

MODIFICATION TO 2012 REGULATORY SETTLEMENT AGREEMENT

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

5701 Golden Hills Drive
Minneapolis, Minnesota 55416

REVIEW PERIOD

January 1, 2001 through December 31, 2008

NAIC #90611

An agreement to modify the Regulatory Settlement Agreement, effective on August 24, 2012, is entered into by and between Allianz Life Insurance Company of North America (the "Company"); the Lead States of Iowa, Florida, Minnesota and Missouri; and the Participating States of Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wyoming and the District of Columbia. The Company, the Lead States and the Participating States are collectively referred to as the "Parties".

Recitals

The Parties entered into a Regulatory Settlement Agreement with an effective date of August 24, 2012 (the "Regulatory Settlement Agreement").

Subsection 5a of Section X on page 31 of the Regulatory Settlement Agreement provides that the Parties may amend the Regulatory Settlement Agreement by written agreement of the Parties.

Section V of the Regulatory Settlement Agreement sets forth the terms of a Remediation Plan (the "Remediation Plan") for the review and, if appropriate, remediation of certain Annuities which were issued during the Review Period and, with respect to which, a Complaint had been previously filed and reviewed.

Under the Remediation Plan, subsection 2.e of Section V, provides the process for such review, including the materials to be considered in the Review File:

ii. The Review File for each Remediation Annuity shall include: (1) all documents and other materials concerning a Remediation Annuity maintained in the ordinary course of business by Allianz or received from its agents; (2) any materials timely and properly submitted by a Remediation Annuity owner; and (3) any materials gathered by Allianz or Participating States in response to or relating to the Remediation Annuity owner's submissions.

iii. Based solely on the Review File, the Reviewer shall find the complaint either "Justified" or "Not Justified" in accordance with the Evaluation Factors, Evaluation Guidelines, the materials described above for the Review File and other applicable provisions of the Remediation Plan.

Subsection 3.a. of Section V contains the Evaluation Guidelines for Evaluating Complaints.

a. A complaint shall be deemed "Justified" where the information, considered as a whole, as weighed against the Evaluation Factors, supports the complaint by a preponderance of the evidence, (which shall mean for purposes of the Review Process a complaint in which the persuasive and convincing force of all of the information, considered in light of the Evaluation Factors, supports the complaint) including a preponderance of the evidence of one or both of the following: (a) the Contract was unsuitable for the original owner under the circumstances under applicable insurance laws and regulations or Allianz's business practices as of the date of issuance of the Remediation Annuity contract in the jurisdiction where the Contract was sold; or (b) there was a misrepresentation or omission by the agent and/or Allianz in connection with the solicitation, sale or issuance of the Remediation Annuity.

b. A complaint shall be deemed "Not Justified" where the information considered as a whole, fails to support either the misrepresentation or omission or the unsuitability assertions in a complaint by a preponderance of the evidence.

As part of the RSA, owners of Remediation Annuities requested review of 888 complaints (“Review Population”) pursuant to the RSA. Company Reviewers determined that 199 of them were “Justified” and offered some relief pursuant to the RSA. A sample of 109 (“Review Sample”) complaints was reviewed by an audit firm (“AGI”). AGI agreed with Company Reviewers on 61 of the determinations and disagreed on 48 of the determinations.

The Parties desire to modify certain terms of the Regulatory Settlement Agreement.

The terms of this modification agreement (“Modification Agreement”) are as follows:

Agreement

The fourth paragraph of subsection 6 of Section V on page 26 of the Regulatory Settlement Agreement is hereby amended. As amended, the paragraph states:

In the event the disagreement between the Auditor and the Reviewer cannot be resolved, Allianz and the Lead States will select an independent third party to review all 48 of the Review Files selected as part of the Review Sample upon which the Reviewer(s) and the Auditor have disagreed (“Disputed Review Files”). The independent third party shall consider the Evaluation Guidelines and Evaluation Factors set forth in the Regulatory Settlement Agreement, documents and materials contained in each Review File as provided by Allianz to the Auditor, the document containing the conclusions reached by the Reviewer(s) and the final AGI Review Template document for each of the Disputed Review Files provided by the Auditor to Allianz.

The independent third party shall be directed to review whether the determination of the Reviewer(s) with respect to each Disputed Review File is not supported by the documented facts and the review process, Evaluation Guidelines and Evaluation Factors set forth in this Article V, and shall prepare a brief written summary of its conclusions.

