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7

8 **BEFORE THE INSURANCE COMMISSIONER**  
9 **OF THE STATE OF CALIFORNIA**

10  
11 In the Matter of the Licenses and Licensing  
Rights of

12 ALLIANZ LIFE INSURANCE  
13 COMPANY OF NORTH AMERICA,

14  
15  
16 Respondent.

FIRST AMENDED ORDER TO SHOW  
CAUSE/ACCUSATION AND NOTICE OF  
HEARING

File No. VA 1152-AP

17 WHEREAS, the Insurance Commissioner of the State of California (hereafter, “the  
18 Commissioner”) has reason to believe that ALLIANZ LIFE INSURANCE COMPANY OF  
19 AMERICA, hereinafter referred to as “Respondent”, has engaged in or is engaging in this State in  
20 the unfair methods of competition or unfair or deceptive acts or practices, and other unlawful acts,  
21 as set forth in the STATEMENT OF SPECIFIC CHARGES/ACCUSATION contained herein;  
22 and has violated Article 6.3 of Chapter 1, Part 2, Division 1 of the California Insurance Code  
23 (hereinafter “Insurance Code”);

24 WHEREAS, the Commissioner has reason to believe that a proceeding with respect to the  
25 alleged acts of Respondent would be in the public interest;

26 NOW, THEREFORE, and pursuant to the provisions of Section 790.05 and 789 of the  
27 California Insurance Code, Respondent is ordered to appear at a time, date and place to be  
28 determined by the Commissioner and show cause, if any cause there be, why the Commissioner

1 should not issue an Order requiring Respondent to Cease and Desist from engaging in the  
2 methods, acts, and practices set forth in the STATEMENT OF SPECIFIC  
3 CHARGES/ACCUSATION contained in the paragraphs below, and imposing the penalties set  
4 forth in Section 790.035 and 789.3 of the Insurance Code and as requested in the PRAYER AND  
5 NOTICE OF MONETARY PENALTY set forth below.

6 **1.**

7 Respondent, ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA  
8 (hereinafter "ALLIANZ"), is, and since January 1, 1981 has been the holder of a Certificate of  
9 Authority to transact the classes of life and disability insurance in the State of California, which  
10 includes annuities as defined in section 101 of the California Insurance Code. Previously, from  
11 January 1, 1981 through June 29, 1993, ALLIANZ was named North American Life and Casualty  
12 Company. On July 1, 1993 and effective June 30, 1993, said insurer was issued an Amended  
13 Certificate of Authority to change its name to ALLIANZ Life Insurance Company of North  
14 America.

15 **2.**

16 Previously, ALLIANZ entered into a Stipulation and Waiver dated November 2, 2004,  
17 wherein the Insurance Commissioner alleged that ALLIANZ failed to obtain approval on a SB  
18 870 compliant long term care policy prior to October 1, 2001; failed to have its long term care  
19 premium rates filed and approved by the Department of Insurance before being sold; and engaged  
20 in the unauthorized sale and marketing of a Long Term Care policy form without first obtaining  
21 the Department's approval of the policy form and premium rates, constituting a violation of  
22 Insurance Code sections 101232.2 and 10236.11. The Insurance Commissioner further alleged  
23 that said acts also constitute a violation of Insurance Code section 101233.7, which provides that  
24 no policy may be marketed or offered unless it complies with the long term care statutes.  
25 Pursuant to an Order of the Insurance Commissioner dated December 20, 2004, ALLIANZ was  
26 ordered to pay a penalty pursuant to Insurance Code section 10234.3(b) in the amount of  
27 \$425,000.00 and to cease and desist from engaging in practices violative of Insurance Code  
28 sections 10323.2 and 10233.7.

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**3.**

Previously, the California Department of Insurance (hereinafter “Department”) issued a Notice and Order to Show Cause and Accusation against ALLIANZ on September 22, 1995, asserting violations of the California Insurance Code and California Code of Regulations relating to the procedures and sales techniques of ALLIANZ’s agents in connection with the solicitation and sale of universal life insurance policies. From 1990 to March 31, 1995, ALLIANZ issued universal life insurance policies pursuant to a payroll deduction program directed at groups of employees at their places of employment (hereinafter, “Policies”). While employed, insureds’ premiums for the Policies were deducted from the employers’ payroll. In 1994 and 1995, the Department received complaints from California policy holders concerning the manner in which the Policies were solicited. Specifically, ALLIANZ misrepresented its universal life product using titles such as “employee security program”, “employee savings plan”, “universal retirement enhancer”, “retirement plan”, “savings protection plan” and/or “personal retirement life builder.” The use of these misrepresentations induced people to take out universal life insurance policies. The Department and ALLIANZ stipulated to a settlement in approximately May 1996 wherein ALLIANZ paid a monetary penalty of \$750,000.00 and \$250,000.00 in administrative and investigative costs. ALLIANZ also agreed to invest \$1,750,000.00 in the California Organized Investment Network, a clearinghouse organized by the Department to match insurance industry investment capital with entrepreneurs, nonprofit organizations, development agencies, and local governments in low-income areas within California. ALLIANZ also set aside \$2.3 million for policy holder restitution. The Order adopting the terms of the Stipulation was signed on June 27, 1996.

**4.**

The Department conducted a Market Conduct Examination of ALLIANZ, pursuant to the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code. ALLIANZ was provided with notice of the said Market Conduct Examination on or about August 19, 2005, and ALLIANZ began providing the

1 Department with requested data on or about October 6, 2005. This market conduct exam covered  
2 the time period of January 1, 2004 through July 31, 2005.

3 **5.**

4 During said Market Conduct Examination, the Department reviewed, among other things,  
5 transactions involving the 145 oldest consumers who were induced by ALLIANZ' appointed life  
6 agents to replace their existing annuities with ALLIANZ fixed (including equity indexed and  
7 immediate) annuities in California between January 1, 2004 and July 31, 2005. These consumers'  
8 ages ranged from a few months shy of their 85<sup>th</sup> birthdays to over 90 years old. The Department  
9 contacted the insurers<sup>1</sup> whose annuities had been replaced and obtained documentation that set  
10 forth the terms of the replaced annuities in 126 of the transactions. The Department was unable  
11 to obtain adequate information to analyze the ALLIANZ replacement transactions in 9 instances.  
12 In 4 instances, the examination revealed that ALLIANZ replaced life insurance policies with  
13 annuities. In 1 instance, the ALLIANZ policy was issued after the original policy had terminated.  
14 These replacements were not analyzed to determine whether they are appropriate due to the fact  
15 that annuities were not replaced. Of the 126 replacement transactions that were reviewed, the  
16 Department found that 3 replacement transactions did not appear to cause financial detriment to  
17 the consumer who purchased the replacement annuity. With regard to these 3 consumers, none  
18 appeared to have incurred surrender charges related to the replacement transaction. One  
19 replacement transaction was excluded from the analysis because the replacement policy was  
20 cancelled by ALLIANZ upon a finding of agent misrepresentation. The Department has found  
21 violations of the Insurance Code in over ninety-seven percent (97%) of the replacement sales  
22 about which it obtained documentation from the insurer whose annuity was replaced. These  
23 annuities are described below.

24 **6.**

25 All identifying and privileged information regarding the consumers referenced in the  
26 Statement of Specific Charges/Accusation, herein below, has been redacted from this pleading for  
27 purposes of publication on the Department's public website pursuant to the provisions of

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<sup>1</sup> The Department was unable to obtain information regarding nine such replacements sales from London Pacific Life Insurance Company due to its insolvency.

1 California Insurance Code Section 12938. Accordingly, each consumer referenced in this  
2 pleading, contained herein below, is identified in an anonymous manner. Specific identifying  
3 information related to each consumer is provided in Exhibit A, attached hereto and incorporated  
4 herein by this reference, for the purpose of this pleading only and will not be included for  
5 publication on said public website.

6 **7.**

7 **THE ANNUITY POLICY FORMS**

8 **A. MasterDex10 Annuity**

9 ALLIANZ sells the MasterDex 10 annuity to people who are up to 85 years old. The  
10 MasterDex 10 is a “two tiered” annuity policy form: there is an annuitization account and a cash  
11 value account.

12 ALLIANZ credits the annuitization account with a 10% bonus at issue. The annuitization  
13 account may be allocated among a declared rate account and two indexed funds. One of the  
14 indexed funds is based on the S& P 500 index and the other one is based on the NASDAQ index.  
15 The equity indexes earnings are highly dependent on the monthly cap set by ALLIANZ. Using  
16 ALLIANZ’ formula and a monthly cap of 3% for example, the S&P 500 account would have  
17 averaged approximately 6% per year over the 55 years from 1951 to 2005. Dropping the cap to  
18 the 1% guaranteed minimum, however, would drop the average return to under 1%. With the 1%  
19 cap, the contract would have returned 0% in 41 of those 55 years. The interest rate on the  
20 MasterDex 10’s declared-rate annuitization account is guaranteed at 2.75% in the first year and  
21 2% thereafter.

22 Under the terms of the MasterDex 10 annuity, the annuitization value can only be used to  
23 purchase an immediate annuity after the contract has been in force for 5 years. In order to get the  
24 10% bonus, the immediate annuity the consumer purchases must be either life contingent or for a  
25 minimum 10 year period. Therefore, the only way that a consumer gets the 10% bonus is if the  
26 consumer leaves the annuity in deferral for 5 years and then annuitizes for 10 years or for his life  
27 time.

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1 The MasterDex 10 policy has a guaranteed interest rate on the cash value tier of 2.5% in  
2 the first year, and a minimum interest rate of 1.5% thereafter. Although ALLIANZ indicates that  
3 a higher rate may be credited, none is guaranteed. The policy summaries indicate that, during the  
4 exam time period, ALLIANZ was paying only the guaranteed rate of 1.5%. The cash value  
5 account is not credited with the initial 10% bonus, nor is it credited with any gains that result  
6 from an increase in the value of the equity indexed accounts.

7 After the first year, MasterDex 10 policy owners can take a free withdrawal of up to 10%  
8 yearly until the owner has withdrawn 50% of the cash value. The cash value is subject to a 12.5%  
9 “load” that lasts until the annuity is annuitized. Therefore, if the owner needs to surrender the  
10 annuity, withdraw an amount in excess of the free withdrawal amount, or take more than one  
11 withdrawal during a one year time frame, ALLIANZ will assess the 12.5% charge retroactively  
12 on all withdrawals taken that year, resulting in the consumer receiving no free withdrawals that  
13 policy year. At the current crediting rate of 1.5%, the cash value of the MasterDex 10 will remain  
14 below the premium paid for several years after the five year deferral period has passed.

15 If the senior dies before annuitizing, the Death Benefit is the greater of the cash value or  
16 the premium paid. The beneficiary under the annuity can, instead, decide to take an annuity, for  
17 which the annuitization value will be used to calculate annuity payments, provided that the  
18 annuity lasts at least five years. If the beneficiary elects to take an annuity for a term of years  
19 rather than a cash payout, the minimum guaranteed payout on the annuity is based on 1% interest  
20 per year.

### 21 **B. 10% Bonus PowerDex Elite Annuity**

22 ALLIANZ sells the 10% Bonus PowerDex Elite to people who are up to 85 years old.  
23 The 10% Bonus PowerDex Elite, like the MasterDex 10, is a “2 tiered” annuity policy form: there  
24 is an annuitization account and a cash value account. The annuitization account is credited with a  
25 bonus at issue of approximately 10% to 12%.

26 The annuitization account may be allocated among a declared rate account and two  
27 indexed funds. One of the indexed funds is based on the S& P 500 index and the other one is  
28 based on the NASDAQ index. As described above in paragraph 5. A., the equity indexes earnings

1 are highly dependent on the monthly cap set by ALLIANZ. The 10% Bonus PowerDex Elite also  
2 has a provision, the “High Water Value”, whereby, following a decline in the index, the  
3 annuitization value cannot rise until the index fully recovers the previous decline. The 10%  
4 Bonus PowerDex Elite’s declared rate is guaranteed at 3% in the first year and 2% thereafter.  
5 Under the terms of the 10% Bonus PowerDex Elite, the annuitization value can only be used to  
6 purchase an immediate annuity after the contract has been in force for 5 years. In order to get the  
7 10% to 12% bonus, the immediate annuity the consumer purchases must be either life contingent  
8 or for a minimum 10 year period. Therefore, the only way that a person gets the 10% bonus is if  
9 the person leaves the annuity in deferral for 5 years and then annuitizes for 10 years or for his life  
10 time. If the policy owner does not annuitize, the policy owner receives only the cash value,  
11 forfeiting the 10% to 12% bonus, the positive index returns accruing in the Accumulation  
12 account, and is subjected to the surrender charges on the cash value account.

13 The 10% Bonus PowerDex Elite has a guaranteed interest rate on the cash value account  
14 of 3% in the first year and 1.5% thereafter. Although ALLIANZ indicates that a higher rate may  
15 be credited, none is guaranteed. The policy summaries indicate that, during the exam time period,  
16 ALLIANZ was paying only the guaranteed rate of 1.5%. The cash value account is not credited  
17 with the initial 10% bonus, nor is it credited with any gains that result from an increase in the  
18 value of the equity indexed accounts.

19 After the first year, 10% Bonus PowerDex Elite owners can take a free withdrawal of 5%  
20 yearly up to 25 % of the cash value. The cash value is subject to a 12.5% “load” that lasts until  
21 the annuity is annuitized. Therefore, if the owner needs to surrender the annuity or withdraw an  
22 amount in excess of the free withdrawal amount, ALLIANZ will assess a 12.5% charge. If the  
23 owner needs to take more than one withdrawal during a one year time frame, the 12.5% charge  
24 will be assessed on all withdrawals taken that year, the result is that the consumer receives no free  
25 withdrawals that policy year. At the current crediting rate of 1.5%, the cash value of the 10%  
26 Bonus PowerDex will remain below the premium paid for several years after the five year  
27 deferral period has passed.  
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1 If the senior dies before annuitizing, the death benefit is the greater of the cash value or  
2 the premium paid less any withdrawals. The beneficiary can, instead, decide to take an annuity,  
3 for which the annuitization value will be used to calculate annuity payments, provided that the  
4 annuity lasts at least five years. If the beneficiary elects to take an annuity for a term of years  
5 rather than a cash payout, the minimum guaranteed payout is based on 1% interest per year.

6 **C. MasterDex 5 Annuity**

7 The MasterDex5 is a single tier equity indexed annuity. A 5% bonus is credited to the  
8 account value. It has an initial 15% surrender charge which remains level for 4 years then  
9 gradually reduces to 0 at the end of 10 years. The account value can be distributed among three  
10 accounts, two indexed accounts, an S&P 500 index and a NASDAQ 1000 index, and one fixed  
11 account that has a guaranteed interest rate of 2.25% the first year and 1.5% thereafter.  
12 Annuitization at the full account value, which includes the 5% bonus, is first permitted after 5  
13 years. There are two ways to receive the full Accumulation Value (which includes the 5%  
14 premium bonus and index credits). The first option is to receive the Accumulation Value in a  
15 payout. To do this, the annuity must be held in deferral for a minimum of five years and then  
16 annuitized for a minimum of 10 years. The second option is to take the Accumulation Value in a  
17 lump-sum at the end of the 10-year surrender period.

18 The consumer can take a 10% free withdrawal per year up to 50% of the contract.  
19 However, if the consumer withdraws in excess of the free withdrawal amount during the year,  
20 withdraws money more than one time during the policy year, or annuitizes or surrenders the  
21 contract during the policy year in which the free withdrawal was taken, surrender charges will be  
22 assessed retroactively on the total amount withdrawn that year.

23 The death benefit is equal to the higher of the cash value or the premium paid less  
24 withdrawals. The beneficiary can, instead, decide to take an annuity, for which the accumulation  
25 value will be used to calculate annuity payments, provided that the annuity lasts at least five  
26 years. If the beneficiary elects to take an annuity for a term of years rather than a cash payout, the  
27 minimum guaranteed payout is based on 1% interest per year.

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1           **D.     5% Bonus PowerDex Annuity**

2           The 5% Bonus PowerDex, unlike the 10% Bonus PowerDex Elite, is a single tier equity  
3 indexed annuity. It provides for a 5% bonus on the initial premium and an initial surrender  
4 charge of 15% which remains level for 5 years and then grades to 0 at the end of the twelfth year.  
5 The contract does not offer a fixed account with a guaranteed interest rate. Annuitization at the  
6 full account value is first permitted after 5 years. The owner can withdraw 5% per year up to  
7 25% for free.

8           The death benefit is the greater of premium paid less withdrawals or cash value. The  
9 beneficiary can, instead, decide to take an annuity, for which the accumulation value will be used  
10 to calculate annuity payments, provided that the annuity lasts at least five years. If the  
11 beneficiary elects to take an annuity for a term of years rather than a cash payout, the minimum  
12 guaranteed payout is based on 1% interest per year.

13           **E.     MasterDex Annuity**

14           The MasterDex is a single tier equity indexed annuity. The premium may be divided  
15 among two equity indexed accounts and one fixed account. The guaranteed interest rate on the  
16 fixed account is 2.75% for the first contract year and 1.5% thereafter. The guaranteed interest  
17 rate on the indexed accounts is 0%. It has a first year surrender charge of 10% that gradually  
18 reduces to 0 over 7 years.

19           The death benefit is the larger of the premium less surrender charges and the cash value.  
20 The beneficiary can, instead, decide to take an annuity, for which the accumulation value will be  
21 used to calculate annuity payments, provided that the annuity lasts at least five years. If the  
22 beneficiary elects to take an annuity for a term of years rather than a cash payout, the minimum  
23 guaranteed payout is based on 1% interest per year.

24           **F.     PremierDex Annuity**

25           The PremierDex is a single tier indexed annuity with an initial surrender charge of 10%  
26 that gradually reduces to 0 over 7 years. The premium may be divided among two equity indexed  
27 accounts and one fixed account. The guaranteed interest rate on the fixed account is 2.25% for  
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1 the first contract year and 1.5% thereafter. The guaranteed interest rate on the indexed accounts  
2 is 0%.

3 The contract also has a “vesting schedule” which grades from 0% to 100% over 7 years.  
4 The schedule relates to the percentage of previously earned interest on the equity indexed  
5 accounts is included in the account value and, hence, the cash value. To this extent it functions  
6 similar to a secondary surrender charge applied to the interest accruals.

7 The death benefit is the greater of the premium less withdrawals or the cash value. The  
8 beneficiary can, instead, decide to take an annuity, for which the accumulation value will be used  
9 to calculate annuity payments, provided that the annuity lasts at least five years. If the  
10 beneficiary elects to take an annuity for a term of years rather than a cash payout, the minimum  
11 guaranteed payout is based on 1% interest per year.

#### 12 **G. PremierDex 5 Annuity**

13 The PremierDex 5 is a single tier equity indexed annuity. The premium is credited with a  
14 5% bonus and may be divided among two equity indexed accounts and one fixed account. The  
15 guaranteed interest rate on the fixed account is 2.25% for the first contract year and 1.5%  
16 thereafter. The guaranteed interest rate on the indexed accounts is 0%. It has a surrender charge  
17 of 15% for 4 years that gradually reduces to 0 at the end of the tenth year.

18 The contract also has a “vesting schedule” which grades from 0% to 100% over 10 years.  
19 The schedule relates to the percentage of previously earned interest on the equity indexed  
20 accounts that is included in the account value and, hence, the cash value. To this extent it  
21 functions akin to a secondary surrender charge applied to the interest accruals.

22 The death benefit is the greater of the premium less withdrawals or the cash value. The  
23 beneficiary can, instead, decide to take an annuity, for which the accumulation value will be used  
24 to calculate annuity payments, provided that the annuity lasts at least five years. If the  
25 beneficiary elects to take an annuity for a term of years rather than a cash payout, the minimum  
26 guaranteed payout is based on 1% interest per year.

