NY for the purpose of funding variable annuity contracts and variable life insurance policies. The New Fund, 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 that was formerly known as Allianz Life Advisers, LLC.

4. The following table shows the inception date and net assets at December 31, 2007 for each class of shares of the New Fund:

New Fund	Inception Date	Net Assets at December 31, 2007
AZL Schroder Emerging Markets Equity Fund		
Class 1	5/6/07	\$359,359
Class 2	5/1/06	\$249.2 million

5. Class 1 and Class 2 shares are substantially identical, except that Class 1 shares are not assessed a 12b-1 fee while Class 2 shares 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 the New Fund’s Distribution Plan. Class 1 shares are currently available to owners of certain Contracts that are no longer offered for sale. Class 2 shares are currently available to owners of certain Contracts that are currently offered for sale. Both Class 1 and Class 2 shares are included in the proposed Substitution.

6. Prior to December 10, 2007, the New Fund was subadvised by OppenheimerFunds, Inc. and was known as the AZL Oppenheimer Developing Markets Fund. Effective December 10, 2007, the VIP Trust replaced OppenheimerFunds, Inc. with Schroder Investment Management North America Inc. (“SIMNA”) as the subadviser to the New Fund.

7. The Replaced Fund is a series of FTVIPT. Shares of FTVIPT are registered as securities under the 1933 Act (File No. 033-23493). The Replaced Fund is managed by Templeton Asset Management Ltd., which is not an affiliate of the Insurance Company Applicants.

8. The following table shows the inception date and net assets at December 31, 2007, for each class of shares of the Replaced Fund:

Replaced Fund	Inception Date	Net Assets at December 31, 2007
Templeton Developing Markets Securities Fund		
Class 1	1/1/97	\$753.8 million
Class 2	5/1/97	\$1.1 billion

9. Class 1 and Class 2 shares of the Replaced Fund are currently available under certain Contracts issued by the Insurance Company Applicants. Class 1 and Class 2 shares are substantially identical, except that Class 1 shares are not assessed a 12b-1 fee while Class 2 shares are assessed a 12b-1 fee at an annual rate of 0.25% of average daily net assets attributable

to Class 2 shares. Class 1 shares are currently available to owners of certain Contracts that are no longer offered for sale. Class 2 shares are currently available to owners of certain Contracts that are currently offered for sale. Both Class 1 and Class 2 shares are included in the proposed Substitution.

10. Pursuant to a “manager of managers” exemptive order issued by the Commission pursuant to Section 6(c) of the 1940 Act providing an exemption from Section 15(a) of the 1940 Act and Rule 18f-2 under the 1940 Act (Order No. 25734, dated 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 the New Fund. The New Fund is offered to contract owners via a prospectus containing disclosure (1) describing the existence, substance, and effect of the Manager of Managers Order; (2) holding the New Fund 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 New Fund’s prospectus will be provided to each affected contract owner prior to the Substitution.

11. Subaccounts investing in Class 1 shares of the Replaced Fund and Class 1 shares of the New Fund are currently available only to owners of certain Contracts that are no longer offered for sale by the Insurance Company Applicants. Pursuant to the proposed Substitution, the Insurance Company Applicants will replace Class 1 shares of the Replaced Fund held in its subaccounts on the date of the Substitution with Class 1 shares of the New Fund.

12. Subaccounts investing in Class 2 shares of the Replaced Fund and Class 2 shares of the New Fund are currently available to owners of certain Contracts currently offered for sale by the Insurance Company Applicants. Pursuant to the proposed Substitution, the Insurance Company Applicants will replace Class 2 shares of the Replaced Fund held in its subaccounts on the date of the Substitution with Class 2 shares of the New Fund.

13. It is currently anticipated that the Substitution will occur as soon as practicable following receipt of the Order of the Commission requested herein (the “Substitution Date”). After the Substitution Date, subaccounts investing in the Replaced Fund will no longer be available under the Contracts to any contract owner.

