



On July 16, 2009, Respondent instituted an administrative proceeding challenging the June 24 Order pursuant to 8 V.S.A. § 3574(c) (the "Administrative Proceeding") on the grounds stated in its More Detailed Statement filed with the Department on October 7, 2009, and its Amended More Detailed Statement, filed with the Department on March 8, 2010.

6. During the pendency of the Administrative Proceeding, the Department considered additional information provided by Respondent after the Report was issued regarding Respondent's conduct during the Exam Period and Respondent's current practices in a variety of areas covered by the examination. For example, Respondent provided evidence that it had delivered to policyholders documents, in the form of statements of understanding, containing disclosure of material terms of the policies, which were signed by consumers prior to policy issuance. Respondent also provided information demonstrating that alleged violations of the Replacement Regulation(s) had occurred predominantly in the earlier half of the examination period, indicating improvement in compliance in this area before the examination commenced. Finally, the Department was satisfied with the Company's current processes and procedures with respect to suitability and producer training and oversight.

7. By entering into this Settlement Agreement and Consent Order ("Consent Order") on the terms and conditions hereinafter set forth, Respondent and the Department agree to resolve (i) all matters relating to the Report, the June 24th Order, and the Administrative Proceeding initiated by Respondent; and (ii) all claims of violations made by the Department against Respondent with respect to the areas examined and the issues set forth in the Report, including any alleged violations of laws, rules, regulations, or orders of the Commissioner (collectively, "Claims"). This Consent Order shall vacate and supersede the June 24th Order.

8. Notwithstanding paragraph 7 above, it is agreed that the Department retains any rights it has to respond to and address any consumer complaint with regard to a transaction in insurance, as defined in 8 V.S.A. § 3301a, that alleges a misrepresentation, an unsuitable sale or other violation of the Vermont Insurance Trade Practices Act (8 V.S.A. § 4721, et seq.) that occurred during the examination period, except complaints concerning transactions that are subject to the procedures set forth in Exhibit 2. This includes the right to pursue any remedy authorized by law in response to such consumer complaint. Allianz retains the right to assert any factual or legal defenses that it may have to any such complaint, or any claim or action asserted by the Department relating to such complaint.

9. Respondent expressly denies any wrongdoing alleged by the Department raised in the Report and the June 24 Order, the Claims or any other violation of Vermont statutes, rules, regulations or orders of the Commissioner, and does not admit or concede any actual or potential violation, fault, wrongdoing, or liability in connection with any facts or claims which have been or could have been alleged against it by the Department. The Department expressly denies the allegations made by Respondent during the Administrative Proceeding and does not admit or concede any assertion made in or grounds stated in Respondent's More Detailed Statement filed with the Department on October 7, 2009, and its Amended More Detailed Statement, filed with the Department on March 8, 2010.

10. Except in a proceeding to enforce the terms hereof, neither this Consent Order, the Report, or the June 24th Order, nor any related negotiations, statements, reports or court

proceedings shall be used, offered or admitted by Respondent, the Department or anyone else as evidence of or an admission, denial or concession of any liability or wrongdoing whatsoever on the part of any person or entity, including but not limited to Respondent, or as a waiver by Respondent of any applicable defense, including without limitation defenses based on applicable statutes of limitations, statute of frauds, *res judicata* or collateral estoppel.

11. This Consent Order may be signed in multiple counterparts, each of which shall constitute a duplicate original, but which taken together shall constitute but one and the same instrument.

12. This Consent Order shall be binding on the Department and Respondent, and their legal representatives, successors and assigns. Nothing in this Consent Order shall confer rights upon any persons or entities other than the Department and Respondent. This Consent Order sets forth the entire agreement among the parties with respect to its subject matter and supersedes all prior agreements, arrangements, understandings (whether in written or oral form) between the Department and Respondent. No modification or amendment of this Consent Order shall be of any force or effect unless in writing executed by both the Department and Respondent.