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1           **H.     PowerDex Elite**

2           The PowerDex Elite annuity is a single tier equity indexed annuity with no fixed account  
3 with guaranteed interest. The initial surrender charge is 15% which grades to 0 over 10 years.  
4 The overall guarantee on the equity indexed account is minimum of 0%, however, the terms allow  
5 the possibility that the account value will actually decrease in a given contract year. The death  
6 benefit is the greater of the premium paid less withdrawals or the cash value. The beneficiary  
7 can, instead, decide to take an annuity, for which the accumulation value will be used to calculate  
8 annuity payments, provided that the annuity lasts at least five years. If the beneficiary elects to  
9 take an annuity for a term of years rather than a cash payout, the minimum guaranteed payout is  
10 based on 1% interest per year.

11           **I.     FlexDex Multichoice Elite**

12           The FlexDex Multichoice Elite annuity is a single tier equity indexed annuity. The  
13 premium is credited with a bonus, which may vary, and may be divided among two equity  
14 indexed accounts and one fixed account. The guaranteed interest rate on the fixed account is  
15 2.75% for the first contract year and 2% thereafter. The guaranteed interest rate on the indexed  
16 accounts is 0%. It has a surrender charge of 15% for 4 years then that gradually reduces to 0 at  
17 the end of the year 12.

18           The death benefit is the greater of the premium less withdrawals or the cash value. The  
19 beneficiary can, instead, decide to take an annuity, for which the accumulation value will be used  
20 to calculate annuity payments, provided that the annuity lasts at least five years. If the  
21 beneficiary elects to take an annuity for a term of years rather than a cash payout, the minimum  
22 guaranteed payout is based on 1% interest per year.

23           **J.     Power 7 Elite**

24           The Power 7 Elite annuity is a single tier declared rate annuity with an initial surrender  
25 charge of 10% that gradually reduces to 0 over 10 years. A 7% bonus is credited to the account  
26 value at issue. The guaranteed interest rate is 2.5% for the first year and 1.5% thereafter.  
27 Annuitization is permitted at the full account value after 5 years. After the first year, Power 7  
28 Elite policy owners can take a free withdrawal of up to 5% yearly until the owner has withdrawn

1 25% of the premium paid. If the owner needs to surrender the annuity or withdraw an amount in  
2 excess of the free withdrawal amount or take more than one withdrawal during a one year time  
3 frame, a surrender charge will be assessed on all withdrawals taken that year, resulting in the  
4 owner receiving no free withdrawals that policy year. The death benefit is the greater of the  
5 premium less withdrawals or the cash value. The beneficiary can, instead, decide to take an  
6 annuity, for which the accumulation value will be used to calculate annuity payments, provided  
7 that the annuity lasts at least five years. If the beneficiary elects to take an annuity for a term of  
8 years rather than a cash payout, the minimum guaranteed payout is based on 1% interest per year.

9 **K. Cash Bonus Elite**

10 The Cash Bonus annuity is a two tiered declared rate annuity. The annuitization value is  
11 credited with a 10% bonus. The cash value is subject to a 5% load. Guaranteed interest rates for  
12 the annuitization account are 2.75% in the first year and 2% for subsequent years. The cash value  
13 account receives a guaranteed interest rate of 1.5% for all years. Annuitization at the  
14 annuitization value is permitted after one year if the payout annuity is for at least 10 years.

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16 **STATEMENT OF SPECIFIC CHARGES/ACCUSATION**

17 **8.**

18 ALLIANZ has failed to adequately train its agents as to what constitutes a proper and  
19 improper replacement annuity, and ALLIANZ fails to monitor incoming applications to  
20 determine whether it is engaged in replacing annuities unnecessarily. ALLIANZ, through its  
21 appointed life agents, has sold unnecessary replacement annuities as that term is defined in  
22 California Insurance Code section 10509.8(b) in that the annuity owner incurred a surrender  
23 charge for the annuity that was replaced, and the ALLIANZ annuity does not confer a substantial  
24 financial benefit over the life of the policy to the purchaser. Between January 1, 2004 and July  
25 31, 2005, in no instance did ALLIANZ find that any replacements of annuities that occurred  
26 during that time period were improper. Between January 1, 2004 and July 31, 2005, ALLIANZ,  
27 through its appointed life agents, improperly induced the following senior citizens to replace their  
28 existing annuities with ALLIANZ annuities, causing them to incur surrender charges and

1 resulting in their financial disadvantage, in violation of the provisions of California Insurance  
2 Code sections 780, 781, 785(a), 790.03(a), 790.03(b), and 10509.

3 **A. MasterDex 10: Consumers Who Incurred Surrender Charges**

4 **1. Jean K.**

5 On or about April 5, 2001, Standard Life Insurance Company of Indiana Contract No.  
6 0200202034 issued in the approximate amount of \$19,432.00 to Jean K. when she was  
7 approximately 82 years old. It was a standard declared rate annuity with surrender charges  
8 decreasing from 13% to 0 over 10 years. The guaranteed interest rate was 3%.

9 The replacement ALLIANZ MasterDex10 contract, no. 70229969, issued on or about  
10 March 7, 2005 when Jean K. was 86. Jean K. was assessed a \$2,500.00 surrender charge in  
11 connection with the surrender of the Standard Life contract.

12 From a cash value perspective, Jean K. is financially disadvantaged with the ALLIANZ  
13 contract. With the Standard Life contract she was guaranteed a 3% interest rate. With the  
14 ALLIANZ contract, she has been assessed a 12.5% load and is receiving an interest rate of only  
15 1.5%.

16 Jean K. is also financially disadvantaged from an annuitization point of view. While the  
17 ALLIANZ contract does offer the 10% bonus for annuitization, this is less than the surrender  
18 charge she paid, rendering this benefit worthless. With the ALLIANZ contract, she also has  
19 lower guaranteed interest rates and higher guaranteed annuity purchase rates. For example, for a  
20 ten year certain and life monthly payout for an 85 year old woman, the Standard Life contract  
21 guaranteed a monthly payout of \$8.74 per thousand dollars of proceeds, compared to \$7.71 for  
22 the ALLIANZ contract, a 13% higher payout.

23 **2. Sylvia D.**

24 On or about March 29, 2002, Jackson National Life Insurance Company Contract No.  
25 1000045540 issued in the approximate amount of \$72,181.00 to Sylvia D. when she was 82 years  
26 old. This contract was a standard declared rate contract with a minimum rate of interest of 3 %.  
27 The Jackson National contract had a 9% surrender charge, decreasing to 0 over 9 years, and a  
28 market value adjustment. The contract also provided for the waiver of surrender charges in the

1 case of certain medical diagnoses.

2 The replacement ALLIANZ MasterDex10 contract, no. 70184159, was issued on or about  
3 November 15, 2004, when Sylvia D. was 85 years old. Sylvia D. was assessed a surrender charge  
4 of \$6,000.00 in connection with the surrender of the Jackson National contract.

5 From a cash value perspective, Sylvia D. was financially disadvantaged with the  
6 ALLIANZ contract. With the Jackson National contract she was guaranteed a 3% interest rate.  
7 With the ALLIANZ contract, she has been assessed a 12.5% load, and is receiving an interest rate  
8 of only 1.5%.

9 Sylvia D. was also financially disadvantaged from an annuitization perspective. The  
10 ALLIANZ contract's 10% bonus for annuitization is more than offset by lower guaranteed  
11 interest rates and higher guaranteed annuity purchase rates. For example, for a ten year monthly  
12 payout, the Jackson National contract guarantees a monthly payout of \$10.06 per thousand dollars  
13 of proceeds, compared to \$8.85 for the ALLIANZ contract, which is an approximately 14%  
14 higher payout.

15 **3. Rosa M.**

16 On or about June 6, 2000, American Equity Investment Life Insurance Company Contract  
17 No. 0524747 issued to Rosa M. in the approximate amount of \$77,457.00 when she was 80 years  
18 old. It was an equity indexed annuity with a level 10% surrender charge for 10 years. It  
19 guaranteed a minimum of 3% interest or the equity indexed amount, whichever was greater.  
20 Surrender charges were waived on death.

21 The replacement ALLIANZ MasterDex10 contract, no. 70298894, issued on or about  
22 July, 18, 2005, when Rosa M. was 85 years old. Rosa M. was assessed a surrender penalty of  
23 approximately \$8,233.00 in connection with the surrender of the American Equity contract.

24 From a cash value perspective, Rosa M. is financially disadvantaged with the ALLIANZ  
25 contract. With the American Equity contract she was guaranteed a 3% interest rate and was half  
26 way through the surrender charge period. Her death benefit was the full account value. With the  
27 ALLIANZ contract she has paid a surrender charge, been assessed an additional 12.5% load by  
28 ALLIANZ, is receiving an interest rate of only 1.5% and has a lower death benefit.

1 Rosa M. is also financially disadvantaged from an annuitization point of view. While the  
2 ALLIANZ contract does credit a 10% bonus on the annuitization value, she had to pay that much  
3 in a surrender charge, so this is no benefit at all. She also is receiving lower guaranteed interest  
4 rates and the ALLIANZ contract has higher guaranteed annuity purchase rates. For example, for a  
5 ten year monthly payout, the American Equity contract guarantees a monthly payout of \$9.64  
6 dollars per thousand dollars of proceeds, compared to \$8.85 for the ALLIANZ contract, which is  
7 a 10% higher payout.

8 **4. Philip W.**

9 On or about June 15, 2004, American Equity Investment Life Insurance Company  
10 Contract No. 500768 issued in the approximate amount of \$531,449.00 to Philip W. when he was  
11 approximately 84 years old. The American Equity annuity was an equity indexed annuity with  
12 surrender charges of 9% that gradually reduce to 0 over 9 years. It provided for a guaranteed  
13 interest rate of 2.25% for 10 years and 3.0% thereafter on both the indexed and declared accounts.

14 The replacement ALLIANZ MasterDex10 contract number 70283293 issued on or about  
15 June 22, 2005 in the approximate amount of \$537,534.00, when Philip W. was 85 years old. In  
16 connection with the surrender of the American Equity contract Philip W. paid a surrender charge  
17 of approximately \$46,742.00

18 From a cash value perspective, Philip W. was financially disadvantaged with the  
19 ALLIANZ contract. With the American Equity contract he was guaranteed interest rates of 2.25%  
20 and 3%. The death benefit was the full account value. Under the ALLIANZ contract, he has paid  
21 a surrender charge, been assessed an additional 12.5% load by ALLIANZ, is receiving an interest  
22 rate of only 1.5% and has a lower death benefit.

23 Philip W. was also financially disadvantaged from an annuitization point of view. While  
24 the ALLIANZ contract does credit a 10% bonus on the annuitization value, he had to pay that  
25 much in a surrender charge, so this is no benefit at all. He also is receiving lower guaranteed  
26 interest rates and the ALLIANZ contract has higher guaranteed annuity purchase rates. For  
27 example, for a ten year monthly payout, the American Equity contract guarantees a monthly  
28 payout of \$9.64 per thousand dollars of proceeds, compared to \$8.85 for the ALLIANZ contract,

1 which is a 10% higher payout.

2 **5. Orlanders E.**

3 On or about May 3, 2000, Transamerica Life and Annuity Company Contract No.  
4 TAR0010476 in the amount of \$50,000.00 issued to Orlanders E., when he was 80 years old.  
5 Between approximately August and November, 2000, Orlanders E. deposited an additional  
6 \$50,000.00 into the Transamerica annuity contract. It was a declared rate annuity with a  
7 surrender charge of 10% that gradually reduces to 0 over a 10 year period. The guaranteed  
8 interest rate was 3%. The contract also contained a provision whereby 50% of the account value  
9 is available without surrender charge if the owner is confined to a hospital or nursing home.

10 The replacement ALLIANZ MasterDex10 contract number 70117412, in the approximate  
11 amount of \$78,697.00, issued on or about September 15, 2004, when Orlanders E. was 84 years  
12 old. In connection with this purchase, the surrender of the Transamerica contract resulted in a  
13 surrender charge of approximately \$5,083.00.

14 From a cash value perspective, Orlanders E. was financially disadvantaged with the  
15 ALLIANZ contract. With the Transamerica contract he was guaranteed a 3% interest rate. With  
16 the ALLIANZ contract, he paid a surrender charge, was assessed a 12.5% load, and received an  
17 interest rate of only 1.5%.

18 Orlanders E. was also financially disadvantaged from an annuitization point of view.  
19 While the ALLIANZ contract did offer a 12% bonus for annuitization, he was assessed a  
20 surrender charge of approximately 6%, had lower interest rate guarantees and higher guaranteed  
21 annuity purchase rates. For example, for a ten year monthly payout, the Transamerica contract  
22 guaranteed a monthly payout of \$9.65 per thousand dollars of proceeds, compared to \$8.75 for  
23 the ALLIANZ contract, which is a 10% higher payout.

24 **6. Wayne W.**

25 On or about September 7, 2000, Transamerica Life and Annuity Company Contract No.  
26 TAR 0014114 issued to Wayne W. when he was 80 years old in the approximate amount of  
27 \$97,770.00. This was a declared rate annuity, with an initial surrender charge (for each payment)  
28 of 5%, which gradually reduces to 0 over 5 years. The guaranteed interest rate was 3%. The

1 contract also contained a provision whereby 50% of the account value was available without  
2 surrender charge if the owner was confined to a hospital or nursing home.

3 The replacement ALLIANZ MasterDex10 contract, contract no.70174111, issued on or  
4 about September 24, 2004. Wayne W. was assessed a surrender charge of approximately \$858.00  
5 in connection with the surrender of the Transamerica policy.

6 From a cash value perspective, Wayne W. was financially disadvantaged with the  
7 ALLIANZ contract. Under the Transamerica contract he would have earned at least a 3% interest  
8 rate and had a surrender charge of no more than 1%, which would have disappeared in a year.  
9 With the ALLIANZ contract, he has paid a surrender charge, been assessed a 12.5% load, and is  
10 receiving an interest rate of only 1.5%.

11 Wayne W. was also financially disadvantaged from an annuitization perspective. While  
12 the ALLIANZ contract does offer the 10% bonus for annuitization, this is offset by the surrender  
13 charge paid, the lower guaranteed interest rate and higher guaranteed annuity purchase rates. For  
14 example, for a ten year monthly payout, the Transamerica contract guarantees a monthly payout  
15 of \$9.65 per thousand dollars of proceeds, compared to \$8.75 for the ALLIANZ contract, which  
16 is a 10% higher payout.

#### 17 7. **Dewayne K.**

18 Lincoln National Life Insurance Company (hereinafter "Lincoln National") Contract No.  
19 92-9775616 issued on August 7, 2002 when Dewayne K. was 81 years old. The initial premium  
20 was approximately \$23,364.00. Subsequent payments and investment experience brought the  
21 value of the contract to over \$450,000.00 at the time of surrender. The Lincoln National annuity  
22 was a variable annuity contract with an initial surrender charge (for each payment) of 6% that  
23 gradually reduces to 0 over a 4 year period. The contract provided several fixed accounts, each  
24 with a minimum interest guarantee of 3%.

25 The replacement ALLIANZ MasterDex10 contract no. 70298993, issued on June 9, 2005  
26 when Dewayne K. was 85 years. Dewayne K. was assessed a surrender charge of approximately  
27 \$15,951.00 in connection with the surrender of the Lincoln National contract.

28 From a cash value perspective, Dewayne K. was financially disadvantaged with the

1 ALLIANZ contract. If it had been his desire to avoid stock market risk, he could have moved his  
2 funds into one of the fixed accounts of the Lincoln National contract and earned at least 3%  
3 interest. Surrender charges would have disappeared in 2 years. With the ALLIANZ contract, he  
4 has paid a surrender penalty, been assessed a 12.5% load, and is earning only 1.5% interest.

5 Dewayne K. was also financially disadvantaged from an annuitization perspective with  
6 the ALLIANZ contract. While the ALLIANZ contract offers the 10% bonus for annuitization,  
7 this is more than offset by the approximately 3.5% that he paid in surrender charges, lower  
8 guaranteed interest rates, and higher guaranteed annuity purchase rates.

9 **8. Emma G.**

10 Emma G.'s Annuity Investor Life Insurance Company Contracts Nos. 80502127 and  
11 80502127 issued in approximately April of 1999 when Emma G. was 80 years old. The total  
12 initial premium was approximately \$250,000.00. They were standard declared rate annuities with  
13 surrender charges that gradually reduce from 10% to 0 over a 12 year period. The guaranteed  
14 interest rate on each contract is 3%.

15 The replacement ALLIANZ MasterDex10 contract, no. 70224829, was issued on or about  
16 February 28, 2005, when Emma G. was 85 years old. Emma G. was assessed surrender charges  
17 of approximately \$29,000.00 on the surrender of the Annuity Investors contracts.

18 From a cash value perspective, Emma G. is financially disadvantaged with the ALLIANZ  
19 contract. With the Annuity Investors contract, she had a guaranteed 3% interest rate and was half  
20 way through the surrender charge period. With the ALLIANZ contract, she has paid a  
21 \$29,000.00 surrender charge, been assessed a 12.5% load and is earning only 1.5%.

22 Emma G. was also financially disadvantaged from an annuitization perspective. While  
23 the ALLIANZ contract offers the 10% bonus for annuitization, she has paid approximately that  
24 much in surrender charges and has a lower guaranteed interest rate. The guaranteed annuity  
25 payout rates are similar to those of the ALLIANZ annuity

26 **9. George H.**

27 On May 8, 2003, Bankers Life and Casualty Contract No. 7761793 issued to George H.  
28 when he was 84 years old with an initial premium of \$50,000.00. It is a standard declared rate

1 annuity with an initial surrender charge of 10% that gradually reduces to 0 over 10 years. The  
2 guaranteed interest rate is 4%.

3 The replacement ALLIANZ MasterDex10, no. 70215479, was issued on or about March  
4 21, 2005, when George H. was 85 years old. George H. paid a \$5,000.00 surrender charge in  
5 connection with the surrender of the Bankers contract.

6 From a cash value perspective, George H. was financially disadvantaged with the  
7 ALLIANZ contract. Not only has he paid a surrender charge, but he has been assessed a 12.5%  
8 load by ALLIANZ and has exchanged his 4% interest guarantee for a 1.5% actual interest rate.  
9 His cash value will never recover.

10 From an annuitization perspective, George H. was financially disadvantaged with the  
11 ALLIANZ contract. With respect to potential annuitization, the Bankers policy still guaranteed  
12 4%, compared to 2.5% (first year) and 2% in later years in the fixed account on the ALLIANZ  
13 annuity. This difference would more than erase the benefit of the 10% bonus in the ALLIANZ  
14 annuity in the 5 year period before an annuitization can take place.

#### 15 10. **Nora H.**

16 On or about March 22, 2004, Bankers Life and Casualty annuity contract No. 7784188  
17 issued to Nora H. when she was 84 years old. The initial premium was approximately  
18 \$100,000.00. It is a standard declared rate annuity, with an initial surrender charge of 8% that  
19 gradually reduces to 0 over 9 years. The guaranteed interest rate is 5.25% for the first year and  
20 3.25% thereafter.

21 The replacement ALLIANZ MasterDex10 contract, no. 70215468, was issued  
22 approximately 9 months later on or about December 17, 2004, when Nora H. was 85 years old.  
23 In connection with the surrender of the Bankers contract, Nora H. was assessed a \$7,500.00  
24 surrender charge.

25 From a cash value perspective, Nora H. was financially disadvantaged with the ALLIANZ  
26 contract. Not only has she paid a surrender charge, and been assessed a 12.5% load by  
27 ALLIANZ, she has lost a contract paying 5.25% for 3 more months and a guaranteed minimum  
28 of 3.25% thereafter in exchange for a contract paying 1.5%. Her cash value will never recover.

1 From an annuitization perspective, Nora H. was financially disadvantaged with the  
2 ALLIANZ contract. While the ALLIANZ contract does credit a 10% bonus to the annuitization  
3 account, this is more than offset by the surrender charge paid and the higher guaranteed rates on  
4 the Bankers contract.