14. Allianz Life is a stock life insurance company organized under the laws of the state of Minnesota in 1896. Allianz NY is a stock life insurance company organized under the laws of the state of New York on September 21, 1982. Allianz Life and Allianz NY are subsidiaries of Allianz SE, a “Societas Europaea” or European stock corporation headquartered in Munich, Germany.

15. 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. Each of the Separate Account Applicants meets the definition of a “separate account” in Rule 0-1(e) under the 1940 Act.

16. Allianz Account A is a segregated asset account of Allianz Life. Allianz Account A was established by Allianz Life on May 31, 1985, under Minnesota insurance laws. Allianz Account A is used to fund certain variable life insurance policies issued by Allianz Life. Allianz Account A is currently divided into a number of subaccounts, each of which invests in a specific underlying registered investment company or portfolio thereof (each an “Investment Option”).

Allianz Account A is registered as a unit investment trust under the 1940 Act (File No. 811-04965). Allianz Life does not currently issue any new Contracts that allow contract owners to invest in any of the subaccounts of Allianz Account A.

17. Allianz Account B is a segregated asset account of Allianz Life. Allianz Account B was established by Allianz Life on May 31, 1985, under Minnesota insurance laws. Allianz Account B 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 a specific Investment Option. Allianz Account B is registered as a unit investment trust under the 1940 Act (File No. 811-05618).

18. Allianz Account C is a segregated asset account of Allianz NY. Allianz Account C was established by Allianz NY on February 26, 1988, under New York insurance laws. Allianz Account C 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 a specific Investment Option. Allianz Account C is registered as a unit investment trust under the 1940 Act (File No. 811-05716).

19. 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.

20. Allianz Life Financial Services, LLC (“Allianz Life Financial”), a Minnesota limited liability company and a wholly owned subsidiary of Allianz Life, serves as the principal underwriter of the Contracts. Allianz Life Financial is registered as a broker dealer with the Commission under the Securities Exchange Act of 1934 (the “1934 Act”) as well as with the

securities commissions in the states in which it operates. Allianz Life Financial does not itself sell the Contracts on a retail basis. Rather, Allianz Life Financial enters into selling agreements with other broker-dealers registered under the 1934 Act for the sale of the Contracts. These selling firms include third party broker/dealers and Questar Capital Corporation, an affiliated broker/dealer.

21. Currently, Allianz Life has no effective registration statements for Contracts sponsored by Allianz Account A. The table below shows effective registration statements with the Commission for Contracts sponsored by Allianz Account B that offer the Replaced Fund as an Investment Option:

Separate Account	Registration No.	Contract Name	Type of Contract
Allianz Account B	333-82329	Allianz Alterity (Class 2 shares)	Variable Deferred Annuity
Allianz Account B	333-90260	Allianz High Five (Class 2 shares)	Variable Deferred Annuity
Allianz Account B	333-111049	Allianz High Five Bonus (Class 2 shares)	Variable Deferred Annuity
Allianz Account B	333-120181	Allianz High Five L (Class 2 shares)	Variable Deferred Annuity
Allianz Account B	333-95729	Allianz Rewards (Class 2 shares)	Variable Deferred Annuity
Allianz Account B	33-23035	Valuemark II (Class 1 shares)	Variable Deferred Annuity
Allianz Account B	33-72046	Valuemark III (Class 1 shares)	Variable Deferred Annuity
Allianz Account B	333-06709	Valuemark IV (Class 1 shares)	Variable Deferred Annuity

22. In addition, Allianz Life has the following registration statements that are effective, but no longer updated, for Contracts sponsored by Allianz Account A and Allianz Account B that are no longer offered for sale (the “A and B Great Wested Contracts”) but which offer the Replaced Fund as an Investment Option:

