

DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

**Allianz Life Insurance Company of North America
NAIC #90611**

**570, Golden Hills Drive
Minneapolis, MN 55416-1297**

As of

December 31, 2020

Trinidad Navarro
Commissioner



Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2020 on

Allianz Life Insurance Company of North America

is a true and correct copy of the document filed with this Department.

Attest By:

A handwritten signature in blue ink, appearing to read "Amanda Smith", written over a horizontal line.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 28 day of September, 2021.

A handwritten signature in blue ink, appearing to read "Trinidad Navarro", written over a horizontal line.

Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
Allianz Life Insurance Company of North America
AS OF
December 31, 2020

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 28 day of September, 2021.


Trinidad Navarro
Insurance Commissioner

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Honorable Trinidad Navarro Insurance
Commissioner State of Delaware
1351 West North Street
Suite 101
Dover, DE 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Exam Authority Number 90611-20-ANN-715, and pursuant to statutory provisions including 18 *Del. C.* §§ 318 - 322, a market conduct examination has been conducted of the affairs and practices of:

Allianz Life Insurance Company of North America
NAIC #90611

The examination was performed as of December 31, 2020. The examination consisted of an off-site phase which was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

The examination was announced as part of a series of examinations on companies in the annuity marketplace in Delaware. The examination focused on the Company's annuity business in the following areas of operation: Company Operations and Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services and Underwriting and Rating. This effort was conducted to gauge the Company's practices in the suitability, replacement and surrender transactions.

The exceptions were noted in the area of Producer Licensing.

The following exceptions were noted:

- **2 Exceptions** 18 *Del. C.* § 1716(d)(1). Notification to Insurance Commissioner of termination.
(d) Copy of notification to be provided to producer. --
(1) Within 15 days after making the notification required by subsections (a), (b) and (c) of this section, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in § 1712 of this title, the insurer shall provide a copy of the notification to the producer at that producer's last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

The Company failed to prove that a notification to the producer was sent within 15 days.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §§318-322 and covered the experience period of January 1, 2019 through December 31, 2020, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware annuity suitability, replacement and surrender laws and regulations related to the sales and marketing of individual fixed annuities and individual variable annuities.

The examination was a targeted market conduct examination of the Company's annuity business in the following areas of operation: Company Operations and Management; Complaint Handling; Marketing and Sales; Producer Licensing Policyholder Services; Underwriting and Rating; and Claims.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on

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Allianz Life Insurance Company**

the errors found in individual files, the examiners also focus on general business practices of the Company.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda that referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

North American Casualty was incorporated in Minnesota on April 17, 1896 and commenced business May 8, 1896. North American Casualty merged with North American Life Association in 1912 to become North American Life and Casualty (NALAC). In May 1968, NALAC acquired the assets and business of the Thomas Edison Life Insurance Company, Des Moines, Iowa and its wholly-owned subsidiary, Financial Plans, Inc., a broker/dealer (BD). Subsequently, Thomas Edison Life's operations were fully merged into NALAC.

From late 1971 to 1979, NALAC was controlled (over 98%) by the Mutual Life Insurance Company of New York. In November 1979, Mutual of New York completed the sale of its interest in NALAC to Allianz Minnesota Life Insurance Company, a subsidiary of the Allianz Insurance Group of West Germany. On January 1, 1981, NALAC was merged into its parent, Allianz Minnesota Life, which concurrently adopted the name North American Life and Casualty Company.

On March 31, 1993, NALAC changed its name to Allianz Life Insurance Company of North America (Allianz Life or "the Company"). Subsequently, as of May 31, 1993, Allianz Life acquired all the assets and liabilities of Fidelity Union Life Insurance Company of Dallas, Texas. Fidelity Union was under common ownership with Allianz Life. It was also owned by Allianz AG Holding of Munich, Germany.

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On May 16, 1999, Allianz Life acquired Life USA Insurance Company. Life USA and Allianz Life merged on July 1, 2002.

The Company ceased to write business in the affinity/association market by the end of 2003. In 2006, the Company also made the decision to no longer provide healthcare excess of loss products and services. This portion of the business was sold to HCC Life effective October 1, 2006.

The Company currently offers a portfolio of individual fixed indexed annuities, variable annuities and life insurance products. The Company distributes its products through independent field marketing organizations (FMOs), Broker Dealers, registered investment advisors and independent insurance producers.

According to its 2020 annual statement for the State of Delaware, Allianz Life Insurance Company reported annuity considerations in the amount of \$33,805,433.