5 **11. Pearl G.**

6 Conseco Annuity Assurance Company Contract No. 0N524773 issued to Pearl G. on or  
7 about May 12, 1998 when she was 79 years old. The initial premium was approximately  
8 \$37,000.00. This was an equity indexed annuity with an initial surrender charge of 15% that  
9 gradually reduces to 0 over 12 years. It provided for a guaranteed interest rate of 3%. It further  
10 provided for the waiver of surrender charges on Pearl G.'s death.

11 The replacement ALLIANZ MasterDex10 contract number 70108150 was issued on or  
12 about September 13, 2004 when Pearl G. was 85 years old. The initial premium was  
13 approximately \$25,000.00. Pearl G. paid a surrender charge of approximately \$2,000.00 in  
14 connection with the surrender of the Conseco policy.

15 From a cash value perspective, Pearl G. is financially disadvantaged with the ALLIANZ  
16 annuity. The Conseco contract provides a 3% guaranteed interest rate and a death benefit that  
17 waives surrender charges. With the ALLIANZ contract, she has paid a surrender charge, been  
18 assessed an additional 12.5% load and has a 1.5% interest rate. Additionally, the death benefit on  
19 the ALLIANZ policy will not exceed the premium paid for 9 years while the death benefit of the  
20 Conseco contract will continue to grow with interest.

21 From an annuitization perspective, Pearl G. is financially disadvantaged with the  
22 ALLIANZ annuity. While the ALLIANZ contract provides a 10% bonus, this is largely offset by  
23 the surrender charge she has paid and by the lower guaranteed interest rates and higher  
24 guaranteed annuity purchase rates. Where the Conseco contract provides a guaranteed interest  
25 rate of 3%, the ALLIANZ contract provides a guarantee of 2% on the declared rate account and  
26 0% on the index accounts. With respect to pay out rates, Conseco guarantees a payment of \$9.64  
27 per thousand for a 10 year fixed payout compared to \$8.75 for Conseco, a 10% higher payout.  
28 For a life annuity at age 85, the Conseco rate is 17% better.

1           **12. Helen B.**

2           Aviva Life Insurance Company Contract No. 30CB716750 issued on August 21, 2002 to  
3 Helen B. when she was 83 years old. The initial premium was approximately \$30,000.00. It was  
4 an indexed annuity with a guaranteed rate of 3.5% and a surrender charge of 10% that gradually  
5 reduces to 0 over a 10 year period. The death benefit was the full accumulation value.

6           The replacement ALLIANZ MasterDex10 contract, no. 70195319, was issued December  
7 28, 2004 when Helen B. was 85 years old. Helen B. was assessed a \$2,400.00 surrender charge  
8 in connection with the surrender of the Aviva contract, receiving proceeds less than her premium.

9           From a cash value perspective, Helen B. is financially disadvantaged with the ALLIANZ  
10 contract. With the Aviva contracts she would have earned at least a 3.5% interest rate and had a  
11 surrender charge of no more than 8%, declining, which is less than the load on the ALLIANZ  
12 contract. With the ALLIANZ contract, she has paid a surrender charge of approximately 8%, has  
13 been assessed a 12.5% load, is receiving an interest rate of only 1.5%. She also has a lower death  
14 benefit.

15           Helen B. is no better off from an annuitization point of view. While the ALLIANZ  
16 contract does offer the 10% bonus for annuitization, this is largely offset by the surrender charge  
17 she has paid and further offset by the lower interest guarantees of the ALLIANZ contract.

18           **13. Marjory G.**

19           New York Life Insurance and Annuity Corporation Contract No. 52402353 issued on  
20 September 7, 2001 to Marjory G. when she was 82 years old. The initial premium was  
21 \$75,000.00. It was a standard declared rate contract with an initial 7% surrender charge that  
22 gradually reduces to 0 over 6 years. The guaranteed interest rate was 3%. Surrender charges  
23 were waived on death.

24           The replacement ALLIANZ MasterDex10 contract, number 70120536, was issued on  
25 September 27, 2004, when Marjory G. was 85 years old. She paid a surrender charge of  
26 approximately \$5,000.00 in connection with the surrender of the New York Life contract.

27           From a cash value perspective, Marjory G. is financially disadvantaged with the  
28 ALLIANZ contract. The New York Life contract guarantees a 3% interest rate and the surrender

1 charges will disappear in a few years. In contrast, the ALLIANZ contract pays only 1.5% interest  
2 and has a 12.5% load. The death benefit of the New York Life contract was also better because  
3 surrender charges are waived on death.

4 From an annuitization perspective, Marjory G. is financially disadvantaged with the  
5 ALLIANZ contract. The New York Life contract provided a 3% guaranteed credited rate,  
6 compared to 2% for the ALLIANZ declared rate fund and 0% for the equity indexed funds. It  
7 also provided better guaranteed fixed annuitization rates. For example, it guaranteed \$9.61 per  
8 thousand for a 10 year fixed monthly payout, compared to \$8.75 for the ALLIANZ contract.  
9 Although the ALLIANZ contract does offer better life contingent payout rates, this benefit is  
10 insignificant given the advanced age of the annuitant.

11 **14. Antoinette C.**

12 American General Annuity Insurance Company annuity contract No. NN055226 issued on  
13 November 21, 2002 Antoinette C. when she was 83 years old. The initial premium was  
14 \$174,000.00. It was a standard declared rate annuity with surrender charges beginning at 7% and  
15 gradually reducing to 0 over 6 years. It provided a guaranteed interest rate of 3.5% and waived  
16 surrender charges on death.

17 The replacement ALLIANZ MasterDex10 policy number 70126562 was issued on August  
18 19, 2004 when Antoinette C. was 85 years old. This was within the surrender charge period of  
19 the American General contract.

20 From a cash value perspective, Antoinette C. is financially disadvantaged with the  
21 ALLIANZ contract. The AG contract guaranteed a 3.5% interest rate and the surrender charges  
22 would have disappeared in a few years. The ALLIANZ contract pays only 1.5% interest after a  
23 12.5% load. The death benefit of the AG contract was also better because it waived surrender  
24 charges on death.

25 From an annuitization perspective, Antoinette C. is financially disadvantaged with the  
26 ALLIANZ contract. Whereas the AG contract provided a 3.5% guaranteed credited rate, the  
27 ALLIANZ contract provides a 2% declared rate fund and 0% for the equity indexed funds. The  
28 AG contract also provided better guaranteed annuitization rates. For example, it guaranteed

1 \$9.61 per thousand for a 10 year fixed monthly payout, compared to \$8.75 for the ALLIANZ  
2 contract.

3 **15. Ann R.**

4 Reliastar Life Insurance Company annuity contract No. RFA0035122 issued on May, 15,  
5 2000 to Ann R. when she was 81 years old. The initial premium was \$20,000.00. This was a  
6 standard declared rate contract with a surrender charge beginning at 10% and gradually reducing  
7 to 0 over 10 years. It provided for a guaranteed minimum interest rate of 3%. It also waived  
8 surrender charges on death.

9 The replacement ALLIANZ MasterDex 10 contract number 70110682 was issued on  
10 September 20, 2004, when Ann R. was 85 years old. The initial premium was approximately  
11 \$25,000.00. Ann R. paid a surrender charge of approximately \$1000.00 in connection with the  
12 surrender of the Reliastar contract.

13 From a cash value perspective, Ann R. is financially disadvantaged with the ALLIANZ  
14 contract. The Reliastar contract provided for a 3% guaranteed rate on the account value,  
15 compared to the 1.5% rate on 87.5% of the account value as provided by the ALLIANZ contract.

16 From an annuitization perspective, Ann R. is financially disadvantaged with the  
17 ALLIANZ contract. Although the ALLIANZ product provides a 10% bonus, this is offset by a  
18 lower guaranteed minimum rate (as low as 0% for the indexed accounts) and higher annuity  
19 purchase rates. The Reliastar contract also has a more favorable death benefit than the ALLIANZ  
20 contract because it waives surrender charges on death.

21 **16. Hilda G.**

22 Investors Insurance Corporation annuity contract numbers CAR0007114 and  
23 CAR0007119 were issued on August 18, 2003 and June 30, 2003, respectively, to Hilda G. when  
24 she was 83 years old. The total premium deposited in these contracts was approximately \$1.5  
25 million. The Investors Insurance annuities were equity indexed contracts with an initial surrender  
26 charge (for each premium payment) of 15% that gradually decreased to 0 over 12 years. The  
27 fixed fund option guaranteed 3% interest.

28 The replacement ALLIANZ MasterDex10 contract, no. 70155254, in the approximate

1 amount of \$327,200.00 was issued on November 9, 2004 when Hilda G. was 85 years old. These  
2 premium monies came from the surrender of contract CAR0007119. Hilda G. was assessed a  
3 surrender charge of approximately \$51,413.00 in connection with this surrender. Subsequently,  
4 an additional \$117,000.00 was withdrawn from Investors Insurance contract number  
5 CAR0007114, on a penalty free basis, and deposited in the MasterDex10 contract.

6 From a cash value perspective, Hilda G. is financially disadvantaged with the ALLIANZ  
7 annuity. She has paid a \$51,000.00 surrender penalty, has been assessed an additional 12.5% load  
8 by ALLIANZ, and has a contract paying 1.5% interest compared to a guaranteed 3% interest on  
9 the original Investors Insurance contracts.

10 From an annuitization perspective, Hilda G. is financially disadvantaged with the  
11 ALLIANZ annuity. She received a 10% bonus on her annuitization value, but paid more than  
12 that in a surrender charge. Furthermore, under the ALLIANZ contract, she cannot annuitize for 5  
13 years, when she will be 90 years old, and during that time, she has a lower fixed interest  
14 guarantee than in the Investors contract.

15 **17. Mary R.**

16 Conseco Annuity Assurance Company Contract No. ON725566 issued on February 15,  
17 2000. Mary R. was a co-owner of the contract. The annuitant was Sylvia D., who was 80 years  
18 old at the time. The initial premium was \$10,000.00. A subsequent premium was paid in the  
19 approximate amount of \$19,000.00. It was an equity indexed annuity with an initial surrender  
20 charge of 15% that gradually reduced to 0 over 12 years. There was no fixed account, but there  
21 was an overall guarantee of 3% on cumulative earnings.

22 The replacement ALLIANZ MasterDex10 contract, no. 70188044, was issued on October  
23 25, 2004, when Sylvia D. and Mary R. were both 85 years old. Mary R. paid a surrender charge  
24 of approximately \$1,700.00 in connection with the surrender of the Conseco annuity. Mary R. is  
25 the owner of the ALLIANZ annuity and Sylvia D. is the annuitant.

26 From a cash value perspective, Mary R. is financially disadvantaged with the ALLIANZ  
27 contract. She has paid a surrender charge, been subjected to the 12.5% load and is earning only  
28 1.5%. With the Conseco contract, she had the equity participation and cumulative guaranteed

1 earnings of 3%.

2 Mary R. is also financially disadvantaged from an annuitization perspective. While she  
3 does receive the 10% bonus for annuitization, more than half of this is offset by the surrender  
4 charge she has paid. She is unable to annuitize for 5 years, has lower deferral guarantees and  
5 higher guaranteed annuity purchase rates. For instance, for a 10 year fixed payout, the Consec  
6 contract guarantees a monthly payment of \$9.64 per thousand dollars compared to \$8.75 for the  
7 ALLIANZ contract. This represents a 10% higher payout.

8 **18. Dorothy B.**

9 On or about December 12, 2003 and January 5, 2004, respectively, Fidelity and Guaranty  
10 Life Insurance Company policies were issued to Kenneth B., Dorothy's husband, Contracts No.  
11 L9028614 and L9028608. Kenneth B. was 89 at the time of issuance. Upon Kenneth B's death,  
12 Dorothy B. became the annuitant and owner of the contracts. The initial premium for both  
13 exceeded \$400,000.00. The contracts were similar. Contract 9028614, which had \$350,000.00 of  
14 the premium, provided for a 7 year guarantee period with guaranteed interest of 4.5% in the first  
15 year, 3.5% for the next 6 years, and 3% thereafter. Contract 9028608 guaranteed 3.5% for 7  
16 years and 3% thereafter. The contracts provided for free surrender at the end of the seven year  
17 period. For surrenders within a guarantee period, the contract called for a surrender charge,  
18 beginning at 9% and gradually reducing to 0 over 20 years.

19 On September 14, 2004, ALLIANZ MasterDex 10 Contract No. 70138497 was issued,  
20 less than one year after Dorothy B's purchase of the second Fidelity contract. At the time of the  
21 replacement, Dorothy B. was 85 years old. Dorothy B. was assessed a surrender charge of  
22 approximately \$40,000.00 in connection with the surrender of the Fidelity contract

23 With respect to cash value, Dorothy B. is financially disadvantaged with the replacement  
24 ALLIANZ contract. Not only has she paid a significant surrender charge, she has been assessed a  
25 12.5% load by ALLIANZ and is earning a significantly lower interest rate. Had the initial  
26 premium been left in the Fidelity contract No 9028614 for the 7 year period, the cash value would  
27 have been approximately \$468,000.00. With the ALLIANZ contract, the cash value of her  
28 proceeds in seven years would be \$328,000.00.

1 With respect to annuitization, Dorothy B. is financially disadvantaged with the ALLIANZ  
2 contract. The ALLIANZ product credits a 12% bonus on the annuitization account but this is less  
3 than the surrender charge she paid to Fidelity. With the ALLIANZ contract, she has lower  
4 guaranteed interest rates and higher guaranteed annuity purchase rates. For example, the Fidelity  
5 contract guarantees a 10 year monthly payout of \$9.64 per thousand versus \$8.75 for the  
6 ALLIANZ contract, 10% more.

7 **19. Myrta E.**

8 On or about November 18, 1999, American Investors Life Insurance Company Contract  
9 Number 338231 was issued to Myrta E. who was then 80 years old. The initial premium was  
10 approximately \$4,000.00. The policy was a standard declared rate contract with an initial  
11 surrender charge of 12% decreasing to 0 over 10 years. It had a guaranteed interest rate of 3%.

12 The replacement ALLIANZ MasterDex10 Contract No. 70304405 was issued on June 28,  
13 2005, when Myrta E. was 85 years old. Myrta E. paid a surrender charge of approximately  
14 \$250.00 in connection with the surrender of the American Investors contract.

15 From a cash value point of view, Myrta E. is financially disadvantaged with the  
16 ALLIANZ contract. In addition to being assessed a surrender charge, she has been charged a  
17 12.5% load and has a lower guaranteed interest rate (1.5% versus 3%).

18 With respect to annuitization, the American Investors contract provides a 3% guaranteed  
19 credited rate compared to 2% for the ALLIANZ declared rate fund and 0% for the equity indexed  
20 funds. The American Investors policy also provides better guaranteed annuitization rates. For  
21 example, the American Investors annuity guarantees \$9.18 per thousand for a 10 year fixed  
22 monthly payout compared to \$8.75 for the ALLIANZ contract. Although the ALLIANZ contract  
23 provides a 10% bonus on the annuitization account, the bonus is offset by a lower guaranteed  
24 interest rate and higher annuity purchase rate.

25 **20. Margaret S.**

26 On or about May 11, 2003, Loyal American Life Insurance Company Contract No.  
27 45003758 was issued to Margaret S. who was then 84 years old. The initial premium was  
28 approximately \$104,000.00. This was a standard declared rate contract with an initial surrender

1 charge of 10% that gradually reduced to 0 over ten years. The contract had a guaranteed interest  
2 rate of 1.5%.

3 The replacement ALLIANZ MasterDex10 Contract No. 70207418 was issued on  
4 December 2, 2004 when Margaret. S. was 86 years old. A surrender charge of approximately  
5 \$11,000.00 was assessed on the surrender of the Loyal American contract.

6 From a cash value point of view, Margaret. S. is financially disadvantaged with the  
7 ALLIANZ contract. Although the guaranteed interest rates are the same, she paid a surrender  
8 charge to Loyal American and was assessed a 12.5% front end load by ALLIANZ.

9 With respect to annuitization, the ALLIANZ contract offers a 10% bonus and a higher  
10 guaranteed rate and similar annuity purchase rates. However, given that Margaret S. will not be  
11 able to purchase a payout annuity until she is 91, any benefit with respect to annuitization is  
12 outweighed by the decreased cash value.

13 **21. Margaret S.**

14 On or about July 6, 2003, Annuity Investors Life Insurance Company Contract No.  
15 80506845 was issued to Margaret S. who was then 84 years old. The initial premium was  
16 \$100,000.00. This was a declared rate annuity with an initial surrender charge of 10%, level for 8  
17 years, then decreasing to 0 in years 9 through 12. The guaranteed interest rate was 3%.

18 The replacement ALLIANZ MasterDex10 Contract No. 70207418 was issued on  
19 December 2, 2004 when Margaret S. was 86 years old. A surrender charge of approximately  
20 \$9,000 was assessed on the surrender of the Annuity Investors contract.

21 From a cash value point of view, Margaret S. is financially damaged with the ALLIANZ  
22 contract. In addition to having a lower guaranteed interest rate (1.5% versus 3%), she paid a  
23 surrender charge to Annuity Investors and was assessed a 12.5% front end load by ALLIANZ.

24 With respect to annuitization, the ALLIANZ contract offers a 10% bonus but this is offset  
25 by lower guaranteed rates. Annuity payout rates are similar. While there is the potential of some  
26 small gain on annuitization, this does not offset the large loss of cash availability.

27 **22. Eunice P.**

28 On or about June 27, 2003, Safeco Life Insurance Company Contract No. V000029868

1 was issued to Eunice P. who was then 78 years old. The initial premium was \$55,000.00. It was  
2 a declared rate annuity with a 5% surrender charge for 4 years.

3 After the 4 year period, there was a window that permitted penalty free withdrawals, after  
4 which the 5% charge was reinstated, but graded to 0 over 4 more years. The guaranteed interest  
5 rate was 2.6% for 4 years and 2% thereafter. The contract contained a provision whereby  
6 surrender charges are waived after a thirty day confinement in a nursing home or hospital.

7 The replacement ALLIANZ MasterDex10 Contract No. 70303899 was issued on July 5,  
8 2005 when Eunice P. was 85 years old. This would have been within the initial 4 year surrender  
9 charge period of the Safeco contract.

10 From a cash value perspective, Eunice P. is financially disadvantaged with the ALLIANZ  
11 annuity. With the Safeco contract, she had a 2.6% interest rate guaranteed for two more years  
12 and a 5% surrender charge that would have disappeared temporarily in 2 years and permanently  
13 in 6 years. With the ALLIANZ contract, she has paid a surrender charge and been assessed a  
14 12.5% load that never disappears.

15 From an annuitization point of view, the two contracts provide similar benefits. The  
16 ALLIANZ contract provides the 10% bonus, but Eunice P. has paid a surrender charge of  
17 approximately 5%. The interest guarantees on the two contracts are similar and the Safeco  
18 contract provides slightly better annuity purchase rates.

### 19 23. **Eunice P.**

20 On June 27, 2003, Safeco Life Insurance Company Policy No. V000031191 was issued to  
21 Eunice P. who was then 83 years old. The initial premium was approximately \$14,000.00. It was  
22 a declared rate annuity with a 5% surrender charge for 4 years. After the 4 year period, there was  
23 a window that permitted penalty free withdrawals after which the 5% charge was reinstated, but  
24 graded to 0 over 4 more years. The guaranteed interest rate was 2.85 for 4 years and 1.5%  
25 thereafter. The contract contained a provision whereby surrender charges were waived after a  
26 thirty day confinement in a nursing home or hospital.

27 The replacement ALLIANZ MasterDex10 contract No. 70303899 was issued on July 5,  
28 2005 when Eunice P. was 85 years old. This would have been within the initial 4 year surrender

1 charge period of the Safeco contract.

2 From a cash value perspective, Eunice P. is financially disadvantaged with the ALLIANZ  
3 annuity. With the Safeco contract, she had a 2.85% interest rate guaranteed for two more years  
4 and a 5% surrender charge that would have disappeared temporarily in 2 years and permanently  
5 in 6 years. With the ALLIANZ contract, she has paid a surrender charge and been assessed a  
6 12.5% load that never disappears.