Separate Account	Registration No.	Contract Name	Type of Contract
Allianz Account A	33-11158	Allianz ValueLife (Class 1 shares)	Flexible Premium Variable Universal Life
Allianz Account B	333-63719	USAllianz Charter (Class 2 shares)	Variable Deferred Annuity
Allianz Account B	333-101812	USAllianz Charter II (Class 2 shares)	Variable Deferred Annuity
Allianz Account B	333-47886	USAllianz Dimensions (Class 2 shares)	Variable Deferred Annuity
Allianz Account A	333-60206	USAllianz LifeFund (Class 2 shares)	Flexible Premium Variable Universal Life
Allianz Account B	33-76190	Valuemark Income Plus (Class 1 shares)	Variable Immediate Annuity
Allianz Account A	33-15464	Valuemark Life (Class 1 shares)	Single Premium Variable Life

23. Currently Allianz NY has the following effective registration statements with the Commission for Contracts sponsored by Allianz Account C that offer the Replaced Fund as an Investment Option:

Separate Account	Registration No.	Contract Name	Type of Contract
Allianz Account C	333-19699	Allianz Advantage NY (Class 2 shares)	Variable Deferred Annuity
Allianz Account C	333-105274	Allianz Charter II NY (Class 2 shares)	Variable Deferred Annuity
Allianz Account C	333-75718	Allianz Opportunity NY (Class 2 shares)	Variable Deferred Annuity

24. In addition, Allianz NY has the following registration statements that are effective, but no longer updated, for Contracts sponsored by Allianz Account C (the “C Great Wested Contracts”) that are no longer offered for sale but which offer the Replaced Fund as an Investment Option:

Separate Account	Registration No.	Contract Name	Type of Contract
Allianz Account C	33-26646	Valuemark II NY (Class 1 shares)	Variable Deferred Annuity
Allianz Account C	333-19699	Valuemark IV NY (Class 1 shares)	Variable Deferred Annuity

25. The Contracts allow contract owners to allocate premium and contract value among the subaccounts investing in a large number of Investment Options in a wide variety of asset categories that are managed by a large number of asset managers. The exact number of Investment Options available varies somewhat from Contract to Contract, depending on when the Contracts were first offered, whether the Contracts are currently offered for sale, which separate account issued the Contract, product design, and other similar factors. All of the Contracts that are currently offered for sale offer 75 Investment Options. Both the A and B Great Wested Contracts and the C Great Wested Contracts offer a minimum of 34 Investment Options. The number of Investment Options available in the Contracts affected by the Substitution is shown in the Application.

26. Under the Contracts, the 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 the 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 the 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.

27. The proposed Substitution is part of an overall business plan of the Insurance Company Applicants to make their respective products more efficient to monitor and administer and more competitive (both in terms of new sales and the retention of existing business). The Insurance Company Applicants believe that more concentrated and streamlined operations for Investment Options will result in increased operational and administrative efficiencies and economies of scale for the Insurance Company Applicants. In particular, the Insurance Company Applicants feel that concentrating the number of non-affiliated asset managers that advise or subadvise the Investment Options available through the Contracts will simplify the administration of the Contracts with regard to communications with asset managers and contract owners, and simplify the preparation of various reports and disclosure documents. Furthermore, the Insurance Company Applicants feel that by reducing the number of non-affiliated asset managers that manage Investment Options underlying their Contracts and increasing the Investment Options for which AZIM serves as the investment manager, they will increase their ability to effectively manage the Investment Options available to contract owners. Because AZIM operates pursuant to the Manager of Managers Order, the replacement of portfolio managers or subadvisers when appropriate could be effected more efficiently and the need for fund changes that may affect contract owners may be reduced, thereby facilitating appropriate long-term strategic planning for contract owners.

28. For these reasons and the reasons discussed below, the Applicants believe that substituting the New Fund for the Replaced Fund is appropriate and in the best interests of the contract owners.

29. The Insurance Company Applicants believe that the New Fund is an appropriate replacement for the Replaced Fund because its investment objective and principal investment policies are substantially similar to those of the Replaced Fund. In addition, the principal investment risks of the Replaced Fund and the New Fund are substantially similar. Comparisons of the investment objectives, principal investment policies and principal investment risks of the Funds are set forth in the Application.

30. 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 Replaced Fund and the New Fund.