If the independent third party concludes that the Reviewer(s) determination was in error on more than 23% of the Disputed Review Files selected as part of the Review Sample (10% of the Review Sample of 109, i.e. 12 or more of the 48 Disputed Review Files), then Allianz shall re-review all Review Files from the Review Population previously deemed “Not Justified” in a manner consistent with the conclusions of the independent third party. Such re-review shall not be subject to any further audit and/or review. The number of Allianz Reviewers’ determinations deemed by the independent third party to be in error will be added to the 21 Review Sample complaints that the Allianz Reviewers had deemed “Justified.” The sum of these numbers, divided by the number in the Review Sample (109), will establish a Relief Ratio. If upon re-review the total number of Review Files offered some relief under the RSA, divided by the Review Population (888) is

greater than or equal to the Relief Ratio for the Review Sample, Allianz will be deemed to have fully and finally completed and complied with all of its obligations under the RSA.

If the independent third party concludes that the Reviewer(s)' determination was in error on 23% or less of the Disputed Review Files selected as part of the Review Sample (10% or less of the Review Sample of 109, i.e. 11 or less of the 48 Disputed Review Files), Allianz will not be required to take any further action and will be deemed to have fully and finally completed and complied with all of its obligations under the RSA.

The Lead States are authorized to approve any necessary procedures agreed to between Allianz and the Lead States to implement these provisions.

All terms and phrases in this Modification Agreement have the meanings given to them in the Regulatory Settlement Agreement.

Except as expressly provided in this Modification Agreement, all the terms and provisions of the Regulatory Settlement Agreement remain in full force and effect, and are fully binding on the Parties.

The Regulatory Settlement Agreement and this Modification Agreement contain the entire understanding between the Parties regarding the subject matter hereof.

This Modification Agreement may be executed in counterparts. A true and correct copy of this modification shall be enforceable the same as an original.

IN WITNESS WHEREOF THE PARTIES HAVE EXECUTED THIS MODIFICATION AGREEMENT AS OF THE DATE SET FORTH AFTER EACH OF THEIR NAMES.


(Signature pages immediately follow.)

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA


I, Gretchen Cepek, hereby affirm that I am the General Counsel and Secretary of Allianz Life Insurance Company of North America and have authority to execute this Modification Agreement on behalf of Allianz Life Insurance Company of North America.


Gretchen Cepek
1-26-18
Date

STATE OF FLORIDA – FLORIDA OFFICE
OF INSURANCE REGULATION

BY: 
Commissioner
1/30/18
Date

STATE OF IOWA - IOWA INSURANCE
DIVISION

BY: 
Commissioner
1/31/18
Date

STATE OF MISSOURI – MISSOURI
DEPARTMENT OF INSURANCE
FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION

BY: _____
Director

Date


STATE OF MINNESOTA - MINNESOTA
DEPARTMENT OF COMMERCE

BY: _____
Commissioner

Date

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Gretchen Cepek
1-26-18

Date

**STATE OF FLORIDA – FLORIDA OFFICE
OF INSURANCE REGULATION**

**STATE OF IOWA - IOWA INSURANCE
DIVISION**

BY: _____
Commissioner


Date

BY: _____
Commissioner

Date

**STATE OF MISSOURI – MISSOURI
DEPARTMENT OF INSURANCE
FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION**

**STATE OF MINNESOTA - MINNESOTA
DEPARTMENT OF COMMERCE**

BY: 
Director
31 January 2018

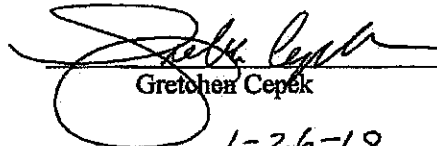
Date

BY: _____
Commissioner

Date

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Gretchen Cepek
1-26-18

Date

STATE OF FLORIDA – FLORIDA OFFICE
OF INSURANCE REGULATION

STATE OF IOWA - IOWA INSURANCE
DIVISION

BY: _____
Commissioner

Date

BY: _____
Commissioner

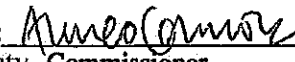
Date

STATE OF MISSOURI – MISSOURI
DEPARTMENT OF INSURANCE
FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION

STATE OF MINNESOTA - MINNESOTA
DEPARTMENT OF COMMERCE

BY: _____
Director

Date

BY: 
Deputy Commissioner
2-1-18

Date

**PARTICIPATING STATE ADOPTION
ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA
MODIFICATION AGREEMENT**

The State of Alaska Division of Insurance does hereby adopt, agree, and approve this Modification Agreement to the Regulatory Settlement Agreement that was effective August 24, 2012.

BY: 

Lori Wing-Heier

JURISDICTION: Alaska

TITLE: Director

DATE: Jan. 22, 2018

MAILING ADDRESS: PO Box 110805

Alaska 99811-0805

Please return this form to:

Tracy Swalwell
Iowa Insurance Division
Two Ruan Center
601 Locust Street, 4th Floor
Des Moines, Iowa 50309-3738
Phone: 515-725-1249
Fax: 515-281-3059
Email: tracy.swalwell@iid.iowa.gov & psantillanes@naic.org