7 From an annuitization point of view, the two contracts provide similar benefits. The  
8 ALLIANZ contract provides the 10% bonus but she has paid a surrender charge of approximately  
9 5%. The interest guarantees on the two contracts are similar and the Safeco contract provides  
10 slightly better annuity purchase rates.

#### 11 24. **Eunice P.**

12 On August 9, 2003, AIG Annuity Insurance Company Contract No. NN066142 was  
13 issued to Eunice P. who was then 83 years old. The initial premium was approximately  
14 \$79,000.00. It was a declared rate contract with an initial surrender charge (for each payment) of  
15 7% that gradually reduced to 0 over 6 years. The guaranteed interest rate was 2%. The contract  
16 also provided for a waiver of surrender charges on death, diagnosis of a terminal illness and for  
17 certain hospital or nursing home confinements.

18 The replacement ALLIANZ MasterDex10 Contract No. 70231963 was issued on March  
19 21, 2005 when Eunice P. was 85 years old. Eunice P. was assessed a surrender charge of  
20 approximately \$3,000.00 in connection with the surrender of the AIG contract.

21 From a cash value perspective, Eunice P. is financially disadvantaged with the ALLIANZ  
22 contract. With the AIG contract, she had a guaranteed interest rate of 2% and a surrender charge  
23 of 7% with a 5.5 year remaining surrender charge period. With the ALLIANZ contract, she has  
24 paid a surrender charge, has been levied a 12.5% load that never runs off and is earning only .5%.

25 From an annuitization point of view, the two contracts provide similar benefits. The  
26 ALLIANZ contract provides the 10% bonus, but she has paid a surrender charge of  
27 approximately 5%. The interest guarantees on the two contracts are similar and the AIG contract  
28 provides slightly better annuity purchase rates.

1           **25. Henry K.**

2           On or about March 23, 1998, American Investors Life Insurance Company Contract No.  
3 309598 was issued to Henry K. who was then 78 years old. The initial premium was \$70,000.00.  
4 This was a declared rate contract with an initial surrender charge of 12% that gradually reduced to  
5 0 over 11 years. The guaranteed interest rate was 3.25%.

6           The replacement ALLIANZ MasterDex10 Contract No. 70247964 was issued on March  
7 28, 2005. Henry K was assessed a \$3,000.00 surrender charge in connection with the surrender  
8 of the American Investors contract.

9           From a cash value perspective, Henry K. is financially disadvantaged with the ALLIANZ  
10 contract. With the AIG contract, he had a guaranteed interest rate of 3.25% and a surrender  
11 charge of approximately 4% with 4 years remaining in the surrender charge period. With the  
12 ALLIANZ contract, he has paid a surrender charge, has been levied a 12.5% load (which never  
13 runs off) by ALLIANZ and is earning only 1.5%.

14           Henry K. is also financially disadvantaged from an annuitization point of view. While the  
15 ALLIANZ contract does offer the 10% bonus for annuitization, he has paid a surrender charge of  
16 almost 4%, and now has lower guaranteed interest rates and higher annuity purchase rates. For  
17 example, for a 10 year payout contract, the American Investors contract guarantees a monthly  
18 payment of \$9.18 compared to \$8.75 in the ALLIANZ contract, a 5% higher payout.

19           **26. Murel D.**

20           On or about September 20, 2002, American Investors Life Insurance Company Contract  
21 No. 417316 issued to Murel D. who was then 82 years old. The initial premium was  
22 approximately \$96,000.00. It was a declared rate annuity contract with an initial surrender charge  
23 of 12% that gradually reduced to 0 over 11 years. The guaranteed interest rate was 3.25%

24           The replacement ALLIANZ MasterDex10 Contract No. 70176003 was issued on  
25 November 10, 2004 when Murel D. was 85 years old. Murel D. was assessed a surrender charge  
26 of \$9,000.00 in connection with the surrender of the American Investors contract.

27           From a cash value perspective, Murel D. is financially disadvantaged with the ALLIANZ  
28 contract. With the American Investors contract, he had a guaranteed interest rate of 3.25% and a

1 surrender charge of under 10% with a 9 year remaining surrender charge period. With the  
2 ALLIANZ contract, he has paid a surrender charge of over 9%, has been levied a 12.5% load  
3 (which never runs off) by ALLIANZ and is earning only 1.5%.

4 Murel D. is also financially disadvantaged from an annuitization point of view. While the  
5 ALLIANZ contract offers a 10% bonus for annuitization, the surrender charge he paid exceeds  
6 the value of this bonus. With the ALLIANZ contract, he also has lower interest guarantees and  
7 higher annuity purchase rates. For example, for a 10 year payout contract, the American  
8 Investors contract guarantees a monthly payout of \$9.18 compared to \$8.75 in the ALLIANZ  
9 contract, a 5% higher payout.

10 **27. Mary B.**

11 On or about November 10, 1997 and December 23, 1997, respectively, Travelers Life and  
12 Annuity Contracts Nos. 9237458 and 9224383 were issued to Mary B who was then 78 years old.  
13 The total premium was approximately \$300,000.00. These were identical variable annuity  
14 contracts each with an initial surrender charge of 10% that gradually reduced to 0 over 8 years.  
15 The guaranteed interest rate on the fixed account was 3%.

16 On October 7, 2004, both policies were replaced by an ALLIANZ MasterDex10 Contract  
17 No. 70171694 when Mary B. was 85 years old. Mary B. was assessed a surrender charge of  
18 approximately \$15,000.00 in connection with the surrender of these contracts.

19 From a cash value perspective, Mary B. is financially disadvantaged with the ALLIANZ  
20 contract. If her desire had been to avoid stock market risk, she could have transferred her funds  
21 to the fixed account in the Travelers contracts. This would have avoided the surrender charges  
22 and provided her with a guaranteed 3% return. In addition, in one more year, her surrender  
23 charges would have expired and she would have had full access to funds with no surrender  
24 charges. With the ALLIANZ contract, she has paid a surrender charge, been levied a 12.5% load  
25 (which never runs off) by ALLIANZ and is earning only 1.5%.

26 Mary B. is also financially disadvantaged from an annuitization perspective. While the  
27 ALLIANZ contract provides the 10% bonus for annuitization, she has paid more than half the  
28 value of this bonus as a surrender charge and the rest is offset by lower guaranteed interest rates

1 in the ALLIANZ contract. Additionally, the Travelers contract provides better guaranteed  
2 annuity purchase rates. For example, for a 10 year payout, the Travelers contract guarantees a  
3 monthly payout of \$9.61 compared to \$8.75 in the ALLIANZ contract, a 10% higher payout.

4 **28. Benjamin J.**

5 On October 24, 2002, American Investors Life Insurance Company Contracts Nos.  
6 420681 and 420682 issued to Benjamin J. who was then 83 years old. Each had an initial  
7 premium of \$100,000.00. They were standard declared rate contracts with an initial surrender  
8 charge of 12% that gradually reduced to 0 over 11 years. The minimum guaranteed interest rate  
9 was 3.25%.

10 The ALLIANZ replacement MasterDex10 Contract No. 70292155 was issued on May 11,  
11 2005 when Benjamin J. was 85 years old. Benjamin J. was assessed a total surrender charge of  
12 \$20,000.00 in connection with the surrender of the American Investors contracts.

13 From a cash value perspective, Benjamin J. is financially disadvantaged with the  
14 ALLIANZ contract. Not only has he paid a \$20,000.00 surrender charge, he has been assessed  
15 the 12.5% load and has a contract paying only 1.5% compared to the 3.25% guaranteed under the  
16 American Investors contracts.

17 Benjamin J. is also financially disadvantaged from an annuitization perspective. While  
18 the ALLIANZ contract provides the 10% bonus for annuitization, he has paid that much in  
19 surrender charges rendering it no benefit at all. With the ALLIANZ contract, he also has lower  
20 guaranteed interest rates and higher annuity purchase rates. For example, for a 10 year payout,  
21 the American Investors contract guarantees a monthly payment of \$9.18 compared to \$8.75 in the  
22 ALLIANZ contract, a 5% higher payout.

23 **29. Margaret M.**

24 On November 3, 1999, American Investors Life Insurance Company Contract No. 334688  
25 issued to Margaret M. who was then 80 years old. The initial premium was approximately  
26 \$26,000.00. It was an equity indexed annuity with an initial surrender charge of 12% that  
27 gradually reduced to 0 over 10 years. The guaranteed interest rate on the fixed account was 3%.

28 The replacement ALLIANZ MasterDex10 Contract No. 70317952 was issued on July 6,

1 2005 when Margaret M. was 85 years old. Margaret M. was assessed a surrender charge of  
2 approximately \$8,000.00 in connection with the surrender of the American Investors contract.

3 From a cash value perspective, Margaret M. is financially disadvantaged with the  
4 ALLIANZ contract. Not only has she paid an \$8,000.00 surrender charge but she has been  
5 assessed a 12.5% load by ALLIANZ and has a contract paying only 1.5% interest compared to  
6 the 3.5% guaranteed under the American Investors contract. Additionally, the surrender charge  
7 period of the American Investors contract had only 3 years remaining. The load on the  
8 ALLIANZ contract never disappears.

9 Margaret M is also financially disadvantaged from an annuitization perspective. While  
10 the ALLIANZ contract provides a 10% bonus for annuitization, any value to this is partially  
11 offset by the surrender charge she has paid. Any remaining potential benefit is offset by the  
12 lower guaranteed interest rates and higher annuity purchase rates of the ALLIANZ contract. For  
13 example, for a 10 year payout, the American Investors contract guarantees a monthly payment of  
14 \$9.18 versus \$8.75 in the ALLIANZ contract, a 5% higher payout.

15 **30. Victor P.**

16 On or about June 12, 2003, American Investors Life Insurance Company Contract No.  
17 435228 was issued to Victor P. The initial premium was \$151,000.00. It was a standard declared  
18 rate contract with an initial surrender charge of 12% declining to 0 over 10 years. The guaranteed  
19 interest rate was 3%.

20 The replacement ALLIANZ MasterDex10 Contract No 70141010 was issued on  
21 September 17, 2004 when Victor P. was 85 years old. Victor P. was assessed a surrender charge  
22 of \$18,000.00 in connection with the surrender of the American Investors contract.

23 From a cash value perspective, Victor P. is financially disadvantaged with the ALLIANZ  
24 contract. Not only has he paid an \$18,000.00 surrender charge, he has been assessed the 12.5%  
25 load by ALLIANZ and has a contract paying only 1.5% interest compared to the 3% guaranteed  
26 under the American Investors contract.

27 Victor P. is also financially disadvantaged from an annuitization perspective. While the  
28 ALLIANZ contract provides the 10% bonus for annuitization, this is less than the surrender

1 charge he has paid so it is no benefit at all. Additionally, he now has lower guaranteed interest  
2 rates and higher guaranteed annuity purchase rates. For example, for a 10 year payout, the  
3 American Investors contract guarantees a monthly payment of \$9.18 compared to \$8.75 in the  
4 ALLIANZ contract, a 5% higher payout.

5 **31. George E.**

6 On or about February 27, 2001, American General Life and Annuity Contract No.  
7 NN029176 issued to George E. who was then 81 years old. The initial premium was  
8 approximately \$29,000.00. It was a declared rate contract with an initial surrender charge (for  
9 each payment) of 7% that gradually reduced to 0 over 6 years. The guaranteed interest rate was  
10 3.5%

11 On or about May 3, 2001, American General Life and Annuity Insurance Company  
12 Contract No. NN030587 was issued to George E. The initial premium was approximately  
13 \$57,000.00. It was the same contract form as NN029176.

14 On August 6, 2001, Jackson National Life Insurance Company Contract No. 0059579240  
15 was issued to George E. who was then 82 years old. It was a declared rate contract with an initial  
16 surrender charge of 7.5% that gradually reduced to 0 over 7 years. The guaranteed interest rate  
17 was 3%.

18 On June 27, 2003, New York Life Insurance Company Contract No. 52040715 was issued  
19 to George E. who was then 83 years old. The initial premium was approximately \$18,000.00. It  
20 was a declared rate annuity with a 3% minimum interest guarantee.

21 The replacement ALLIANZ MasterDex10 Contract No. 70130680 was issued on  
22 September 27, 2004 when George E. was 85 years old. In connection with this replacement,  
23 George E. was assessed surrender charges of approximately \$4,000.00 on the two American  
24 General contracts, \$2,000.00 on the Jackson National contract, and \$619.00 on the New York  
25 Life contract.

26 From a cash value perspective, George E. is financially disadvantaged with the ALLIANZ  
27 contract. With the two American General contracts, he had a guaranteed interest rate of 3.5% and  
28 less than 3 years remaining in the surrender charge period. With the other two contracts, he had a

1 guaranteed rate of 3%. With the ALLIANZ contract, he has paid surrender charges, been  
2 assessed a 12.5% load (which never runs off) and is earning only 1.5%.

3 George E. is also disadvantaged from an annuitization standpoint. While he receives a  
4 12% bonus on annuitization, this is offset by the surrender charges he has paid, the lower  
5 guaranteed interest rates and higher guaranteed annuity purchase rates of the ALLIANZ contract.  
6 For example, for a 10 year payout, the ALLIANZ contract guarantees a monthly payout of \$8.75  
7 per thousand dollars of proceeds. The Jackson National contract guarantees \$10.06, 15% higher,  
8 and the American General contract guarantees \$9.61, 10% higher.

9 **32. Laura S.**

10 On or about September 8, 2003, Allstate Life Insurance Company Contract No.  
11 ALL0099541 was issued to Laura S. who was then 83 years old. The initial premium was  
12 approximately \$59,000.00. The policy was a variable annuity but all funds were allocated to the  
13 fixed account which had a 3% guaranteed interest rate. The policy had a seven year surrender  
14 charge period from the payment date. The policy waived surrender charges on death or nursing  
15 home confinement.

16 The replacement ALLIANZ MasterDex 10 Contract No. 70261629 was issued on April 1,  
17 2005 when Laura S. was 85 years old. Laura S. paid a \$4000.00 surrender charge in connection  
18 with the surrender of the Allstate contract.

19 From a cash value point of view, Laura S. is financially disadvantaged with the ALLIANZ  
20 contract. She has paid a surrender charge and given up a contract with a 3% interest guarantee.  
21 In exchange, she has a contract that assesses a 12.5% load and pays only 1.5% interest. Her cash  
22 value will never recover. Further, the Allstate contract waived surrender charges on death or  
23 nursing home confinement, a benefit that Laura S. lost with this replacement.

24 Laura S. is also financially disadvantaged from an annuitization point of view. The  
25 ALLIANZ contract provides a 10% bonus but most of this is offset by the surrender charge she  
26 has paid. In addition, she now has a lower guaranteed interest rate and higher guaranteed  
27 annuitization purchase rates. For example, for a 10 year fixed payout, the Allstate contract  
28 guarantees a monthly payment of \$9.61 compared to \$8.75 for the ALLIANZ contract, a 10%

1 greater payout.

2 **33. Charlotte S.**

3 On or about July 24, 2000, American Skandia Life Insurance Corporation Contract No.  
4 000472474 was issued to Charlotte S. who was then 81 years old. It was a variable annuity  
5 contract with an initial surrender charge, for each payment, of 7.5% that gradually reduced to 0  
6 over 7 years. The initial premium was approximately \$19,000.00. The interest rates on the fixed  
7 accounts were index based with a floor of 0.

8 The replacement ALLIANZ MasterDex10 Contract No. 70269286 was issued on April 5,  
9 2005 when Charlotte S. was 85 years old. Charlotte S. was assessed a surrender charge in the  
10 amount of \$750.00 in connection with the surrender of the American Skandia contract. The  
11 ALLIANZ contract was returned during the free look period.

12 From a cash value perspective, Charlotte S. would have been financially disadvantaged  
13 with the ALLIANZ contract. Even at an interest rate of 0%, the American Skandia contract  
14 would have produced a higher value for 9 years. With respect to annuitization, Charlotte S. also  
15 would have been financially disadvantaged with the ALLIANZ contract as the American Skandia  
16 contract provided better annuitization rates. For example, under the American Skandia contract,  
17 the guaranteed monthly payout for a 10 year certain annuity is \$9.61 per month compared to  
18 \$8.75 for the ALLIANZ contract, a 10% better payout.

19 **34. Anna W.**

20 On July 15, 1998, August 4, 1998 and August 11, 1998, respectively, Jackson National  
21 Life Insurance Company Contracts Nos. 0039562930, 0039597280 and 0039558180 were issued  
22 to Anna W. who was then 79 years old. The total premium was approximately \$150,000.00. The  
23 three contracts were declared rate annuities with an initial surrender charge of 9% that gradually  
24 reduced to 0 over 9 years. The guaranteed interest rate was 3.5%. The death benefit was the cash  
25 value but the contracts contained a terminal illness provision which waived the surrender charge  
26 in the event of a terminal illness.

27 The replacement ALLIANZ MasterDex10 contract, number 70239180, was issued on  
28 May 9, 2005 when Anna W. was 85 years old. Anna W. paid a surrender charge of

1 approximately \$6,000.00 in connection with the surrender of the Jackson National contracts. This  
2 was partially offset by a positive market value adjustment.

3 Anna W. was financially disadvantaged from the ALLIANZ contract. From a cash value  
4 perspective, the Jackson National contracts guaranteed 3.5% and had approximately 2 years  
5 remaining in the surrender charge period. The ALLIANZ contract levied a 12.5% load and  
6 credited only 1.5% interest.

7 Anna W. was also financially disadvantaged from an annuitization perspective. While the  
8 ALLIANZ contract offered a 10% annuitization bonus, this was more than offset by the surrender  
9 charge Anna W. paid, the lower interest guarantees on the ALLIANZ contract and the higher  
10 guaranteed annuity purchase rates under the ALLIANZ contract. For example, under the Jackson  
11 National contracts, the guaranteed monthly payment for a 10 year certain annuity was \$10.06 per  
12 month compared to \$8.75 for the ALLIANZ contract, a 15% better payout.

13 Anna. W. died on September 28, 2005 and ALLIANZ processed a death claim.

14 **35. Ruth H.**

15 On or about August 12, 2003, American National Insurance Company Contract No.  
16 LAR0065349 was issued to Ruth H. who was then 84 years old. The initial premium was  
17 \$25,500.00. It was a declared rate contract with an initial surrender charge of 10% that gradually  
18 reduced to 0 over 10 years. The guaranteed interest rate was 3.25%.

19 The replacement ALLIANZ MasterDex10 contract No. 70118251 was issued on  
20 September 7, 2004 when Ruth H. was 85 years old. Ruth H. paid a surrender charge of  
21 approximately \$2,500.00 in connection with the surrender of the American National contract.

22 From a cash value perspective, Ruth H. is financially disadvantaged with the ALLIANZ  
23 contract. She lost 9% of her contract's value to a surrender charge and an additional 12.5% to the  
24 ALLIANZ load. In addition, she now has a contract with a 1.5% interest rate as opposed to  
25 3.25% in the American National contract.

26 Ruth H. is also financially disadvantaged from an annuitization perspective. While the  
27 ALLIANZ contract provides a 12% bonus on annuitization, less than 2% of this remains after  
28 allowing for the surrender charge she has paid. In addition, she has lower guaranteed interest

1 rates, 2% on the fixed fund and 0% on the indexed funds, compared to 3.25% in the American  
2 National contract. Lastly, the ALLIANZ contract has higher guaranteed annuity purchase rates.  
3 For example, for a ten year fixed payout, the American National contract guarantees a monthly  
4 payment of \$9.61 per thousand compared to \$8.75 in the ALLIANZ contract, a 10% higher  
5 payout.