COMPANY OPERATIONS AND MANAGEMENT

The Company provided the requested information documenting its management and operational procedures in areas for which they conduct business for the State of Delaware.

- The Company's History and Profile
- The Company's Organizational Charts
- Internal Audit & Compliance Procedures and Reports
- Antifraud Program Compliance Manual
- Documentation indicating that the Company does not use managing general agents (MGAs), general agents (GAs), third-party administrators (TPAs)
- A statement that all Company business functions are conducted internally, and therefore, no monitoring of TPA's is required or takes place
- A list of one state that imposed fines and three (3) Market Conduct Examination reports conducted by other States during the last five (5) years
- Copies of the Annual Reports for 2018, 2019, and 2020.

The documents were reviewed to ensure compliance with the State of Delaware Laws and Regulations, and the NAIC Standards.

No exceptions were noted.

COMPLAINTS HANDLING

The Company had no Delaware consumer complaints received during the experience period.

MARKETING AND SALES

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The Company provided a list of 751 pieces of advertising materials utilized in Delaware during the examination period. A sample of 113 pieces of advertising materials was requested, received, and reviewed. The advertising materials were reviewed to ascertain compliance with 18 *Del. C.* §2303 Unfair Methods of Competition, and Unfair or Deceptive Acts or Practices and 18 *Del. C.* §2304 Unfair Methods of Competition and Unfair or Deceptive Acts or Practices defined.

No exceptions were noted.

PRODUCER LICENSING

The Company provided a list of 199 producers appointed with Allianz Life in Delaware or authorized to conduct business in Delaware at any time during the examination period. The Examiners determined there were 97 producers who actively sold policies during the exam period and who therefore comprised the universe for examination purposes.

The following exceptions were noted in this section:

2 Exceptions – 18 *Del. C.* § 1716(d)(1). Notification to Insurance Commissioner of termination.

The Company failed to prove that a notification to the producer was sent within 15 days.

Recommendation: The Company should ensure that a notification to the producer of termination is sent within 15 days and maintain proof of those producer terminations in accordance with 18 *Del. C.* § 1716(d)(1).

POLICYHOLDER SERVICES

A) Contracts Surrendered

The Company provided listings of all individual fixed annuity contracts and variable annuity contracts. The following chart summarizes the universe and the sample size for each category. For all sampled items, the files were reviewed to ensure compliance with contract provisions, Delaware surrender laws and regulations, and to ensure the proper processing of any cash surrender value payment.

Type of Surrender	Universe	Sample Size
Individual Fixed Annuities	291	84
Individual Variable Annuities	49	49

No exceptions were noted.

UNDERWRITING AND RATING

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Allianz Life Insurance Company**

The Company provided listings of all individual new and replacement fixed annuity contracts and new and replacement variable annuity contracts. The following chart summarizes the universe and the sample size for each category. For all sampled items, the files were reviewed to ensure compliance with contract provisions, Delaware issuance and replacement laws and regulations, and to ensure the proper processing of all applications.

Type of Underwriting / Rating	Universe	Sample Size
Individual Fixed Annuities	87	87
Individual Variable Annuities	64	64
Individual Variable Annuities	293	84
Individual Variable Annuities	76	76

No exceptions were noted.

CLAIMS

A) Individual Paid Annuity Contracts

The Company provided a list of 224 fixed and variable annuity contracts paid claims during the examination period. A random sample of 82 annuity paid claims files were requested. The examiners used a step sampling method where the first 20 files were reviewed and no issues were found and no further testing was deemed necessary. The files were reviewed to determine compliance with the Delaware issuance and replacement statutes and regulations.

No exceptions were noted.

CONCLUSION

The recommendation made below identify corrective measures the Department finds necessary as a result of the Exception noted in the Report.

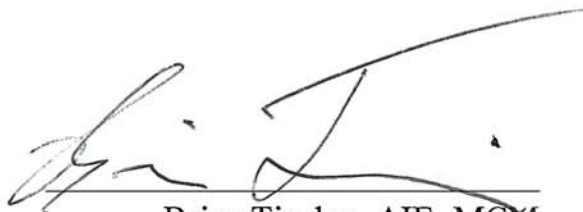
- 1) The Company should ensure that a notification to the producer of termination is sent within 15 days and maintain proof of those producer terminations in accordance with 18 *Del. C.* § 1716(d)(1).

The examination conducted by Joseph Krug, Brian Tinsley, Pete Salvatore and James Hartsfield is respectfully submitted.



Brian Tinsley, AIE, MCM
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance

I, Brian Tinsley, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 91642-20-518.



Brian Tinsley, AIE, MCM