	<u>Templeton Developing Markets Securities Fund</u>		<u>AZL Schroder Emerging Markets Equity Fund</u>	
	<u>Class 1</u>	<u>Class 2</u>	<u>Class 1</u>	<u>Class 2</u>
Management Fee	1.23%	1.23%	1.23%*	1.23%*
Distribution (12b-1) Fees	0.00%	0.25%	0.00%	0.25%
Other Expenses	0.25%	0.25%	0.48%	0.48%
Acquired Fund Fees and Expenses	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Annual Fund Operating Expenses	1.48%	1.73%	1.71%	1.96%
Fee Waiver	<u>0.00%</u>	<u>0.00%</u>	<u>0.31%**</u>	<u>0.31%**</u>
Net Annual Fund Operating Expenses	<u>1.48%</u>	<u>1.73%</u>	<u>1.40%**</u>	<u>1.65%**</u>

* AZIM and the Fund have entered into a written agreement whereby AZIM has voluntarily reduced the management fee to 0.95% through April 30, 2009.

** AZIM and the AZL Schroder Emerging Markets Equity Fund have entered into a written contract limiting operating expenses to 1.40% and 1.65% for Class 1 and Class 2 shares, respectively through April 30, 2009. AZIM and the AZL Schroder Emerging Markets Equity Fund have agreed to limit Fund operating expenses, net of acquired fund fees and expenses, to an amount not greater than 1.48% and 1.73% for Class 1 and Class 2 shares respectively for 24 months from the date of the Substitution.

31. The following table shows the assets and performance of the Funds for the years shown:

	<u>Net Assets (M)</u>			
	<u>At December 31, 2007</u>		<u>At December 31, 2006</u>	
	<u>Class 1</u>	<u>Class 2</u>	<u>Class 1</u>	<u>Class 2</u>
Templeton Developing Markets Securities Fund	\$753.8	\$1,090.6	\$749.1	\$857.5
AZL Schroder Emerging Markets Equity Fund*	\$0.4 ⁽¹⁾	\$249.2	N/A ⁽¹⁾	\$93.7 ⁽²⁾

	<u>Annual Total Returns</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Class 1</u>	<u>Class 2</u>	<u>Class 1</u>	<u>Class 2</u>
Templeton Developing Markets Securities Fund	29.09%	28.78%	28.43%	28.09%
AZL Schroder Emerging Markets Equity Fund*	19.23 ⁽¹⁾⁽³⁾	30.32%	N/A ⁽¹⁾	8.65% ⁽²⁾⁽⁴⁾

* Prior to December 10, 2007, the AZL Schroder Emerging Markets Equity Fund was subadvised by OppenheimerFunds, Inc. and was known as the AZL Oppenheimer Developing Markets Fund.

(1) Class 1 shares of the AZL Schroder Emerging Markets Equity Fund commenced operations on May 6, 2007.

(2) Class 2 shares of the AZL Schroder Emerging Markets Equity Fund commenced operations on May 1, 2006.

(3) Annualized for the period from commencement of operations on May 6, 2007, through December 31, 2007.

(4) Annualized for the period from commencement of operation on May 1, 2006, through December 31, 2006.

32. Applicants hereby request the Commission's approval to effect the substitution of shares of the New Fund for shares of the Replaced Fund as follows:

- Class 1 shares of the AZL Schroder Emerging Markets Equity Fund for Class 1 shares of the Templeton Developing Markets Securities Fund; and
- Class 2 shares of the AZL Schroder Emerging Markets Equity Fund for Class 2 shares of the Templeton Developing Markets Securities Fund.

33. At the close of business on the Substitution Date, Allianz Life and Allianz NY will each redeem shares of the Replaced Fund held by their Separate Accounts in kind and apply the proceeds of such redemptions to the purchase of shares of the New Fund. Thus, after the Substitution, each subaccount of the Separate Accounts previously holding shares of the Replaced Fund will hold shares of the New Fund.