## **ORDER**

**IT IS THEREFORE ORDERED** by the Commissioner of the Department of Banking, Insurance, Securities and Health Care Administration that:

- A. The June 24th Order shall be and hereby is vacated and superseded by this Consent Order.
- B. Respondent shall clearly disclose in any materials it develops or approves for distribution to policyholders, prospective policyholders, or producers: (i) the terms of any premium bonus(es) offered, including disclosure that the premium bonus is not credited to the amount that a policyholder would receive upon a full surrender, if that is the case; and (ii) the terms of any requirements that a policyholder must satisfy in order to receive the highest value possible under a policy, including disclosure that the policyholder must continue to hold the policy for a specified number of years to obtain the highest value, if that is the case. Respondent has also agreed that it will no longer use the producer brochure reviewed by the examiners titled Sales Strategies to Help Capture the CD Market.
- C. Respondent had devised and implemented a Suitability Program before the completion of the Exam and issuance of the Report. Respondent has submitted its existing Suitability Program, which includes the processes and procedures described in Exhibit 1, to the Department. The Department has reviewed Respondent's Suitability Program and determined that it satisfies the Department's interest in and concerns regarding suitable sales of fixed indexed annuities to Vermont consumers. Respondent shall continue to utilize its Suitability Program, as outlined in Exhibit 1.
- D. Respondent shall implement the review and remediation plan attached as Exhibit 2 to ascertain those Vermont consumers who, during the Exam Period, may have purchased a fixed index annuity unsuitable for their needs.

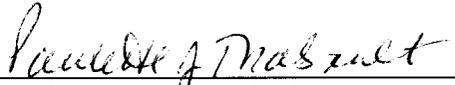
- E. Respondent has provided to the Department materials evidencing the procedures and practices constituting its existing Agent Oversight Program to the Department. The Department has approved those procedures. Respondent shall continue to utilize its existing Agent Oversight Program during the two year period beginning on the date of execution of this Consent Order (the "Relevant Period"), with such changes as Respondent deems necessary to reasonably conform the Agent Oversight Program to Vermont law, comply with other state law, or otherwise enhance its Agent Oversight Program. If Respondent determines it is necessary to make material substantive modifications to its Agent Oversight Program during the Relevant Period it may do so upon 30 days prior written notice to the Department. Respondent shall preserve and retain agent risk profiles created for all Vermont licensed agents who have sales in Vermont, as well as all documents evidencing any and all actions taken by the Company with respect to such agents, including the media used to maintain these records, and shall make them readily available upon request by the Commissioner or her/his designee for a period of three (3) years post the Relevant Period
- F. Respondent provided to the Department its procedures to ensure that a notice of appointment will be filed on a producer within the timeframe required by 8 V.S.A. § 48131 (d). The Department has approved those procedures. Respondent shall continue to utilize those appointment procedures with such changes as Respondent deems necessary to reasonably conform the procedures to Vermont law or otherwise enhance the appointment procedures.
- G. Respondent has updated its practices and procedures designed to comply with Vermont's Replacement Regulation and has represented that it will conduct periodic reviews in order to determine the effectiveness of the program. Respondent shall continue to utilize the replacement procedures with such changes as Respondent deems necessary to reasonably conform the procedures to Vermont law or otherwise enhance the replacement procedures.
- H. Respondent has provided to the Department its procedures to ensure that a signed copy of a buyer's guide is obtained from each policyholder. The Department has approved those procedures. Respondent shall continue to utilize those procedures with respect to the buyer's guide with such changes as Respondent deems necessary to reasonably conform the procedures to Vermont law or otherwise enhance the buyer's guide procedures.

