Allianz
For all that's ahead.SM

July 21, 2017

Email: EBSA.FiduciaryRuleExamination@dol.gov

Office of Exemption Determinations
Employee Benefits Security Administration (Attention: D-11933)
U.S. Department of Labor
200 Constitution Avenue, NW
Suite 400
Washington, DC 20210

Re: Request for Information, RIN 1210-AB82

Dear Sir or Madam:

Allianz Life Insurance Company of North America ("Allianz Life")[1] appreciates the opportunity to provide these comments in response to question 1 of the Request for Information,[2] regarding the advisability of extending the January 1, 2018 applicability date of certain provisions in the Best Interest Contract Exemption, the Class Exemption for Principal Transactions in Certain Assets Between Investment Advice Fiduciaries and Employee Benefit Plans and IRAs, and Prohibited Transaction Exemption 84-24, in connection with the Department of Labor's (the "Department") examination of the final Fiduciary Rule (the "Rule").

Allianz Life urges the Department of Labor to extend the applicability date for at least one year. This is essential to protecting Americans saving for retirement.

1. **A delay is critical to protect Americans saving for retirement**

A delay is vital to ensure that Americans continue to have full access to advice, products and tools they need for a secure retirement. The Department must take the necessary time to fully evaluate the Rule in light of President Trump's February 3, 2017 memorandum and thousands of public comments.

The Department needs sufficient time to complete its review of the Fiduciary Rule to determine whether it may adversely affect the ability of Americans to gain access to retirement information and financial advice. Additionally, a delay would reduce burdens on financial service providers by allowing adequate time for the industry to comply with the Fiduciary Rule.

We believe it would be difficult for the Department to complete its review and reassessment and issue a final rule before year end. Even if the Department issues a final rule this year, it would be impossible for the industry to comply by January 1, 2018. This reality warrants a further delay of the applicability date for at least one year to provide time for the Department to complete its examination and communicate

[1] Allianz Life is a life insurance company that offers a portfolio of individual annuities and insurance products. Allianz SE is the ultimate parent company of Allianz Life.
[2] Any capitalized terms not defined herein will have the meaning set forth in the Request for Information.

next steps. Additional time thereafter will be required for the industry to comment and, if necessary, comply with any new requirements.

Furthermore, there is significant confusion and uncertainty in the marketplace as a result of the Department's ongoing review of the Rule. This has delayed the industry's development and implementation of new compliance infrastructure and technology tools designed to comply with the Rule, many of which will not be fully functional by January 1, 2018. As such, a delay is necessary.

2. **A delay would not harm American retirement savers**

A delay would not put retirement savers in jeopardy. As the Department itself acknowledged, the Impartial Conduct Standards that are currently in place provide significant protections to retirement savers. Accordingly, a delay would carry no risk to retirement savers, but would allow the Department the necessary time to complete a thorough review and reassessment of the Fiduciary Rule, as directed by President Trump.

3. **A delay is necessary for the Department to coordinate with the SEC and state insurance departments**

A delay would allow for meaningful regulatory coordination, consistent with Secretary of Labor Acosta's intent, as expressed in an opinion editorial published in May in The Wall Street Journal.[3] Secretary Acosta was clear that he wants the SEC to be a full participant in creating a uniform standard because the SEC has critical expertise in this area. The SEC, in response, issued a public statement on June 1, 2017 to welcome the Department's invitation, and to solicit comments. Absent a delay, we are hard-pressed to see how this regulatory coordination could be successful.

Moreover, we strongly believe it would be advantageous for regulatory coordination to include state insurance departments by engaging the National Association of Insurance Commissioners ("NAIC").[4] State insurance departments are the primary regulators of the business of insurance in the U.S. and can offer critical product and distribution expertise. Bypassing input from the NAIC would cause an unfortunate and unnecessary inconsistency in the conduct standards applicable to non-qualified accounts and insurance products that are not securities. We support a uniform best interest standard applicable to all account types and insurance products and believe the prospect of inconsistent conduct standards could easily be avoided by all of our regulators working together.

4. **A delay is needed for the Department to develop a more workable exemption for insurance intermediaries**

In addition, a delay would allow the Department more time to address the need for a more workable exemption for insurance intermediaries. As we have previously stated in our comments on the proposed class exemption, we commend the Department for recognizing the role and value of insurance intermediaries in the sale of fixed index annuity contracts. For Allianz Life, insurance intermediaries play

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[3] Acosta, Alexander. (2017, May 22). Commentary: Deregulators Must Follow the Law, So Regulators Will Too. *The Wall Street Journal.* Retrieved from https://www.wsj.com

[4] The NAIC is the standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories.

a critical role in the distribution of our products. With the proposed class exemption, however, many of the conditions would be difficult, if not impossible, to meet for the large majority of insurance intermediaries. The proposed class exemption as written does not provide a workable way for insurance intermediaries and insurance-only producers to continue to serve those retirement savers that depend on them for retirement security products and services.

More time would be conducive to completing the steps that remain in the rulemaking process the Department is required to follow. Since the Department solicited comments on the proposed class exemption in January 2017, the Department has not communicated any action taken to finalize the insurance intermediary class exemption. Even assuming a final rule addressing insurance intermediaries is ready to be published yet this year; this would leave insufficient time for insurance intermediaries to make the operational changes necessary to comply with the requirements by January 1, 2018.

Allianz Life appreciates the opportunity to provide comments on the advisability of extending the January 1, 2018 applicability date.

Sincerely,

Gretchen Cepek

Gretchen Cepek
Senior Vice President and General Counsel