34. Redemption requests and purchase orders will be placed simultaneously so that redemption of Replaced Fund shares and purchase of New 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 Account Applicants will be reflected in the contract owners' contract values following the Substitution, without reduction for brokerage or other such fees or charges. All expenses incurred in connection with the Substitution, including legal, accounting, transactional, and other fees and expenses, including brokerage commissions, will be paid by Allianz Life, Allianz NY, or the manager of the New Fund. Accordingly, contract value attributable to contract owners then invested in the Replaced Fund will remain fully invested at all times, and the Substitution will take place at relative net asset value with no change in the amount of any contract owner's contract value, death benefit, or in the dollar value of his or her investment in the applicable Separate Account.

35. Affected contract owners will not incur any fees or charges in connection with the Substitution so that the net asset value of redeemed shares of the Replaced Fund held by the Separate Account Applicants will be reflected in the contract owners' contract values following the Substitution. Moreover, neither the obligations of the respective Insurance Company Applicants under the Contracts nor the rights of contract owners will be altered in any way by

the Substitution. The Substitution will not impose any tax liability or have any adverse tax consequences on contract owners. The Substitution will not cause Contract fees and charges currently being paid by existing owners of Contracts to be greater after the Substitution than they were before the Substitution. For a period of at least 30 days following the Substitution, neither Allianz Life nor Allianz NY will 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. 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.

36. The Insurance Company Applicants and VIP Trust represent that AZIM and the VIP Trust have entered into a written contract whereby during the 24 months following the Substitution Date, the annualized total net operating expenses, net of any acquired fund fees and expenses, of the New Fund (taking into account applicable fee waivers and expense reimbursements) will not exceed the total net operating expenses, net of any acquired fund fees and expenses, of the Replaced Fund for the fiscal year ended December 31, 2007. In addition, for the 24 months following the Substitution Date, the Insurance Company Applicants will not increase asset-based fees and charges for the Contracts outstanding on the Substitution Date. Thereafter, expenses for the New Fund will vary from year to year and may exceed those of the Replaced Fund.

37. The Insurance Company Applicants mailed a Notice of Substitution (the “Notice”) to affected contract owner stating that during the period from the date of the Notice through the date 30 days after the Substitution (the “Free Transfer Period”), the respective Insurance Company Applicants will allow the affected contract owners to make one transfer of contract value held in each subaccount investing in the Replaced Fund (before the Substitution) or New

Fund (after the Substitution) 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.

38. Under the Manager of Managers Order, subject to the approval of its Board of Trustees, the VIP Trust may retain one or more subadvisers for any of its Funds without the approval of shareholders of the Fund. However, after the Substitution Date, Applicants and VIP Trust represent that the VIP Trust will not retain any new subadviser for the New Fund, or otherwise rely on the Manager of Managers Order in connection with the New Fund, without first obtaining shareholder approval of either: (1) the new subadviser or (2) the New Fund's ability to rely on the Manager of Managers Order.

39. The Notice was mailed to all affected owners on August 11-12, 2008. The Notice informed contract owners of each of the Contracts that the Applicants have filed the Application seeking approval of the Substitution. The Notice set forth the anticipated Substitution Date and advised affected contract owners that contract values allocated to subaccounts investing in shares of the Replaced Fund will be transferred to subaccounts investing in shares of the New Fund, 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 Notice also stated that, during the Free Transfer Period, affected contract owners may make one transfer of contract value from each subaccount investing in the Replaced Fund (before the Substitution) or the New Fund (after the Substitution) 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 Substitution, all affected contract owners will receive a copy of the most recent prospectus for the New Fund.

40. Within five days following the Substitution, the Insurance Company Applicants will send a written notice to affected contract owners stating that the Substitution was carried out and reiterating the information set forth in the Notice.

Applicants' Legal Analysis:

1. Section 26(c) of the 1940 Act provides as follows: It shall be 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 shall have approved such substitution. The Commission shall issue an order approving such 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 this title.

2. The purposes, terms, and conditions of the Substitution are consistent with the principles and purposes of Section 26(c) and do not entail any of the abuses that Section 26(c) is designed to prevent. Contract owners will not be assessed charges in connection with the Substitution and their annual fund net total operating expenses are expected to remain the same or decrease. In addition, to the extent a contract owner does not wish to participate in the Substitution, 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 Substitution or during the 30-day period following the date of the Substitution 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 provide adequate protection to contract owners. 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.