6 **36. Louis P.**

7 On or about December 8, 2001, Monumental Life Insurance Company Contract No.  
8 ML002509NA was issued to Louis P. who was then 82 years old. The initial premium was  
9 \$323,000.00. It was an equity indexed contract with an initial surrender charge of 11% that  
10 gradually reduced to 0 over 10 years. The guaranteed interest rate on the fixed account was 3%.

11 The replacement ALLIANZ MasterDex10 Contract No. 70230115 was issued on February  
12 1, 2005 when Louis P. was 85 years old. Louis P. paid a surrender charge of approximately  
13 \$36,000.00 in connection with the surrender of the Monumental Life contract.

14 From a cash value perspective, Louis P. is financially disadvantaged by the purchase of  
15 the ALLIANZ replacement contract. With the purchase of the ALLIANZ contract, Louis P.  
16 suffered a substantial surrender charge, was assessed a 12.5% load by ALLIANZ, and is earning  
17 only 1.5% interest compared to the guaranteed interest rate of 3% interest of the Monumental  
18 contract.

19 From an annuitization perspective, Louis P. is financially disadvantaged with the  
20 ALLIANZ contract. The ALLIANZ contract credits a 10% bonus on annuitization, however, the  
21 surrender charge he paid exceeded the bonus. In addition, he has lower guaranteed interest rates  
22 and higher guaranteed annuity purchase rates with the ALLIANZ contract. For instance, the  
23 guaranteed monthly payout for a 10 year certain and life annuity for a male age 90, the earliest  
24 Louis P. can utilize the bonus to annuitize, is \$9.23 per \$1,000.00 for the Monumental contract,  
25 compared to \$8.30 per \$1,000.00 for the ALLIANZ annuity, an 11% higher payout by  
26 Monumental.

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28 //

1           **37. Thelma C.**

2           Thelma C. surrendered 8 different annuity contracts to purchase her MasterDex10  
3 contract. For one of these policies, the Department lacks sufficient information to determine  
4 whether the replacement violates the Insurance Code.

5           Three contracts were with American Equity Investment Life Insurance Company,  
6 contracts numbered 100366, 100312, and 130744, which were purchased in 2001 and 2002, when  
7 Thelma C. was 82 years old. These three contracts are all the same policy form, a declared rate  
8 annuity with a surrender charge of 12% that gradually reduced to 0 over a 10 year period and with  
9 a 3% guaranteed interest rate. The total initial premium was approximately \$45,000.00. The  
10 death benefit was the full accumulation value. These contracts were surrendered in February of  
11 2005, when Thelma C. was 85 years old. In connection with the surrender of these contracts,  
12 Thelma C. was assessed a surrender charge of approximately \$5,000.00.

13           The replacement ALLIANZ MasterDex10 contract, number 70213846, was issued on  
14 February 22, 2005 when Thelma C. was 85 years old.

15           From a cash value perspective, Thelma C. is financially disadvantaged off with the  
16 ALLIANZ contract. With the American Equity contracts, she would have earned at least 3%  
17 interest. With the ALLIANZ contract, she has been assessed a surrender charge and a 12.5% load,  
18 is earning only 1.5%, and has a lower death benefit.

19           Thelma C. is also financially disadvantaged from an annuitization point of view. While  
20 the ALLIANZ contract does offer the 10% bonus for annuitization, this is offset by the fact that  
21 she has paid a surrender charge of approximately 10%. In addition, the ALLIANZ contract has  
22 lower guaranteed interest rates and higher guaranteed annuity purchase rates. For example, for a  
23 ten year monthly payout, the American Equity contract guarantees a monthly payout of \$9.64 per  
24 thousand dollars of proceeds, compared to \$8.75 for the ALLIANZ contract, a 10% higher  
25 payout.

26           Thelma C. also surrendered American Skandia Life Assurance Company contract no.  
27 341783.00 in connection with the purchase of the MasterDex10 contract. This contract was  
28 issued on June 30, 1999. It was a variable annuity contract with an initial surrender charge (for

1 each payment) of 7.5% that gradually reduced to 0 over 7 years. The fixed account guarantee was  
2 determined by an index with a minimum of 0%. The contract provided for a waiver of surrender  
3 charges in the event of a 90 day nursing home confinement or the diagnosis of a fatal illness.  
4 This contract was surrendered on December 22, 2004, and a surrender charge of approximately  
5 \$4,000 was assessed.

6 From a cash value perspective Thelma C. is financially disadvantaged with the ALLIANZ  
7 contract. If it were her intention to avoid stock market risk, she could have transferred her funds  
8 to one of the fixed accounts available in the American Skandia contract and received a guaranteed  
9 interest rate. With the ALLIANZ contract, she has paid a surrender charge, been assessed a  
10 12.5% load and is earning only 1.5 %.

11 Thelma C. is financially disadvantaged with the ALLIANZ contract from an annuitization  
12 point of view. While she does receive the 10% annuitization bonus under the ALLIANZ contract,  
13 this is partially offset by the surrender charge she has paid and further offset by higher guaranteed  
14 annuity purchase rates. For example, for a 10 year payout, the AS contract guarantees a monthly  
15 payment of \$9.61 per thousand dollars of proceeds compared to \$8.75 for the ALLIANZ contract,  
16 a 10% higher payout.

17 The last of the eight contracts replaced by the ALLIANZ MasterDex10 contract was  
18 variable annuity contract no. 015562355 that Nationwide Life Insurance Company issued on May  
19 29, 2001. The initial premium was \$28,000.00. It had an initial 7% surrender charge (for each  
20 payment), that gradually reduced to 0 over 6 years, and a 3% guaranteed rate on the declared rate  
21 account. Thelma C. was assessed a surrender charge of approximately \$1,300.00 in connection  
22 with the surrender of this contract.

23 From a cash value perspective, Thelma C. is financially disadvantaged with the  
24 ALLIANZ contract. Had it been her desire to avoid stock market risk, she could have transferred  
25 her funds to the fixed account of the Nationwide contract. This would have avoided the surrender  
26 charge and provided her with a guaranteed interest rate of 3%. Additionally, the surrender charge  
27 period would have expired in less than 3 years. With the ALLIANZ contract, she has paid a  
28 surrender charge, been assessed an additional 12.5% load, which never runs off, and is earning

1 only 1.5%.

2 From an annuitization point of view, Thelma C. is financially disadvantaged with the  
3 ALLIANZ contract. While she does receive the 10% annuitization bonus under the ALLIANZ  
4 contract, this is partially offset by the surrender charge she has paid and further offset by the  
5 lower guaranteed interest rates. Guaranteed annuity purchase rates are similar.

6 **38. Maria O.**

7 On or about September 24, 2002, Midland National Life Insurance Company Contract No.  
8 8500107383 was issued to Maria O. who was then 80 years old. The initial premium was  
9 approximately \$35,000.00. It was a standard declared rate contract with an initial surrender  
10 charge of 12% that gradually reduced to 0 over 9 years. The guaranteed interest rate was 3 %.

11 The replacement ALLIANZ MasterDex10 Contract No. 70137550 was issued on  
12 September 12, 2004 when Maria O. was 85 years old. This replacement occurred within the  
13 surrender charge period for the Midland contract.

14 From a cash value perspective, Maria O. is financially disadvantaged from the purchase of  
15 the ALLIANZ replacement contract. The Midland contract provided a guaranteed 3% interest  
16 rate and a 10% surrender charge that gradually reduced to 0 over 7 years. With the ALLIANZ  
17 contract, there is a 12.5% load, which never disappears, and a 1.5% interest rate.

18 From an annuitization perspective, Maria O. is financially disadvantaged with the  
19 ALLIANZ contract. While the ALLIANZ contract provides a 12% bonus, this bonus is offset by  
20 lower guaranteed interest rates and higher guaranteed annuity purchase rates. For example the  
21 guaranteed monthly payout for a 10 year certain annuity is \$9.61 per \$1,000.00 for the Midland  
22 annuity, compared to \$8.75 per \$1,000.00 for the ALLIANZ annuity, a 10% higher payout by  
23 Midland.

24 **39. Myrta E.**

25 On or about November 3, 1999, American Investors Life Insurance Company contract No.  
26 334688 issued to Myrta E. when she was 80 years old. The initial premium was approximately  
27 \$26,000.00. It was an equity indexed annuity with an initial surrender charge of 12%, reducing to  
28 0 over 10 years. The guaranteed interest rate on the fixed account was 3%.

1 The replacement MasterDex10 contract, no. 70313297, was issued on July 22, 2005 when  
2 Myrta E. was 85 years old. She was assessed a surrender charge of approximately \$1,600.00 in  
3 connection with the surrender of the American Investors contract.

4 From a cash perspective, Myrta E. is financially disadvantaged with the Allianz contract.  
5 Not only has she paid an \$1,600.00 surrender charge, but she has been assessed the 12.5% load by  
6 Allianz and has a contract paying only 1.5% interest compared to the 3% guaranteed under the  
7 American Investors contracts. Lastly, the surrender charge period of the American Investors  
8 contract had only about 4 years remaining. The load on the Allianz contract never disappears.

9 Myrta E. is no better off with the Allianz contract from an annuitization perspective.  
10 While the Allianz contract does provide the 10% bonus for annuitization, any value to this is  
11 partially offset (6%) by the surrender charge she has paid and any remaining potential benefit is  
12 offset by the lower guaranteed interest rates. Guaranteed annuity purchase rates are better at age  
13 85 in the American Investors contract, but by age 90 the Allianz rates are better.

14  
15 **B. MasterDex 5: Consumers Who Incurred Surrender Charges**

16 **1. Walter L.**

17 On or about December 31, 2001, AIG Sun Life Assurance Company Contract No.  
18 A72A1039185 was issued to Walter L. who was then 82 years old. The initial premium was  
19 \$131,000.00. It was a variable annuity contract with an initial surrender charge (with respect to  
20 each payment) of 7% that gradually reduced to 0 over 7 years. The contract provided for several  
21 fixed accounts with a minimum interest guarantee of 3%. At issue, Walter L. put all of his funds  
22 into one of these fixed accounts.

23 The replacement ALLIANZ MasterDex5 contract 70168167 was issued on September 21,  
24 2004 when Walter L. was 85 years old. This would have been within the surrender charge period  
25 of the AIG annuity.

26 From a cash value perspective, Walter L. is financially disadvantaged with the ALLIANZ  
27 contract. With the AIG contract, he had a guaranteed interest rate of 3% and a surrender charge  
28 of 7% that was decreasing. With the ALLIANZ contract, he paid a surrender charge to AIG, has

1 a new surrender charge after allowance for the 5% bonus, and a guaranteed interest rate of only  
2 1.5%.

3 Walter L. is also financially disadvantaged from an annuitization point of view. While the  
4 ALLIANZ contract has the 5% bonus for annuitization, the effect is offset by lower guaranteed  
5 interest rates and higher guaranteed purchase rates. For example, for a ten year fixed payout, the  
6 AIG contract guarantees a monthly payout of \$9.83 per \$1,000 compared to a guaranteed of \$8.75  
7 for the ALLIANZ contract, a 12% higher payout.

## 8 2. **Walter L.**

9 On or about August 6, 2001, American General Annuity Insurance Company Contract No.  
10 NN036653 was issued to Walter L. who was then 81 years old. The initial premium was  
11 approximately \$20,000.00, but subsequent payments brought the value of the contract to over  
12 \$270,000.00. The American General (AG) contract was a standard declared rate annuity with  
13 surrender charges beginning at 7% and gradually reducing to 0 over 6 years. It provided a  
14 guaranteed interest rate of 3.5% and waived surrender charges on death.

15 The replacement ALLIANZ MasterDex5 Contract No. 70168158 was issued on October  
16 4, 2004, when Walter L. was 85 years old. This purchase was within the surrender charge period  
17 of the AG contract, and, therefore, surrender charges were assessed.

18 From a cash value perspective, Walter L. is financially disadvantaged with the ALLIANZ  
19 replacement contract. While the AG contract had approximately 2 more years left in the  
20 surrender charge period, the ALLIANZ product has a 10 year surrender charge period beginning  
21 at 10%, taking into account the 5% bonus. Furthermore, the AG contract guaranteed a 3.5%  
22 interest rate compared to the 1.5% guaranteed interest rate on the ALLIANZ product. The AG  
23 contract waived surrender charges upon death whereas the ALLIANZ contract pays an amount  
24 equal to the higher of the cash value or the premium paid.

25 From an annuitization perspective, Walter L. is financially disadvantaged with the  
26 ALLIANZ contract. With respect to annuitization, the AG contract provided a 3.5% guaranteed  
27 interest rate, compared to 2% for the ALLIANZ declared rate fund and 0% for the equity indexed  
28 funds. The AG contract also provided better guaranteed annuitization rates. For example, the

1 AG contract guarantees \$9.61 per \$1,000.00 for a 10 year fixed monthly payout, compared to  
2 \$8.75 per \$1,000.00 for the ALLIANZ contract.

3 **3. Calvin H.**

4 On or about October 18, 2002, Employees Life Insurance Company Contract No.  
5 L068650 was issued to Calvin H. who was then 83 years old. It was a declared rate contract with  
6 an initial surrender charge of 10% that gradually reduced to 0 over 10 years. The guaranteed  
7 interest was 3.5%. The death benefit, at the time of surrender, was the full account value.

8 The replacement ALLIANZ MasterDex5 Contract No. 70293430 was issued on June 28,  
9 2005 when Calvin H. was 86 years old. He was assessed a surrender charge of \$1600.00 in  
10 connection with the surrender of the Employees Life contract.

11 From a cash value perspective, Calvin H. is financially disadvantaged with the ALLIANZ  
12 contract. With the Employees Life contract, he had a guaranteed interest rate of 3.5% and a death  
13 benefit equal to the full account value. With the ALLIANZ contract, he has an initial surrender  
14 charge of 10% (after allowance for the 5% bonus) which does not fully disappear until he is 95  
15 years old, has paid a surrender charge in excess of the 5% bonus, and a guaranteed rate of 2.25%  
16 in the first year and 1.5% thereafter.

17 Calvin H. is also disadvantaged from an annuitization point of view. While he has the 5%  
18 bonus in the ALLIANZ contract, he has paid more than this amount as a surrender charge so this  
19 is no benefit at all. Furthermore, with the ALLIANZ contract he has lower guaranteed interest  
20 rates and higher guaranteed annuity purchase rates. For example, for a 10 year fixed annuity, the  
21 Employees Life contract guarantees a monthly payment of \$9.83 per thousand dollars of proceeds  
22 compared to \$8.75 for the ALLIANZ contract, a 12% higher payout.

23 **4. Flora N.**

24 On or about November 26, 2001, New York Life and Annuity Corporation Contract No.  
25 59301687 was issued to Flora N. who was then 79 years old. The initial premium was  
26 \$125,000.00. It was a variable annuity contract with an initial surrender charge (with respect to  
27 each premium payment) of 7% that gradually reduced to 0 over 6 years. The guaranteed rate on  
28 the fixed account was 3%.

1 The replacement ALLIANZ MasterDex5 Contract No. 70288330 was purchased on May  
2 9, 2005 when Flora N. was 85 years old. Flora N. paid a surrender charge of approximately  
3 \$10,000.00 in connection with the surrender of the New York Life contract.

4 From a cash value perspective, Flora N. is financially disadvantaged from the purchase of  
5 the ALLIANZ replacement. If Flora N. desired to protect herself from negative stock market  
6 experience, she could have shifted her funds to the fixed account of the New York Life contract.  
7 This would have provided her with a guaranteed return of 3% and a current surrender charge of  
8 5% which would grade to 0 in 2 more years. With the ALLIANZ contract, she is subject to a 10%  
9 surrender charge (after allowance for the 5% bonus) which doesn't run off for 10 years and  
10 guaranteed interest rates of 1.5% on the fixed fund and 0% on the indexed funds.

11 From an annuitization perspective, Flora N. is financially disadvantaged from the  
12 purchase of the ALLIANZ replacement. While the ALLIANZ contract provides a 5% bonus, this  
13 is offset by the lower guaranteed interest rates and more expensive guaranteed annuitization rates.  
14 For instance, for a ten year fixed payout, the New York Life contract guarantees a monthly  
15 payment of approximately \$9.65 per \$1,000.00 compared to a guarantee of \$8.75 per \$1,000.00  
16 for the ALLIANZ contract. The 10% higher payout and higher guaranteed interest more than  
17 offset any value in the 5% bonus.

#### 18 5. Flora N.

19 On or about August 28, 2000, New York Life Insurance and Annuity Corporation  
20 Contract No. 59406462 issued to Flora N. who was 80 years old at the time of this purchase. The  
21 initial premium was \$125,000.00. This was a variable annuity contract with an initial surrender  
22 charge of 7% that gradually reduced to 0 over 6 years. The guaranteed interest rate was 3%.

23 The replacement ALLIANZ MasterDex5 Contract No. 70284949 was issued on May 9,  
24 2005 when Flora N. was 85 years old. Flora N. was assessed a surrender charge of approximately  
25 \$5,000 in connection with the surrender of the New York Life contract.

26 From a cash value perspective, Flora N. is financially disadvantaged from the purchase of  
27 the ALLIANZ replacement contract. If Flora N. had desired to protect herself from negative  
28 stock market experience, she could have shifted her funds to the fixed account of the New York

1 Life contract. This would have provided her with a guaranteed return of 3% and, within 1 year,  
2 full access to her funds. With the ALLIANZ contract, Flora N. is subject to a 10% surrender  
3 charge (net of the 5% bonus) which doesn't run off for 10 years, and guaranteed interest rates of  
4 1.5% on the fixed fund and 0% on the indexed funds.

5 From an annuitization perspective, Flora N. is financially disadvantaged with the  
6 ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this bonus is offset by  
7 the lower guaranteed rates. Under the ALLIANZ contract, Flora N. cannot purchase a payout  
8 annuity until she is 90 years old.

9 **6. Elizabeth T.**

10 On or about January 6, 1999, AXA Equitable Life Insurance Company Contract No.  
11 99600617 was issued to Elizabeth T. The initial premium was approximately \$320,000.00. This  
12 AXA contract was a variable annuity contract with an initial surrender charge of 7% that  
13 gradually reduced to 0 over 7 years. The guaranteed interest rate for fixed accounts was 3%.

14 The replacement ALLIANZ MasterDex5 Contract No.70314550 was issued on July 14,  
15 2005, when Elizabeth T. was 85 years old. Elizabeth T. paid a surrender charge of approximately  
16 \$3,000.00 in connection with the surrender of the AXA contract.

17 From a cash value perspective, Elizabeth T. is financially disadvantaged from the  
18 purchase of the ALLIANZ replacement. If she had desired to protect herself from negative stock  
19 market experience, she could have shifted her funds to one of the fixed accounts of the AXA  
20 contract. This would have provided her with a guaranteed return of 3% and full access to her  
21 funds in less than a year. With the ALLIANZ contract, Elizabeth T. is subject to a 10% surrender  
22 charge (after allowance for the 5% bonus) which doesn't run off for 10 years, when she would be  
23 95 years old, and guaranteed rates of 1.5% on the fixed fund and 0% on the indexed funds.

24 In addition, the surrender of the AXA contract caused Elizabeth T. to lose a significant  
25 death benefit. The death benefit of the AXA contract at the time of surrender was approximately  
26 \$275,000.00. The death benefit on the ALLIANZ contract was \$192,000.00.

27 //

28 //

1 From an annuitization perspective, Elizabeth T. is financially disadvantaged from the  
2 ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this is offset to some  
3 extent by the lower guaranteed interest rates and more expensive guaranteed annuitization rates.

4 **7. Abelino A.**

5 On or about August 26, 2003, AIG Annuity Insurance Company Contract No. NN066527  
6 issued to Abelino A. who was then 83 years old. The initial premium was approximately  
7 \$94,000.00. The AIG contract was a standard declared rate contract with an initial surrender  
8 charge of 7% that gradually reduced to 0 over 6 years (for each premium payment). The  
9 guaranteed interest rate was 2%. It contained a provision waiving surrender charges if the  
10 annuitant is confined to a nursing home for 90 days.