- I. Respondent shall file amended Vermont Annual Statements' State Pages for the years 2002 and 2003 with the Department. Respondent will report progress on completing the amended Vermont Annual Statements' State Pages by May 15, 2010. Respondent shall implement a procedure to ensure compliance with Vermont laws, regulations, and other requirements regarding the reporting of complaints, legal actions/administrative actions, and the filing of annual reports, including that its complaint register contain accurate and updated information with respect to the resolution and dates of resolution of complaints, accuracy in reporting insurance departments' legal and administrative actions taken against it, and that the filing of annual reports is timely.
- J. Respondent has completed an audit of life claims and annuity death claims from January 1, 2001 to June 24 2009, where benefits were elected in a lump sum payment, and has provided data in a form approved by the Department showing amounts due according to the Department's interpretation of 8 V.S.A. § 3665. Respondent has made benefit and interest payments in accordance with the data provided to the Department. The Department has approved the data provided and the payments made by Respondent to the beneficiaries. Respondent has provided to the Department its procedures to assure that death benefits are paid according to Vermont laws, including on lump sum amounts where the annuity claim was not paid within 30 days after receipt of a properly executed proof of loss. The Department has approved those procedures. During the Relevant Period, Respondent shall continue to utilize those procedures for payment of death benefits with such changes as Respondent deems necessary to reasonably conform these procedures to Vermont law or otherwise enhance these procedures. If Respondent determines it is necessary to make material substantive modifications to these procedures during the Relevant Period it may do so upon 30 days' prior written notice to the Department.
- K. The Respondent, in total, shall pay an administrative penalty of ninety-four thousand dollars (\$94,000.00) to the Vermont Department of Banking, Insurance, Securities and Health Care Administration. Payment shall be made no later than 10 days after the signing of this Consent Order by all parties.
- L. The Respondent shall pay the Department's reasonable costs and expenses associated with this Consent Order and the market conduct examination pursuant to 8 V.S.A. § 18 no later than 10 days after receipt of the Department's final invoice, or other administrative or judicial order as appropriate. The Department's reasonable costs and expenses do not include the cost of retaining the examiners, which has been borne by the Respondent pursuant to 8 V.S.A. § 3573.
- M. All costs and expenses associated with and arising out of all remediation plans ordered in this Consent Order shall be paid by Respondent, including, but not limited to, the Department's reasonable costs and expenses associated with the review and remediation plan attached as Exhibit 2, and costs and expenses of third party arbitrators.
- N. Failure to adhere to, or comply with, any of the terms of this Consent Order or any provisions of any approved plan submitted pursuant to this Consent Order or any conditions imposed on any approved plan submitted pursuant to this Consent Order shall

constitute a violation of the insurance laws of the State of Vermont and shall subject Respondent to administrative action or sanctions as the Commissioner deems appropriate. The Department shall retain jurisdiction over this matter for the purposes of enabling the Department to enforce this Consent Order.

Dated at Montpelier, Vermont this 22 day of April, 2010.

**VERMONT DEPARTMENT OF  
BANKING, INSURANCE,  
SECURITIES, AND HEALTH CARE  
ADMINISTRATION**

  
Paulette J. Thaubault, Commissioner

**RESPONDENT'S CONSENT**

13. Allianz Life Insurance Company of North America ("Respondent") hereby admits the jurisdiction of the Vermont Commissioner of Banking, Insurance, Securities and Health Care Administration ("Commissioner") over the subject matter of the Consent Order, Docket No. 09-066-I ("Consent Order"), and that the Commissioner retains jurisdiction over this matter for the purpose of enforcing this Consent Order, including the approving, disapproving, or approving with conditions, of any plan that this Consent Order requires the Respondent to submit to the Department.

14. Respondent knowingly, voluntarily, and unconditionally waives any and all rights to a hearing before the Commissioner or the Commissioner's designee and all other procedures otherwise available under Vermont law with respect to the entry of the Consent Order. Respondent also knowingly, voluntarily, and unconditionally waives compliance with the provisions of 3 V.S.A. Chapter 25 regarding contested cases. Respondent acknowledges that, upon execution by the Commissioner, the Consent Order constitutes a valid order duly rendered by the Commissioner.

15. Respondent knowingly, voluntarily, and unconditionally waives any right it may have to judicial or administrative review by way of suit, appeal, or extraordinary remedy resulting from the issuance of the Consent Order. Upon execution of this Consent Order the Respondent's appeal shall be considered dismissed.

16. Respondent acknowledges and agrees that it consents to the entry of the Consent Order knowingly, voluntarily, and unconditionally and that no promise was made, nor was any coercion used, to induce Respondent to give such consent.

17. Without admitting any of the allegations and or assertions of law stated in the Consent Order (other than as to the jurisdiction of the Commissioner over the Respondent and

over the subject matter of such Consent Order and the retention of jurisdiction for the purpose of enforcing this Consent Order), Respondent acknowledges its understanding of and agrees to all terms, conditions, and obligations contained in the Consent Order.

18. The undersigned representative of Respondent affirms that he or she has taken all necessary steps to obtain the authority to bind Respondent to the obligations stated herein and has the authority to bind Respondent to the obligations stated herein.

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ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

By: Maureen A. Phillips

Date: April 16, 2010

Title: SR. Vice Pres. & General Counsel

STATE OF MN  
COUNTY OF Hennepin

On the 16 day of April 2010, personally appeared Maureen A. Phillips,  
as authorized representative of Allianz Life Insurance Company of North America, who states  
that the execution of the foregoing Consent is his/her free act and deed and the free act and deed  
of Allianz Life Insurance Company of North America.

Before me, Mary Ann Lemke  
Notary Public  
My commission expires on 1-31-2015