3. In addition, contract owners will be substituted into the New Fund whose investment objective, principal investment policies, and risks will be substantially similar to those of the Replaced Fund, with net total operating expenses that are anticipated to be equal to or less than those of the Replaced Fund after applicable fee waivers and expense reimbursements. Like the Class 1 shares of the Replaced Fund which are not assessed a 12b-1 fee, the corresponding Class 1 shares of the New Fund will not be assessed a 12b-1 fee.

4. The following chart summarizes the similarities and differences between the Replaced Fund and the New Fund:

	Templeton Developing Markets Securities Fund	AZL Schroder Emerging Markets Equity Fund
Net Total Operating Expenses (12/31/2007)	1.48% (Class 1) 1.73% (Class 2)	1.40% (Class 1) 1.65% (Class 2)
Investment Objectives	Long-term capital appreciation	Capital Appreciation
Investment Policies (summary)	The Fund invests at least 80% of its net assets in emerging market investments.	The Fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies the Fund's subadviser believes to be "emerging market" issuers.
Risks	Stock Risk; Value Style Investing; Foreign Securities; Smaller and Midsize Companies; Country, Sector or Industry Focus; Liquidity	Market Risk; Selection Risk; Capitalization Risk; Foreign Risk; Emerging Markets Risk; Currency Risk; Market Risk; Derivatives Risk; Convertible Securities Risk; Investments in Pooled Vehicles Risk; Liquidity Risk; Initial Public Offerings Risk

	Templeton Developing Markets Securities Fund	AZL Schroder Emerging Markets Equity Fund
Type of Advisory Services	Managed by Templeton Asset Management Ltd.	Subadvised by Schroder Investment Management North America Inc.
Total Annual Return for period ended December 31, 2007		
Class 1	29.09%	19.23%*
Class 2	28.78%	30.32%
Assets Under Management at Dec. 31, 2007		
Class 1	\$753.8 million**	\$0.4 million***
Class 2	\$1.1 billion**	\$249.2 million

* Annualized for the period from commencement of operations on May 1, 2007 through December 31, 2007.

** Assets held in the Separate Accounts on December 31, 2007, were \$85.3 million for Class 1 shares and \$268.3 million for Class 2 shares.

*** Class 1 shares of the AZL Schroder Emerging markets Equity Fund commenced operations on May 6, 2007.

5. For a period of 24 months from the date of the Substitution, the New Fund (AZL Schroder Emerging Markets Equity Fund)) will be subject to an expense cap limiting the net total operating expenses for the New Fund to a maximum of 1.48% for Class 1 shares and 1.73% for Class 2 shares, respectively. These expense caps are equal to the net total operating expenses for Class 1 and Class 2 shares of the Replaced Fund (Templeton Developing Markets Securities Fund) for the fiscal year ended December 31, 2007. No 12b-1 fees are assessed to Class 1 shares of either the Replaced Fund or the New Fund. Identical 12b-1 fees of 0.25% of average daily net assets are assessed to Class 2 shares of both the Replaced Fund and the New Fund.

6. The investment objectives and policies are substantially similar for both Funds since both generally invest in common stocks of companies in emerging markets. The risks listed are very similar for both Funds and are consistent with the risks generally applicable to investing in emerging market equity funds.

7. In addition to substantially similar investment objectives, principal investment policies and risks, as well as anticipated equal or lower net total operating expenses, the advisory services that are provided to the New Fund by its subadviser are comparable to the types of advisory services currently provided to the Replaced Fund by its investment adviser. Moreover, because the New Fund operates pursuant to the Manager of Managers Order, Applicants believe that the proposed Substitution will provide protection to contract owners by giving AZIM the flexibility to change the subadviser of the New Fund should such a change become warranted or advisable, provided that subsequent to the Substitution, AZIM first obtains shareholder approval of either: (1) the new subadviser or (2) the New Fund's ability to rely on the Manager of Managers Order.