11 The replacement ALLIANZ MasterDex5 Contract No. 70182021 was issued on  
12 November 19, 2004, when Abelino A. was 85 years old. A surrender charge of approximately  
13 \$4,500.00 was assessed upon the surrender of the AIG contract.

14 From a cash value perspective, Abelino A. is financially disadvantaged from the purchase  
15 of the ALLIANZ replacement contract. While the ALLIANZ contract provides for an initial  
16 surrender charge of approximately 10% (net of the 5% bonus) and surrender charges that last until  
17 Abelino A. will be 95 years old, the AIG contract had a lower surrender charge and shorter  
18 remaining surrender charge period. Additionally, the AIG contract provided a 2% guaranteed  
19 interest rate compared with 1.5% on the fixed account and 0% on the indexed accounts of the  
20 ALLIANZ contract.

21 From an annuitization perspective, Abelino A. is financially disadvantaged with the  
22 ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this is offset by the  
23 lower guaranteed interest rates and more expensive guaranteed annuitization rates. For instance,  
24 for a ten year fixed payout, the AIG contract guaranteed a monthly payment of \$9.18 per  
25 \$1,000.00 compared to a guarantee of \$8.75 per \$1,000.00 for the ALLIANZ contract. The 5%  
26 higher payout offsets any value in the 5% bonus from ALLIANZ.

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1           **8. Anne E.**

2           On or about November 4, 1999, General Electric Assurance Company Contract No.  
3 T06123235 issued to Anne E. who was then 80 years old. The initial premium was  
4 approximately \$70,000.00. It was a variable annuity contract with an initial surrender charge of  
5 8% that gradually reduced to 0 over 8 years. The guaranteed rate on the fixed fund was 3%.

6           The replacement ALLIANZ MasterDex 5 Contract No. 70201049 was issued on  
7 December 9, 2004, when Anne E. was 85 years old. This was within the surrender charge period  
8 of the GE contract and therefore surrender charges were assessed.

9           From a cash value perspective, Anne E. is financially disadvantaged from the purchase of  
10 the ALLIANZ replacement contract. If Anne E. had desired to protect herself from negative  
11 stock market experience, she could have shifted her funds to the fixed account of the GE contract.  
12 This would have provided her with a guaranteed return of 3% and a current surrender charge of  
13 5% which would grade to 0 in 3 more years. With the ALLIANZ contract, Anne E. is subject to a  
14 10% surrender charge (net of the 5% bonus) which doesn't run off for 10 years and guaranteed  
15 interest rates of 1.5% on the fixed fund and 0% on the indexed funds.

16           From an annuitization perspective, Anne E. is financially disadvantaged with the  
17 ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this bonus is offset by  
18 the lower guaranteed rates and higher guaranteed annuity purchase rates. For example, for a ten  
19 year fixed payout, the GE contract guarantees a monthly payment of \$9.61 per \$1,000.00  
20 compared to a guarantee of \$8.75 per \$1,000.00 for the ALLIANZ contract, a 10% higher payout  
21 in the GE contract.

22           **9. Rose M.**

23           On or about April 14, 1998, Jackson National Life Insurance Company Contract No.  
24 009031082A issued to Rose M. who was then 78 years old. The initial premium was  
25 approximately \$26,000.00. This was a variable annuity contract with an initial surrender charge  
26 (for each premium payment) of 7% that gradually reduced to 0 over 7 years. The guaranteed  
27 interest rate on the fixed account was 3%.

28

1 The replacement ALLIANZ MasterDex5 Contract No. 70238596 was issued on February  
2 17, 2005 when Rose M. was 85 years old. A surrender charge of \$79.00 was paid in connection  
3 with the surrender of the Jackson National contract. This charge could have been avoided by  
4 waiting two more months before surrendering the Jackson National contract.

5 From a cash value perspective, Rose M. is financially disadvantaged from the purchase of  
6 the ALLIANZ replacement contract. If Rose M. had desired to protect herself from negative  
7 stock market experience, she could have shifted her funds to the fixed account of the Jackson  
8 National contract. This would have provided her with a guaranteed return of 3%, and, within 2  
9 months, full access to her funds. With the ALLIANZ contract, Rose M. is subject to a 10%  
10 surrender charge (net of the 5% bonus) which doesn't run off for 10 years, and guaranteed interest  
11 rates of 1.5% on the fixed fund and 0% on the indexed funds.

12 From an annuitization perspective, Rose M. is financially disadvantaged with the  
13 ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this bonus is offset by  
14 the lower guaranteed rates. Further, under the ALLIANZ replacement contract, Rose M. cannot  
15 purchase a payout annuity until she is 90 years old.

16 **10. Jack R.**

17 On or about March 30, 2000, Golden American Life Insurance Company Contract No.  
18 C058458-0W was issued to Jack R. who was then 80 years old. The initial premium was  
19 approximately \$188,000.00. This was a variable annuity contract with an initial surrender charge  
20 (for each premium payment) of 8% that gradually reduced to 0 over 8 years. The guaranteed  
21 interest rate on the fixed account was 3%.

22 The replacement ALLIANZ MasterDex5 Contract No. 70241200 was issued on February  
23 28, 2005 when Jack R. was 85 years old. This replacement purchase was within the surrender  
24 charge period of the Golden American contract therefore a surrender charge was assessed.

25 From a cash value perspective, Jack R. is financially disadvantaged from the purchase of  
26 the ALLIANZ replacement contract. If Jack R. had desired to protect himself from negative  
27 stock market experience, he could have shifted his funds to the fixed account of the Golden  
28 American contract. This would have provided him with a guaranteed return of 3% and full access

1 to his funds in 3 years. With the ALLIANZ contract, he is subject to a 10% surrender charge (net  
2 of the 5% bonus) which doesn't run off for 10 years and guaranteed interest rates of 1.5% on the  
3 fixed fund and 0% on the indexed funds.

4 From an annuitization perspective, Jack R. is financially disadvantaged from the purchase  
5 of the ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this bonus is  
6 offset by the lower guaranteed rates and higher guaranteed annuity purchase rates. For example,  
7 for a ten year fixed payout, the Golden American contract guarantees a monthly payment of \$9.64  
8 per \$1,000.00 compared to a guarantee of \$8.75 per \$1,000.00 for the ALLIANZ contract, a 10%  
9 higher payout in the Golden American contract.

10 **11. Claire N.**

11 On or about October 12, 2004, Hartford Life Insurance Company, Contract No. 47177184,  
12 was issued to Claire N. who was then 85 years old. The initial premium was approximately  
13 \$49,000.00. It was a declared rate annuity with an initial period of 10 years. The initial surrender  
14 charge was 6% which reduced to 2% after 5 years and remains at 2% until the end of year 10.  
15 There are no surrender charges after year 10. The guaranteed interest rate was 4.2% for the initial  
16 10 year period and 3% thereafter.

17 The replacement ALLIANZ MasterDex5 Contract No. 70205924 was issued on December  
18 20, 2004, just two months after the Hartford contract purchase. Claire N. was assessed a  
19 surrender charge of approximately \$3,000.00 in connection with the surrender of the Hartford  
20 contract.

21 From a cash value perspective, Claire N. is financially disadvantaged with the ALLIANZ  
22 replacement contract. With the Hartford contract, she had a guaranteed interest rate for 10 years  
23 of 4.2% and 3 % thereafter and a surrender charge of 6% decreasing. With the ALLIANZ  
24 contract, she has paid a surrender charge to the Hartford, has a new initial 10% surrender charge,  
25 after allowance for the 5% bonus, and a guaranteed interest rate of only 1.5%.

26 From an annuitization perspective, Claire N. is financially disadvantaged with the  
27 ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus for annuitization, this  
28 bonus is offset by the surrender charge (7%) that Claire N. paid in order to purchase the

1 ALLIANZ contract. In addition, the ALLIANZ contract has a greatly reduced guaranteed interest  
2 rate. Further, the Hartford contract offered better guaranteed purchase rates. For example, for a  
3 ten year fixed payout, the Hartford Life contract guarantees a monthly payment of \$9.39 per  
4 \$1,000.00 compared to a guarantee of \$8.75 per \$1,000.00 for the ALLIANZ contract, a 7%  
5 higher payout in the Hartford contract.

6 **12. Wilfred C.**

7 On or about January 2, 2002, American General Annuity and Life Insurance Company  
8 Contract No. 9001070749 was issued to Wilfred C. who was then 83 years old. The initial  
9 premium was approximately \$72,000.00. It was a variable annuity contract with an initial  
10 surrender charge (for each payment) of 5% that gradually reduced to 0 over 7 years. It had a  
11 guaranteed interest rate of 3% for the fixed account.

12 The replacement ALLIANZ MasterDex5 Contract No. 70138307 was issued on August  
13 21, 2004 when Wilfred C. was 85 years old. This purchase was within the surrender charge  
14 period of the American General contract, therefore, a surrender charge was assessed.

15 From a cash value perspective, Wilfred C. is financially disadvantaged with the purchase  
16 of the ALLIANZ replacement contract. Had it been Wilfred C.'s desire to protect himself from  
17 negative stock market experience, he could have shifted his funds to the fixed account of the  
18 American General account. This would have avoided any surrender charge and provided him  
19 with a guaranteed interest rate of 3%. With the ALLIANZ contract, he has paid a surrender  
20 charge, has a new initial 9% surrender charge, after allowance for the 6% bonus, and a guaranteed  
21 interest rate of only 1.5%.

22 From an annuitization perspective, Wilfred C. is financially disadvantaged with the  
23 ALLIANZ contract. While the ALLIANZ contract provides a 6% bonus for annuitization, this  
24 bonus is offset by lower guaranteed interest and higher guaranteed purchase rates. By way of  
25 illustration, the guaranteed monthly annuity payment, on a 10 year certain and life basis, for an 85  
26 year old man is \$7.58 per \$1,000.00 under the American General contract and \$6.17 per  
27 \$1,000.00 under the ALLIANZ contract, more than a 20% difference.

28 //

1           **13. Agnes I.**

2           On or about March 11, 2002, Security First Life Insurance Company Contract No.  
3 3200540233 was issued to Agnes I. who was then 83 years old. The initial premium was  
4 \$53,000.00. It was a variable annuity contract with an initial surrender charge (for each payment)  
5 of 7% that gradually reduced to 0 over 6 years. The guaranteed interest on the fixed account was  
6 3%. The death benefit was the full accumulation value.

7           The replacement ALLIANZ MasterDex5 Contract No. 70127424 was issued on August  
8 16, 2004 when Agnes I. was 85 years old. The replacement contract was funded by a partial  
9 withdrawal from the Security First contract. Agnes I. paid a surrender charge of approximately  
10 \$1,500.00 in connection with this withdrawal.

11           From a cash value perspective, Agnes I. is financially disadvantaged with the purchase of  
12 the ALLIANZ replacement contract. The ALLIANZ replacement contract provides significantly  
13 lower benefits than the Security First contract. With the Security First contract, Agnes I. had a  
14 significantly lower surrender charge, a shorter surrender charge period, and had a 3% guaranteed  
15 interest rate compared to 1.5% on the ALLIANZ contract. Lastly, the death benefit on the  
16 Security Life contract was more favorable in that it provided the full accumulation value.

17           From an annuitization perspective, there may be some benefit to Agnes I. with the  
18 ALLIANZ contract. Annuity purchase rates are better in the ALLIANZ contract. However,  
19 while the ALLIANZ contract provides a 6% bonus, this bonus is largely offset by the lower  
20 interest guarantees.

21           **14. Joe A.**

22           On or about February 19, 2002, Sun Life Assurance Company of Canada, Contract No.  
23 KA12527572-01 was issued to Joe A. who was then 82 years old. The initial premium amount  
24 was \$50,000.00. It was a 2 tier equity indexed contract. The cash value tier guaranteed 3 %  
25 interest after a 10% load. The annuitization value tier was equal to the premium plus equity  
26 indexed earnings. The death benefit was equal to the annuitization value.

27           The replacement ALLIANZ MasterDex5 Contract No. 70296649 was issued on June 6,  
28 2005 when Joe A. was 85 years old. The initial premium, obtained from the surrender of the Sun

1 Life contract, was \$49,557.00. The cash value of the Sun Life contract had not yet reached the  
2 initial premium. In replacing the Sun Life contract with the ALLIANZ replacement contract, Joe  
3 A. suffered a \$450.00 surrender charge.

4 From a cash value perspective, Joe A. is financially disadvantaged with the purchase of  
5 the ALLIANZ replacement contract. With the Sun Life contract, his cash value would have  
6 continued to grow at 3% and he would have had full access to it. With the ALLIANZ contract, he  
7 has an initial 10% surrender charge, after allowance for the 5% bonus, a surrender charge period  
8 that lasts until he is 95 years old, and a guaranteed interest rate of only 1.5%.

9 From an annuitization perspective, Joe A. is financially disadvantaged with the purchase  
10 of the ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this bonus is  
11 offset by higher guaranteed annuity purchase rates. For example, for a ten year fixed payout, the  
12 Sun Life contract guarantees a monthly payment of \$9.61 per \$1,000.00 compared to a guarantee  
13 of \$8.75 per \$1,000.00 for the ALLIANZ contract, a 10% higher payout in the Sun Life contract.

14 **15. Ernest C.**

15 On March 7, 2000, IL Annuity and Insurance Company contract number DAR0073165  
16 issued when Ernest C. was 80 years old. The initial premium was \$10,000.00. It is a declared  
17 rate contract with an initial surrender charge of 10% that gradually reduced to 0 over 10 years.  
18 The guaranteed interest rate is 2.75%.

19 The replacement ALLIANZ MasterDex5 contract, no. 70193512, was issued on January  
20 12, 2005 when Ernest C. was 85 years old. Ernest C. paid a surrender charge of approximately  
21 \$4,000.00 in connection with the surrender of the IL contract. Had he waited two months to  
22 surrender, the surrender charge would have been \$1,000.00 less.

23 Ernest C. is financially disadvantaged with the ALLIANZ contract. From a cash value  
24 perspective, he had a contract with a guaranteed interest rate of 2.75% and a surrender charge of  
25 6% declining to 0 over 5 years. In its place, he has paid a surrender charge, has a new surrender  
26 charge of 10% (after allowance of the 5% bonus), 10 year surrender charge period and a  
27 guaranteed interest rate of 1.5%.

28

1 Ernest C. is also financially disadvantaged from an annuitization perspective. He has  
2 received the 5% bonus, but this is less than the surrender charge he has paid. Furthermore, he has  
3 a lower guaranteed interest rate (1.5% vs. 2.75%) and higher guaranteed annuity purchase rates.  
4 For instance, for a 10 year payout, the IL Annuity and Insurance Company contract guarantees a  
5 monthly payment of \$9.39 per thousand dollars compared to \$8.75 for the ALLIANZ contract, a  
6 7% higher payout.

7 **C. 10% Bonus PowerDex Elite: Consumers Who Incurred Surrender Charges**

8 **1. Edward G.**

9 On or about April 27, 1998, Annuity Investors Life Insurance Company Contract No.  
10 80500629 was issued to Edward G. who was then 79 years old. The initial premium was  
11 \$140,000.00. It was a declared rate contract with an initial surrender charge of 10% and a  
12 guaranteed interest rate of 3%.

13 The replacement ALLIANZ Bonus PowerDex Elite Contract No. 70083210 was issued on  
14 June 14, 2004 when Edward G. was 85 years old. Edward G. paid a surrender charge of  
15 approximately \$21,000.00 in connection with the surrender of the Annuity Investors contract.

16 From a cash value perspective, Edward G. was financially disadvantaged with the  
17 ALLIANZ contract. With the ALLIANZ contract, he has paid a surrender charge in excess of  
18 \$20,000.00, been assessed an additional 12.5% load (which never grades off) and has a contract  
19 with a 1.5% interest after the first year compared to the 3% guarantee in the Annuity Investors  
20 contract.

21 Edward G. is also financially disadvantaged from an annuitization point of view. While  
22 the ALLIANZ contract provides the 10% bonus, he has paid a surrender charge of the same  
23 amount, rendering the bonus meaningless. In the ALLIANZ contract, he also has a lower  
24 guaranteed interest rate. Guaranteed annuity purchase rates are better in the Annuity Investors  
25 contract for life contingent annuities and similar for fixed period annuities.

26 **2. B. Family Trust**

27 On or about December 5, 2000, American Enterprise Life Insurance Company Contract  
28 No. 9920-3370598 was issued to the B. Family Trust. The annuitant, Frederick B. was then 82

1 years old. The initial premium was approximately \$230,000.00. It was a variable annuity  
2 contract with an initial surrender charge (for each payment) of 8% that gradually reduced to 0  
3 over 9 years. The minimum guaranteed interest rate on the fixed accounts was 3%.

4 The replacement ALLIANZ 10% Bonus PowerDex Elite Contract No. 70068180 was  
5 issued on May 20, 2004, when Frederick B. was 86 years old. Frederick B. paid a surrender  
6 charge of approximately \$2,000.00 in connection with the surrender of the American Enterprise  
7 contract.

8 From a cash value perspective, Frederick B. is financially disadvantaged with the  
9 ALLIANZ contract. Had he wanted to avoid a stock market risk, he could have avoided the  
10 surrender charge and earned a guaranteed 3% interest rate by transferring his funds to the fixed  
11 account of the American Enterprise contract. With the ALLIANZ contract, he paid a surrender  
12 charge, was assessed an additional 12.5% load (which never grades off) and has a contract with a  
13 1.5% interest guarantee after the first year compared to the 3% guarantee in the American  
14 Enterprise contract.

15 Frederick B. is also financially disadvantaged from an annuitization point of view. While  
16 the ALLIANZ contract provides the 10% bonus, this is offset by the surrender charge he has paid,  
17 the lower guaranteed interest rate in the ALLIANZ contract and the higher guaranteed annuity  
18 purchase rates in the ALLIANZ contract. For instance, the guaranteed monthly payout for a 10  
19 year certain annuity is \$9.61 for the American Enterprise annuity compare to \$8.75 for the  
20 ALLIANZ annuity, a 10% higher payout.

### 21 3. B. Family Trust

22 On or about December 13, 1999, GE Life and Annuity Insurance Company Contract No.  
23 TO6128478 was issued to the B. Family Trust. The annuitant, Betty B., was then 77 years old.  
24 The initial premium was approximately \$74,000.00. It was a variable annuity contract with an  
25 initial surrender charge of 6% that gradually reduced to 0 over 6 years. The guaranteed interest  
26 rated on the fixed account was 3%. It contained a provision waiving surrender charges in the  
27 event of hospital or nursing home confinement or the diagnosis of a terminal illness. The death  
28 benefit exceeded the account value.

1 The replacement ALLIANZ 10% Bonus PowerDex Elite Contract No. 70068180 was  
2 issued on May 20, 2004 when Betty B. was 86 years old. Betty B. paid a surrender charge of  
3 approximately \$2,000.00 in connection with the surrender of the GE contract.

4 From a cash value perspective, Betty B. is financially disadvantaged with the ALLIANZ  
5 contract. Had Betty B. wanted to avoid stock market risk, she could have avoided the surrender  
6 charge and earned guaranteed 3% interest rate by transferring her funds to the fixed account of  
7 the GE contract. With the ALLIANZ contract, she paid a surrender charge, was assessed an  
8 additional 12.5% load (which never grades off) and has a contract with a 1.5% interest guarantee  
9 after the first year compared to the 3% guarantee in the GE contract.

10 Betty B. is also financially disadvantaged from an annuitization point of view. While the  
11 ALLIANZ contract provides the 10% bonus, this is offset by the surrender charge she has paid,  
12 the lower guaranteed interest rate in the ALLIANZ contract and the higher guaranteed annuity  
13 purchase rates in the ALLIANZ contract. For instance, the guaranteed monthly payout for a 10  
14 year certain annuity is \$9.61 for the GE annuity compared to \$8.75 for the ALLIANZ annuity, a  
15 10% higher payout.