Terms and Conditions of Section 26(c) Relief:

1. Applicants submit that the Substitution does not present the type of costly forced redemption or other harms that Section 26(c) was intended to guard against and is consistent with the protection of investors and the purposes fairly intended by the 1940 Act. As noted above, the Substitution is consistent with contract owners' objectives and risk expectations because the investment objective, principal investment policies and risks of the New Fund are substantially similar to those of the Replaced Fund. In addition, the net total operating expenses of the New Fund are anticipated to be equal to or less than those of the Replaced Fund, after applicable fee waivers and expense reimbursements that will be in place for the New Fund for a period of 24 months following the Substitution.

2. As noted above, the Contracts contain features that provide adequate protection to contract owners in the event of a substitution. Moreover, the Substitution will be subject to the following terms and conditions: (1) a contract owner 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 contract owners to reconsider their Investment Options; (2) the Substitution will be at the net asset value of the respective shares, without the imposition of any transfer, brokerage or similar charge; (3) neither the contract owners, the Replaced Fund, nor the New Fund will bear any costs of the Substitution, and all legal, accounting, and transactional costs and any brokerage or other costs incurred in the Substitution will be paid by the Insurance Company Applicants or the manager of the New Fund, and accordingly, the Substitution will have no impact on the contract owners' contract values; (4) the Substitution will in no way alter the contractual obligations of the Insurance Company Applicants or the rights and privileges of contract owners under the Contracts; and (5) the Substitution will in no way alter the tax benefits to contract owners.

3. The Applicants, on the basis of the facts and circumstances described herein, have determined that it is in the best interests of contract owners to substitute shares of the Replaced Fund with shares of the New Fund.

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

Section 17(b) Relief:

1. The 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 them to carry out the Substitution through in-kind purchases and sales of the New Fund shares.

2. 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.

3. The Section 17 Applicants may be considered affiliates of the New Fund 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 the Separate Accounts. Because shares held by a separate account of an insurance company are legally owned by the insurance company, Allianz Life and Allianz NY and their affiliates collectively own of record all of the shares of the funds of the VIP Trust, including the New Fund. 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 New Fund are arguably under the control of Allianz Life and Allianz NY notwithstanding the fact that contract owners may be considered the beneficial owners of those shares held in the Separate Accounts. If the VIP Trust and the New Fund are under the control of Allianz Life and Allianz NY, then each of Allianz Life and Allianz NY, or any person controlling Allianz Life and Allianz NY, or any person under common control with Allianz Life and Allianz NY, is an affiliated person of the VIP Trust and the New Fund. Similarly, if the VIP Trust and the New Fund are under the control of Allianz Life and Allianz NY, then the VIP Trust and the New Fund are affiliated persons of Allianz Life and Allianz NY, and of any persons that control Allianz Life and Allianz NY or are under common control with Allianz Life and Allianz NY.

4. At the close of business on the Substitution Date, the Insurance Company Applicants will redeem shares of the Replaced Fund either in-kind or in cash and use the proceeds of such redemptions to purchase shares of the New Fund, with each subaccount of the applicable Separate Account investing the proceeds of its redemption from the Replaced Fund in the New Fund. Thus, the proposed transactions may involve a transfer of portfolio securities by the Replaced Fund to Allianz Life and Allianz NY. Immediately thereafter, Allianz Life and Allianz NY would purchase shares of the New Fund with the portfolio securities received from the Replaced Fund. This aspect of the Substitution may be deemed to involve one or more sales by Allianz Life or Allianz NY of securities or other property to the New Fund, and could therefore be viewed as being prohibited by Section 17(a). Accordingly, the Section 17 Applicants seek relief from Section 17(a) for the in-kind purchases and sales of the New Fund shares. The Section 17 Applicants do not believe that the redemption of shares of the Replaced Fund in connection with the Substitution would involve a transaction with a registered investment company of which it is an affiliated person. The redemption of shares of the Replaced Fund will be carried out in accordance with the Signature Financial Group no-action letter (publicly available December 28, 1999).

5. Any in-kind redemptions and purchases for purposes of the Substitution will be effected in a manner consistent with the investment objectives and policies of the Replaced Fund and the New Fund. Subject to the oversight of AZIM, the subadviser of the New Fund will review the securities holdings of the Replaced Fund and determine which of the Replaced Fund's portfolio holdings would be suitable investments for the New Fund in the overall context of the New Fund's investment objective and policies and consistent with its management of the New Fund, and will accept only those securities as consideration for shares that it would have acquired for

each such Fund in a cash transaction. The Section 17 Applicants represent that these portfolio securities will be of the type and quality that the New Fund would have acquired with the proceeds from share sales had the shares been sold for cash.

6. The Section 17 Applicants state that any securities to be paid out as redemption proceeds and subsequently contributed to the New Fund to effect the contemplated in-kind purchases of shares will be valued based on the procedures established by the board of VIP Trust. 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 Fund or the New Fund in connection with the in-kind transactions. If AZIM declines to accept particular portfolio securities of the Replaced Fund for purchase in-kind of shares of the New Fund, those positions will be liquidated by the Replaced Fund and shares of the New Fund will be purchased with cash.

7. 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) 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.

8. The Section 17 Applicants submit that the terms of the Substitution, 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 contract owner 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 contract owner's contract value or death benefit or in the dollar value of his or her investment in any of the Separate Accounts. The proposed transaction cannot be effected at a price that is disadvantageous to either the Replaced Fund or the New Fund. Contract owners will not suffer any adverse tax consequences as a result of the Substitution. Fees and charges under the Contracts will not increase because of the Substitution. Even though they may not rely on Rule 17a-7 under the 1940 Act, the 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.

9. The board of the VIP Trust has adopted procedures, as required by paragraph (e)(1) of Rule 17a-7 under the 1940 Act, pursuant to which the New Fund may purchase and sell securities to and from its affiliates. The Section 17 Applicants will carry out the proposed in-kind purchases in conformity with all of the conditions of Rule 17a-7 and the New Fund's procedures thereunder, except that the consideration paid for the securities being purchased or sold may not be entirely cash. Nevertheless, the circumstances surrounding the proposed Substitution will be such as to offer to the New Fund the same degree of protection from overreaching that Rule 17a-7 provides to the New Fund generally in connection with its purchase and sale of securities under that Rule in the ordinary course of its business. In particular, Allianz Life and Allianz NY (or any of their affiliates) cannot effect the proposed transactions at a price

that is disadvantageous to the New Fund. 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. Further, the transactions will be reviewed by the Chief Compliance Officer of the VIP Trust on behalf of the VIP Trust's Board of Trustees and will be reported to VIP Trust's Board of Trustees in the same manner as any other Rule 17a-7 transaction involving the New Fund would be reported.

10. The proposed transactions also are reasonable and fair in that they will be effected in a manner consistent with the public interest and the protection of investors. Contract owners will be fully informed of the terms of the Substitution and they will be provided a prospectus for the New Fund. In addition, contract owners will have the opportunity to make a free transfer from the New Fund to any other available Investment Option offered under their Contract, subject to any Investment Option allocation restrictions under their Contract, during the Free Transfer Period.

11. The Section 17 Applicants also submit that the Substitution is consistent with the policies of the Replaced Fund and the VIP Trust as recited in the current registration statement and reports filed under the 1940 Act.

12. In addition, Section 17 Applicants submit that the proposed Substitution is 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. Securities to be paid out as redemption proceeds from the Replaced Fund and subsequently contributed to the New Fund to effect the contemplated in-kind purchases of shares will be valued in accordance with the requirements of Rule 17(a)-7. Therefore, there will be no change in value to any contract owner as a result of the Substitution.

Conclusion:

For the reasons and upon the facts set forth above, the Applicants and the Section 17 Applicants believe that the requested order meets the standards set forth in Section 26(c) and Section 17(b), respectively, and should therefore, be granted.

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

Florence E. Harmon
Acting Secretary