16 4. **Ann T.**

17 On or about March 16, 1999, Jackson National Life Insurance Company Contract No.  
18 0059164460 was issued to Ann T. who was then 80 years old. The initial premium was  
19 \$20,000.00. It was a declared rate annuity with an initial surrender charge of 7.5% that gradually  
20 reduced to 0 over 7 years.

21 The replacement 10% Bonus PowerDex Elite Contract No. 70089244 was issued on June  
22 28, 2004 when Ann T. was 85 years old. Ann T. paid a surrender charge of approximately  
23 \$650.00 in connection with the surrender of the Jackson National contract.

24 From a cash value perspective, Ann T. is financially damaged with the ALLIANZ  
25 contract. With the Jackson National contract, she had a guaranteed interest rate of 3% and less  
26 than 2 years remaining in the surrender charge period. With the ALLIANZ contract, she has been  
27 assessed a 12.5% load (which never grades off) and has a contract with a 1.5% interest guarantee  
28 after the first year compared to the 3% guarantee in the Jackson National contract.

1 From an annuitization perspective, Ann T. is also financially disadvantaged. While the  
2 ALLIANZ contract provides the 10% bonus, this is offset by the surrender charge she has paid,  
3 by the lower guaranteed interest rate that she has in the ALLIANZ contract and the higher  
4 guaranteed annuity purchase rates in the ALLIANZ contract. For example, the guaranteed  
5 monthly payout for a 10 year certain annuity is \$10.06 for the Jackson National annuity compared  
6 to \$8.75 for the ALLIANZ annuity, a 15% higher payout.

7 **5. George H.**

8 On or about November 20, 2002, Safeco Life Insurance Company Contract No.  
9 V000017387 was issued to George H. who was then 83 years old. The initial premium was  
10 \$30,000.00. It was a declared rate annuity with a surrender charge of 5% for the first 4 years.  
11 After the initial 5 year period there was a penalty free 30 day window for any withdrawals.  
12 Subsequent to this 30 day window, the 5% surrender charge was to be reinstated and grades to 0  
13 over the next 4 years. The guaranteed interest rate was 3%. The contract waived surrender  
14 charges on death.

15 The replacement ALLIANZ 10% Bonus PowerDex Elite Contract No. 70081636 was  
16 issued on October 25, 2004 when George H. was 84 years old. A surrender charge of  
17 approximately \$1,500.00 was assessed in connection with the surrender of the Safeco contract.

18 From a cash value perspective, George H. is financially disadvantaged from the purchase  
19 of the ALLIANZ replacement contract. With the Safeco contract, he had a 3% guaranteed  
20 interest rate, a 5% surrender charge and a two year period before he could access his funds  
21 penalty free. With the ALLIANZ contract, he has paid a surrender charge of approximately  
22 \$1,500.00, has been assessed a 12.5% load which never grades off, and has a contract with a 1.5%  
23 interest guarantee after the first year compared to the 3% in the Safeco contract.

24 From an annuitization perspective, George H. is not financially advantaged with the  
25 ALLIANZ contract. While he does receive the 10% bonus, this is offset by the surrender charge  
26 he has paid and a lower guaranteed interest rate. Guaranteed annuity purchase rates are similar  
27 between the Safeco contract and the ALLIANZ replacement contract.

28 //

1           **6. Betty H.**

2           On or about November 6, 2001, American Equity Contract No. 109726 was issued to Betty  
3 H. who was then 82 years old. In addition, on or about March 12, 2002, American Equity  
4 Contract No. 127061 was issued to Betty H., still aged 82 years. The total premium was  
5 approximately \$135,000.00. The American Equity contracts were identical. They were equity  
6 indexed contracts with an initial surrender charge of 9% that gradually reduced to 0 over 10 years.  
7 The guaranteed interest rate was 3%. The death benefit waived surrender charges.

8           The replacement ALLIANZ 10% Bonus PowerDex Elite Contract No. 70197518 was  
9 issued on January 21, 2005 when Betty H. was 85 years old. Betty H. paid surrender charges of  
10 approximately \$11,000.00 in connection with the surrender of the American Equity contracts.

11           From a cash value perspective, Betty H. is financially disadvantaged from the purchase of  
12 the ALLIANZ replacement contract. With the ALLIANZ contract, she has paid a surrender  
13 charge of approximately \$11,000.00, has been assessed an additional 12.5% load which never  
14 grades off, and has a contract with a 1.5% interest guarantee after the first year compared to the  
15 3% guarantee in the American Equity contract.

16           From an annuitization perspective, Betty H. is also financially disadvantaged from the  
17 purchase of the ALLIANZ contract. While the ALLIANZ contract does provide the 10% bonus,  
18 this is largely offset by the surrender charge she has paid (7% of the premium), the lower  
19 guaranteed interest rate that she has in the ALLIANZ contract, and the higher guaranteed annuity  
20 purchase rates in the ALLIANZ contract. For instance the guaranteed monthly payout for a 10  
21 year certain annuity is \$9.64 per \$1,000.00 for the American Equity annuity, compared to \$8.75  
22 per \$1,000.00 for the ALLIANZ annuity, a 10% higher payout with American Equity.

23           **7. Jeannie V.**

24           On or about June 22, 2001, Phoenix Life Insurance Company Contract No. VAN0012322  
25 was issued to Jeannie V. who was then 82 years old. The initial premium was approximately  
26 \$140,000.00. It was a variable annuity contract with several fixed accounts, each with a  
27 guaranteed minimum interest rate of 4%.

28

1 The replacement ALLIANZ 10% Bonus PowerDex Elite Contract No. 70067365 was  
2 issued on April 15, 2004 when Jeannie V. was 85 years old. Jeannie V. was assessed a surrender  
3 charge of approximately \$7,000.00 in connection with the surrender of the Phoenix contract.

4 From a cash value perspective, Jeannie V. is financially disadvantaged from the purchase  
5 of the ALLIANZ replacement contract. Had it been Jeannie V.'s desire to protect herself from  
6 negative stock market experience, she could have avoided the approximately \$7,000.00 surrender  
7 charge and earned a guaranteed 4% interest rate by transferring her funds to one of the fixed  
8 accounts of the Phoenix contract. With the ALLIANZ contract, she has paid a surrender charge,  
9 has been assessed an additional 12.5% load (which never grades off) and has a contract with a  
10 1.5% interest guarantee after the first year compared to the 4% guarantee in the Phoenix contract.

11 From an annuitization perspective, Jeannie V. is also financially disadvantaged from the  
12 purchase of the ALLIANZ replacement contract. While the ALLIANZ contract does provide the  
13 10% bonus, she has paid a surrender charge of approximately \$7,000.00, the equivalent of 6% of  
14 the 10% bonus and now has the lower guaranteed interest rate in the ALLIANZ contract.

15 **8. Alice W.**

16 On or about April 8, 2002, Jackson National Life Insurance Company Contract No.  
17 008019030A was issued to Alice W. who was then 83 years old. The initial premium was  
18 approximately \$170,000.00. It was an equity indexed contract with an initial surrender charge of  
19 approximately 10%. It provided a 3% minimum guarantee on the equity index credits.

20 On or about July 18, 2002, and October 31, 2000 respectively, American General Annuity  
21 Company Contract Nos. JG22413 and JC206586 were issued to Alice W. The total initial  
22 premium was approximately \$105,000.00. The American General contracts were similar  
23 declared rate contracts, each with an initial surrender charge of 8% that gradually reduced to 0  
24 over 5 years. Each contract provided a guaranteed interest rate of 3%.

25 The replacement ALLIANZ 10% Bonus PowerDex Elite Contract No. 70057030 was  
26 issued on April 27, 2004 when Alice W. was 85 years old. Alice W. was assessed a surrender  
27 charge of approximately \$5,000.00 in connection with the surrender of the American General  
28 contracts.

1 In relation to the Jackson National contract, from a cash value perspective, Alice W. is  
2 financially disadvantaged from the purchase of the ALLIANZ replacement contract. The Jackson  
3 National contract provided a 3% minimum interest guarantee which extended to the equity index  
4 credits. With the ALLIANZ contract, she has paid a surrender charge of approximately  
5 \$17,000.00, has been assessed an additional 12.5% load which never grades off, and has a  
6 contract with a 1.5% interest guarantee after the first year on the fixed account and a 0%  
7 guarantee on the equity indexed accounts.

8 From an annuitization perspective, Alice W. is also financially disadvantaged with the  
9 ALLIANZ replacement contract. While the ALLIANZ contract does provide a 10% bonus, this  
10 bonus is approximately equal to the surrender charge that she was assessed in connection with the  
11 ALLIANZ purchase. In addition the ALLIANZ contract guarantees only 1.5% on the fixed  
12 account and 0% on the equity indexed accounts compared to an overall guarantee of 3% in the  
13 Jackson National contract.

14 In relation to the American General contract, from a cash value perspective, Alice W. is  
15 financially disadvantaged from the purchase of the ALLIANZ replacement contract. The  
16 American General contract provided a 3% minimum interest guarantee and remaining surrender  
17 charge periods of 1 year and 3 years. With the ALLIANZ contract, she has paid a surrender  
18 charge, has been assessed an additional 12.5% load (which never grades off), and has a contract  
19 with a 1.5% interest guarantee after the first year on the fixed account and a 0% guarantee on the  
20 equity indexed accounts.

21 From an annuitization perspective, Alice W. is also financially disadvantaged with the  
22 ALLIANZ replacement contract. While the ALLIANZ contract does provide a 10% bonus, she  
23 has paid a surrender charge of approximately half that amount. In addition, any potential residual  
24 benefit is offset by the lower guaranteed interest rates and higher guaranteed annuity purchase  
25 rates. For instance, the guaranteed monthly payout for a 10 year certain annuity is \$9.61 per  
26 \$1,000.00 for the American General annuity, compared to \$8.75 for the ALLIANZ annuity, a  
27 10% higher payout by American General.

28 //

1           **9. Virginia R.**

2           On or about March 27, 2000, American General Life Insurance Company Contract No.  
3 JC207695 was issued to Virginia R. who was then 81 years old. The initial premium was  
4 approximately \$21,000.00. It was a declared rate contract with an initial surrender charge of 8%  
5 that gradually reduced to 0 over 5 years. The guaranteed interest rate was 3%.

6           The replacement ALLIANZ 10% Bonus PowerDex Elite Contract No. 70072817 was  
7 issued on May 18, 2004 when Virginia R. was 85 years old. Virginia R. was assessed a surrender  
8 charge of approximately \$200.00 in connection with the surrender of the American General  
9 contract.

10          From a cash value perspective, Virginia R. is worse off with the ALLIANZ contract. The  
11 American General contract provided a 3% minimum interest guarantee and had less than one year  
12 remaining in the surrender charge period. With the ALLIANZ contract, she has paid a surrender  
13 charge, has been assessed an additional 12.5% load (which never grades off) and has a contract  
14 with a 1.5% interest guarantee after the first year on the fixed account and a 0% guarantee on the  
15 equity indexed accounts.

16          From an annuitization perspective, Virginia R. is also financially disadvantaged with the  
17 ALLIANZ replacement contract. While the ALLIANZ contract does provide the 10% bonus, any  
18 potential benefit is offset by the lower guaranteed interest rates and higher guaranteed annuity  
19 purchase rates. For instance, the guaranteed monthly payout for a 10 year certain annuity is \$9.61  
20 per \$1,000.00 for the American General annuity, compared to \$8.75 per \$1,000.00 for the  
21 ALLIANZ annuity, a 10% higher payout by American General.

22           **10. Jannie M.**

23          IDS Life Insurance Company contract number 9300-06952115 issued on May 1, 2002,  
24 when Jannie M. was 82 years old. It is a variable annuity contract with an initial surrender charge  
25 (for each payment) of 7% that gradually reduced to 0 over 6 years. The guaranteed interest rate  
26 on the fixed account is 3%. While the exact premium amount is unknown, the accumulation  
27 value of this contract was approximately \$67,000.00 six months after issuance.  
28

1 The replacement ALLIANZ 10% Bonus PowerDex Elite contract, no. 70125928, was  
2 issued on June 23, 2004 when Jannie M. was 85 years old. Jannie M. paid approximately  
3 \$4,000.00 as a surrender charge in connection with the surrender of the IDS contract.

4 From a cash value perspective, Jannie M. is financially disadvantaged with the ALLIANZ  
5 contract. Had it been her intent to avoid downside market risk, she could have put her funds in  
6 the IDS fixed account and avoided the surrender charge, avoided the 12.5% load and had a  
7 guaranteed return of 3% rather than 1.5%.

8 Jannie M. is also financially disadvantaged from an annuitization point of view. While she  
9 does receive the 10% bonus for annuitization on the ALLIANZ contract, she has paid the  
10 equivalent of about 2/3 of that as a surrender charge and cannot annuitize until she is 90 years old.  
11 During that time she has lower guaranteed interest rates (2% on the fixed allocation and 0% on  
12 the index allocations) and will have higher guaranteed purchase costs if she does annuitize. For  
13 example, for a fixed 10 year payout, the IDS contract guarantees a monthly payment of \$9.61 per  
14 thousand dollars compared to \$8.75 for the ALLIANZ contract. This represents a 10% higher  
15 payout.

16 **11. Louis P.**

17 On September 8, 1999, and July 8, 2002, American General contract numbers JG219407  
18 and JC206532 were issued when Louis P. was 79 and 81 years old respectively. The initial  
19 premiums were approximately \$210,000.00. The American General contracts were identical  
20 declared rate contracts with an initial surrender charge of 8% that gradually reduced to 0 over 5  
21 years. The guaranteed interest rate was 3% and the death benefit was the full account value.

22 On January 8, 2003, John Hancock contract No. GP08270349 was issued to Louis P. who  
23 was then 82 years old. The initial premium was approximately \$57,000.00. It was a declared rate  
24 contract with surrender charges ranging from 6% to 0 depending upon the remaining time in an  
25 interest guarantee period. The guaranteed minimum interest rate was 3%.

26 The replacement ALLIANZ 10% Bonus PowerDex Elite contract, number 70066679,  
27 was issued on April 26, 2004, when Louis P. was 85 years old. Louis P. was assessed a  
28 surrender charge of approximately \$10,000.00 in connection with the surrender of the original

1 contracts. Included in this amount is a surrender charge of approximately \$3,000.00 in  
2 connection with the first American General contract which was within months of the end of the  
3 surrender charge period for that contract.

4 From a cash value perspective, Louis P. is financially disadvantaged with the ALLIANZ  
5 contract. Louis P. paid surrender charges to American General and John Hancock, was assessed a  
6 12.5% load by ALLIANZ, and has a guaranteed interest rate of 1.5% as opposed to 3% with the  
7 original contracts. In addition, one of Louis P.'s American General contracts was near the end of  
8 the surrender charge period, which would have given him full access to his funds. The other  
9 American General was within a few years of the end of the surrender charge period.

10 Louis P. is also financially disadvantaged off from an annuitization point of view. The  
11 ALLIANZ contract credits a 10% bonus on annuitization, however, this is offset by the surrender  
12 charges he has paid, the lower guaranteed interest rate (1.5% as opposed to 3%), and higher  
13 guaranteed annuity purchase rates. For instance, for a 10 year certain and life annuity for a 90  
14 year old man, the earliest age at which Louis P. can annuitize the ALLIANZ contract, the John  
15 Hancock contract guaranteed a monthly payment of \$8.87 per \$1,000.00 compared to \$8.36 for  
16 the ALLIANZ contract, a 6% higher payout by John Hancock. The American General contracts  
17 do not include the rates for a 90 year old man, however, on a 10 year certain payout, they  
18 guarantee \$9.61 per \$1,000.00 compared to \$8.75 for the ALLIANZ contract, a 10% higher  
19 payout by American General.

20 **12. Gerald M.**

21 On May 24, 2001 and July 5, 2001, Transamerica Life and Annuity Contracts Nos.  
22 TAR0036707 and TAR0033009, were issued to Gerald M. when he was 82 years old. The total  
23 initial premium was \$76,000.00. These are identical equity indexed contracts with an initial  
24 surrender charge of 10% that gradually reduced to 0 over 10 years. The minimum guaranteed  
25 interest rate was 3%.

26 The replacement 10% Bonus PowerDex Elite contract, no. 70056143, was issued on April  
27 19, 2004, when Gerald M. was 85 years old. Gerald M. paid surrender charges totaling  
28 approximately \$6,000.00 in connection with the surrender of the Transamerica contracts.

1 Gerald M. is financially disadvantaged with the ALLIANZ contract. Not only has he paid  
2 a surrender charge, he has been subject to the 12.5% load and has a contract with a guaranteed  
3 rate of 1.5% as opposed to the 3% of the Transamerica contracts.

4 With respect to annuitization, while the ALLIANZ contract does provide a 10% bonus, he  
5 has paid almost this much in a surrender charge and has a contract with lower guaranteed interest  
6 rates and higher guaranteed annuity purchase rates. Under the ALLIANZ contract, Gerald M. is  
7 guaranteed 2% in the fixed account and 0% on the indexed accounts, compared to 3% in the  
8 Transamerica contracts. For a 10 year certain payout, the Transamerica contracts guarantee a  
9 monthly payout of \$9.61 per thousand dollars, compared to \$8.87 for the ALLIANZ contract, a  
10 10% higher payout.

11 **13. George M.**

12 On June 20, 2000 and December 11, 2000, Transamerica Life Insurance and Annuity  
13 Company contracts no., TAR00199874 and TAR0011224 were issued to George M. when he was  
14 81 years old. The total premium was approximately \$31,000.00. They were similar contracts  
15 providing for an initial surrender charge of 10% that gradually reduced to 0 over 10 years, and a  
16 3% interest guarantee.

17 The replacement 10% PowerDex Elite contract, no. 70096283, was issued on July 12,  
18 2004 when George M. was 85 years old. George M. was assessed surrender charges of  
19 approximately \$4,500.00 in connection with the surrender of the Transamerica contracts.

20 From a cash value perspective, George M. is financially disadvantaged with the  
21 ALLIANZ contract. He has paid a surrender charge to Transamerica, has been assessed a 12.5%  
22 load by ALLIANZ, and has a contract with a 1.5% guaranteed interest rate as opposed to 3%.

23 George M. is also financially disadvantaged from an annuitization perspective. While the  
24 ALLIANZ contract does provide a 10% bonus for annuitization, the equivalent of 6% of the 10%  
25 is offset by the surrender charge he has paid. The remaining bonus is more than offset by the  
26 lower guaranteed interest rate on the ALLIANZ contract (2% as opposed to 3%), and the higher  
27 guaranteed annuity purchase rates of the ALLIANZ contract. For example, for a 10 year certain  
28 and life annuity for an 80 year old man, the Transamerica contract guarantees a monthly payment

1 of \$7.54 per thousand dollars, while the ALLIANZ contract guarantees \$7.07, almost a 7% higher  
2 payout.

3 **14. Lottie C.**

4 Annuity Investors Life Insurance Company Contract No. 80502976 was issued on  
5 December 2, 1999 when Lottie C. was 80 years old. The initial premium was \$90,000.00. It was  
6 a declared rate contract with an initial surrender charge of 9.1% that gradually reduced to 0 over 7  
7 years. The contract also provided for a bonus on annuitization, which graded up to 10% over 10  
8 years. The guaranteed interest rate was 3%.

9 Transamerica Life Insurance and Annuity Contract No. 05SFP003716 was issued on  
10 November 6, 2002. The initial premium was \$150,000.00. It is a declared rate contract with an  
11 initial surrender charge, for each payment of 7% that gradually reduced to 0 over 6 years. The  
12 guaranteed interest rate was 3%.

13 The replacement ALLIANZ 10% PowerDex Elite contract, no. 70256030, was issued in  
14 approximately early 2005, when Lottie C. was 85 years old. She paid surrender charges totaling  
15 almost \$15,000.00 in connection with the surrender of the original contracts.

16 From a cash value perspective, Lottie C. is financially disadvantaged with the ALLIANZ  
17 contract. In addition to having paid a surrender charge to Annuity Investors and Transamerica,  
18 she has been assessed a 12.5% load by ALLIANZ and now has a contract with a guaranteed rate  
19 on the cash value of 1.5% compared to 3% on the surrendered contracts.

20 Lottie C. is also financially disadvantaged from an annuitization perspective. While the  
21 ALLIANZ contract does provide a 10% bonus for annuitization, this benefit is more than offset  
22 by the surrender charge she has paid, the lower guaranteed interest rate on the ALLIANZ contract  
23 (2% as opposed to 3%). The guaranteed annuity purchase rates are similar for the ALLIANZ and  
24 American Investors contracts. The rates are somewhat better under the Transamerica contract.

25 **D. FlexDex Multichoice Elite: Consumers Who Incurred Surrender Charges**

26 **1. Ralph M.**

27 On or about March 27, 20000, Golden American Life Insurance Company Contract No.  
28 C035067-0D was issued to Ralph M. who was then 82 years old. It was a variable annuity

1 contract with an initial premium of approximately \$6,000.00. The guaranteed interest rate on  
2 the fixed account was 3%.

3 The replacement ALLIANZ FlexDex Multichoice Elite Contract No. 70026959 was  
4 issued on February 2, 2004 when Ralph M. was 85 years old. He paid a surrender charge of  
5 approximately \$300.00 in connection with the surrender of the Golden American contract.

6 From a cash value perspective, Ralph M. was financially disadvantaged with the  
7 ALLIANZ contract. Had he wanted to avoid stock market risk, he could have transferred his  
8 funds to the fixed account of the Golden American contract and received a guaranteed 3% return.  
9 With the ALLIANZ contract, he has paid a surrender charge, is saddled with a 12% surrender  
10 charge (after allowance for a 3% bonus) which will not disappear until he is 96 years old and has  
11 a lower guaranteed interest rate.

12 Ralph M. is also financially disadvantaged from an annuitization point of view. He has  
13 received a 3% bonus, but has paid a surrender charge in excess of that, and has lower guaranteed  
14 interest and higher guaranteed annuity purchase rates. For example, for a ten year payout, the  
15 Golden American contract guarantees a monthly payout of \$9.64 per thousand dollars of  
16 proceeds, compared to \$8.75 for the ALLIANZ contract, a 10% higher payout.

17 **E. PremierDex 5: Consumers Who Incurred Surrender Charges**

18 **1. Robert M.**

19 On or about May 14, 2001, American General Annuity Insurance Company Contract No.  
20 NN034591 was issued to Robert M. who was then 81 years old. The initial premium was  
21 approximately \$259,000.00. It was a declared rate contract with an initial surrender charge, for  
22 each payment, of 7% that gradually reduced to 0 over 6 years. The guaranteed interest rate was  
23 3.5%.

24 The replacement ALLIANZ Premierdex5 Contract No. 70280819 was issued on June 23,  
25 2005 when Robert M. was 85 years. Robert M. was assessed a \$16,000.00 surrender charge in  
26 connection with the surrender of the American General contract.

27 From a cash value perspective, Robert M. is financially disadvantaged from the purchase  
28 of the ALLIANZ contract. At the time of the purchase of the ALLIANZ replacement contract,

1 the American General contract had a guaranteed interest rate of 3.5% and a surrender charge of  
2 4% which would disappear in less than 2 years. With the ALLIANZ contract purchase, he  
3 incurred a \$16,000.00 surrender charge to American General, has a guaranteed interest rate after  
4 the first year of 1.5%, has a 10% surrender charge, after allowance for the bonus, which does not  
5 begin to decrease until Robert M. is 89 and does not disappear until he is age 95.

6 From an annuitization perspective, Robert M. is also financially disadvantaged from the  
7 purchase of the ALLIANZ contract. The ALLIANZ replacement contract offers Robert M. a 5%  
8 bonus, however, he has paid almost that much in a surrender charge, has a lower guaranteed  
9 interest rate, and has higher guaranteed annuity purchase rates. For example, for a 10 year  
10 payout, the American General contract guaranteed a monthly payout of \$9.61 per \$1,000.00 of  
11 proceeds compared to \$8.75 per \$1,000.00 for the ALLIANZ contract, a 10% higher payout by  
12 American General.

## 13 2. **Robert M.**

14 On August 20, 2001, Glenbrook Life and Annuity Company Contract No. AM00065060  
15 issued to Robert M. when he was 81 years old. The initial premium was approximately  
16 \$174,000.00. It was a variable annuity with an initial surrender charge (for each payment) of 7%  
17 that gradually reduced to 0 over 7 years. The guaranteed interest rate on the fixed account was  
18 3%.

19 The replacement ALLIANZ PremierDex5 contract, number 70280812, was issued on  
20 April 28, 2005 when Robert M. was 85 years old. Robert M. paid a surrender charge of  
21 approximately \$9,000.00 in connection with the surrender of the Glenbrook contract.

22 From a cash value perspective, Robert M. is financially disadvantaged with the ALLIANZ  
23 contract. He has paid a significant surrender charge and has given up a contract that provided a  
24 guaranteed 3% return and was halfway through the 7 year surrender charge period. In its place, he  
25 now has a contract with an effectively 10% surrender charge after allowance for the bonus, which  
26 will stay at that level until he is 89, and has a 1.5% guarantee on his earnings after the first year.

27 Robert M. is also financially disadvantaged from an annuitization point of view. While  
28 the ALLIANZ contract provides a 5% bonus on annuitization, Robert M. has paid more than that

1 in a surrender charge. Furthermore, the ALLIANZ contract does not allow him to use this bonus  
2 to annuitize until he is 90 years old and has higher guaranteed annuity purchase rates. For  
3 example, for a 10 year fixed payout, the Glenbrook annuity guaranteed a monthly payment of  
4 \$9.61 per \$1,000.00 compared to \$8.75 per \$1,000.00 for the ALLIANZ contract, a 10% higher  
5 payout.

6 **F. 5% Bonus PowerDex Elite: Consumers Who Incurred Surrender Charges**

7 **1. Ione J.**

8 ING USA Annuity and Life Insurance Company Contract No. 385882 issued on May 30,  
9 1995, when Ione J. was 76 years old. The premium amount was approximately \$37,000.00. It  
10 was a declared rate contract with an initial surrender charge of 9% that gradually reduced to 0  
11 over 9 years. The guaranteed interest rate is 3%.

12 The replacement ALLIANZ 5% Bonus PowerDex Elite contract, no. 70040630, was  
13 issued on January 15, 2004 when Ione J. was 85 years old. Ione J. was assessed a surrender  
14 charge of approximately \$200.00 in connection with the surrender of the ING contract.

15 Ione J. is financially disadvantaged with the ALLIANZ contract. From a cash value  
16 perspective, she has given up a contract that was at the end of its surrender charge period and  
17 provided a guaranteed 3% return and now has a contract with a 15% surrender charge, which will  
18 stay at that level until she is 90, and has a 0% guarantee on her earnings.

19 Ione J. is also financially disadvantaged from an annuitization point of view. While the  
20 ALLIANZ contract provides a 5% bonus on annuitization, it provides no interest guarantee,  
21 requires a minimum 5 year wait to annuitize and has higher guaranteed annuity purchase rates.  
22 For example, for a 10 year fixed payout, the ING annuity guarantees a monthly payment of \$9.61  
23 per thousand compared to \$8.75 for the ALLIANZ contract, a 10% higher payout.

24 **G. Cash Bonus Elite: Consumers Who Incurred Surrender Charges**

25 **1. Thelma S.**

26 On Feb. 9, 2000, Transamerica Life Insurance and Annuity Contract No. TAAR0006787  
27 issued on when Thelma S. was 81 years old. The initial premium was \$100,000.00. It is a  
28

1 declared rate contract with an initial surrender charge of 10% that gradually reduced to 0 over 10  
2 years. The guaranteed interest rate is 3%.

3 The replacement ALLIANZ Cash Bonus Elite contract, no. 70134902, was issued on Sept.  
4 20, 2004 when Thelma S. was 86 years old. Thelma S. paid a surrender charge of approximately  
5 \$4,000.00 in connection with the surrender of the Transamerica contract. Thelma S. died less  
6 than 2 months later.

7 Thelma S. was financially disadvantaged with the ALLIANZ contract. From a cash value  
8 perspective, she has been charged a 5% load by ALLIANZ and has a guaranteed interest rate of  
9 1.5% compared to 3% in the Transamerica contract.

10 Thelma S. was financially disadvantaged from an annuitization perspective. While she  
11 does receive the 10% bonus, it is effectively less than 4% due to the surrender charge she has  
12 paid. With the ALLIANZ contract she now has lower guaranteed interest rates and higher  
13 annuity purchase rates. For example, for a 10 year fixed payout, the Transamerica contract  
14 guarantees a monthly payment of \$9.61 per thousand, compared to \$8.75 for the ALLIANZ  
15 contract, a 10% higher payout.

## 16 **H. WealthCare Elite: Consumers Who Incurred Surrender Charges**

### 17 **1. Fred B.**

18 On or about August 30, 1999, Hartford Life Insurance Company Contract No. 12000-  
19 710655168 was issued to Fred B. who was then 80 years old. The initial premium was  
20 approximately \$82,000.00. It was a declared rate contract with an initial surrender charge of 7%  
21 that gradually reduced to 0 over 7 years. The guaranteed interest rate was 3%.

22 The replacement ALLIANZ Wealthcare Elite immediate annuity Contract No. 31329014  
23 was purchased on October 4, 2004 when Fred B. was 85 years old. The contract was an  
24 installment refund type wherein monthly payments would continue until the later of the death of  
25 the annuitant or the time when total payments reached the premium paid. The monthly payment  
26 was \$794.31 for a net premium of \$91,612.48. This is \$8.67 per \$1,000.00 of proceeds. In  
27 surrendering the Hartford contract, Fred B. suffered a \$1,600.00 surrender charge by Hartford and  
28 received a \$13,000.00 upward market value adjustment.

1 It would have been financially advantageous for Fred B. to have annuitized the Hartford  
2 contract rather than purchase the ALLIANZ replacement contract. The highest age for which  
3 guaranteed purchase rates are shown in the Hartford contract is 80 and the rate for an installment  
4 annuity payout for an 80 year old man is \$9.86 per \$1,000.00. The guaranteed purchase rate for  
5 an 85 year old man such as Mr. Brown would have been even higher.

6 **9.**

7 ALLIANZ has failed to adequately train its agents as to what constitutes a proper and  
8 improper replacement annuity, and ALLIANZ fails to monitor incoming applications to  
9 determine whether it is engaged in replacing annuities unnecessarily. Between January 1, 2004  
10 and July 31, 2005, in no instance did ALLIANZ find that any replacements of annuities that  
11 occurred during that time period were improper. Between January 1, 2004 and July 31, 2005,  
12 ALLIANZ, through its appointed life agents, improperly induced the following senior citizens to  
13 replace their existing annuities with ALLIANZ annuities, resulting in their financial disadvantage,  
14 in violation of the provisions of California Insurance Code sections 780, 781, 785(a), 790.03(a),  
15 and 790.03(b).

16 **A. MasterDex 10: Consumers Who Did Not Incur Surrender Charges**

17 **1. Martha B.**

18 On September 4, 1996, Conseco Annuity Assurance Company Contract No. 0N990851  
19 issued to Martha B., who was then 77 years old. It was an equity indexed contract with a  
20 surrender charge of 9% for 8 years. The initial premium was \$24,000.00. The minimum  
21 guaranteed interest rate was 3%.

22 The replacement ALLIANZ MasterDex10 annuity contract number 70127994 issued on  
23 December 28, 2004, when Ms. B. was 86 years old. There was no surrender charge.

24 From a cash value perspective, Martha B. is financially disadvantaged with the ALLIANZ  
25 contract. She has surrendered a contract with a guaranteed interest rate of 3% and full access to  
26 her funds. In its place, she has a contract which levies a 12.5% load and pays just 1.5% interest.

27 From an annuitization perspective, Martha B. is financially disadvantaged with the  
28 ALLIANZ contract. Whereas the Conseco contract guarantees 3 % interest, the ALLIANZ

1 contract guarantees 0% on the equity indexed accounts and 2% on the fixed accounts. The 10%  
2 bonus to the annuitization value that the ALLIANZ contract provides is more than offset by lower  
3 interest guarantees and higher annuity purchase rates. With respect to annuity payouts, for a life  
4 annuity for a female age 85, the Conseco contract guarantees \$12.63 per \$1000 of proceeds,  
5 compared to \$10.81 for the ALLIANZ policy, more than 15% more.

6 **2. Emma K.**

7 On or about April 21, 1993, Conseco Annuity Assurance Company Contract No.  
8 ON875215 in the amount of \$70,000.00 issued to Emma K., who was then 73 years old. This  
9 contract was a single tier annuity with surrender charges that gradually reduced from 12% to 0  
10 over a 12 year period. The guaranteed interest rate was 4%.

11 The replacement ALLIANZ MasterDex10 annuity policy number 70302522 issued on  
12 July 18, 2005 in the amount of approximately \$44,698.00, when Emma K. was 86 years old.  
13 There was no surrender charge.

14 From a cash value perspective, Emma K. is financially disadvantaged with the ALLIANZ  
15 contract. With the Conseco contract, she had a guaranteed 4% interest rate and full access to her  
16 funds. With the ALLIANZ contract, she has been assessed a 12.5% load and is earning only  
17 1.5% in interest.

18 With respect to annuitization, Emma K. is also financially disadvantaged. The 10% bonus  
19 for annuitization offered by the ALLIANZ contract is more than offset by the lower guaranteed  
20 interest rates, the required 5 year wait for annuitization (when Emma. K. would be 91), and  
21 higher guaranteed annuity purchase rates. For example, for a ten year monthly payout, the  
22 Conseco contract guarantees a monthly payout of \$9.83 dollars per thousand dollars of proceeds,  
23 compared to \$8.85 for the ALLIANZ contract, an 11% higher payout. .

24 **3. Matthew B.**

25 On or about May 21, 2002, Safeco Select Contract No. LP1104543 issued to Matthew B.  
26 when he was 82 years old. It is a standard declared rate annuity contract that provides for a  
27 surrender charge of 5% for 3 years and none thereafter. The initial premium was approximately  
28 \$42,000.00. The guaranteed interest rate is 4.6% for 3 years and 3% thereafter. The death benefit

1 is the full account value. The Safeco annuity contract permits annuitization at any time.

2 Matthew B's Safeco annuity was replaced by an ALLIANZ MasterDex10 annuity policy  
3 number 70313740 that issued on July 21, 2005 in the amount of approximately \$147,908.00,  
4 when Matthew B. was 85 years old. Forty seven thousand nine hundred eight dollars  
5 (\$47,908.00) of the premium monies that were paid into the ALLIANZ MasterDex 10 annuity  
6 came from the Safeco annuity.

7 Matthew B. was financially disadvantaged from the ALLIANZ contract. He has been  
8 assessed a 12.5% load by ALLIANZ and given up a contract with a guaranteed 3% interest rate  
9 for one paying 1.5% interest.

10 With respect to annuitization, while the ALLIANZ contract requires a 5 year wait to  
11 annuitize, the Safeco contract permits annuitization at any time. Although the ALLIANZ contract  
12 provides a 10% bonus, but much of this is lost due to the lower guaranteed interest rates and the  
13 required 5 year wait to annuitize.

14 **4. Jean L.**

15 Hartford Life Insurance Company Contract No. 710336779 issued on March 31, 1998 to  
16 Jean L. when she was 78 years old. The initial premium was approximately \$29,000.00. It was a  
17 variable annuity contract with a 6% surrender charge that gradually reduced to 0 over a 7 year  
18 period. The guaranteed rate on the declared rate account was 3%. The contract also contained a  
19 provision whereby 50% of the account value was available without surrender charge if the owner  
20 was confined to a hospital or nursing home.

21 The replacement ALLIANZ MasterDex10 contract number 70283306 issued on or about  
22 April 25, 2005, when Jean L. was 85 years old. This would have been after the surrender charge  
23 period.

24 From a cash value perspective, Jean L. is financially disadvantaged with the ALLIANZ  
25 contract. If it had been her desire to avoid stock market risk, she could have moved her funds into  
26 the fixed account of the Hartford contract. She would have earned at least 3% interest and had  
27 full access to her funds. With the ALLIANZ contract, she has been assessed a 12.5% load, and is  
28 earning only 1.5% interest.

1 Jean L. is also financially disadvantaged from an annuitization point of view. While the  
2 ALLIANZ contract does offer the 10% bonus for annuitization, this is offset by lower guaranteed  
3 interest and higher guaranteed annuity purchase rates. For example, for a ten year monthly  
4 payout, the Hartford Life contract guarantees a monthly payout of \$9.61 per thousand dollars of  
5 proceeds, compared to \$8.75 for the ALLIANZ contract, a 10% higher payout.

6 **5. Robert A.**

7 USG Annuity and Life Insurance Company annuity contract No. 480823 in the  
8 approximate amount of \$35,000.00 issued to Robert A. on December 6, 1996, when Robert A  
9 was 76 years old. It was a declared rate annuity contract with an initial surrender charge of 5%  
10 that gradually reduced to 0 over 8 years. The guaranteed interest rate was 7% for this 8 year term.  
11 After the 8 year term another 8 year term would begin with a new set of surrender charges and an  
12 interest guarantee of at least 3%.

13 The replacement ALLIANZ MasterDex10 contract, no. 70197184, was purchased on  
14 December 13, 2004, at the completion of the 8 year period. No surrender charges were assessed  
15 on the surrender of the USG contract. Had the contract not been surrendered a new 5% declining  
16 8 year surrender charge period would have begun, with a guaranteed interest rate of at least 8%.

17 From a cash value perspective, Robert A. is financially disadvantaged with the ALLIANZ  
18 contract. With the USG contract he would have earned at least a 3% interest rate and had a  
19 surrender charge of no more than 5%. With the ALLIANZ contract, he has been assessed a 12.5%  
20 load, is receiving an interest rate of only 1.5%.

21 Robert A. is also financially disadvantaged from an annuitization point of view. While  
22 the ALLIANZ contract does offer the 10% bonus for annuitization, this is offset by the lower  
23 guaranteed interest rates and higher annuity purchase rates. For example, for a ten year fixed  
24 monthly payout, the USG contract guaranteed a monthly payout of \$9.65 per thousand dollars of  
25 proceeds, compared to \$8.85 for the ALLIANZ contract, a 9% higher payout. Under the USG  
26 contract, Robert A. could have annuitized at any time without a surrender charge, while the  
27 ALLIANZ contract requires a 5 year wait to annuitize.

28 //

1           **6. Vernon U.**

2           Transamerica Occidental Life Insurance Company Contract No. 40983498 issued to  
3 Vernon U. was issued on August 13, 1993 when Vernon U. was 74 years old. The initial  
4 premium was \$57,000.00. It was a standard declared rate contract with an initial surrender charge  
5 of 8% declining to 0 over 8 years. The ultimate guaranteed interest rate was 4%.

6           The replacement ALLIANZ MasterDex10 contract, no. 70172917, was issued on  
7 November 12, 2004, when Vernon U. was 85 years old.

8           From a cash value perspective, Vernon U. is financially disadvantaged with the  
9 ALLIANZ contract. With the Transamerica contract he would have earned a minimum 4%  
10 interest rate and had full access to his funds. With the ALLIANZ contract, he has been assessed a  
11 12.5% load, and is earning only 1.5% in interest.

12           Vernon U. is financially disadvantaged from an annuitization point of view. While the  
13 ALLIANZ contract does offer the 10% bonus for annuitization, this is offset by lower guaranteed  
14 interest and higher guaranteed annuity purchase rates. For example, for a ten year monthly  
15 payout, the Transamerica contract guarantees a monthly payout of \$9.61 per thousand dollars of  
16 proceeds, compared to \$8.75 for the ALLIANZ contract, which is a 10% higher payout.

17           **7. Vernon U.**

18           On or about October 9, 1987, North American Company for Life and Health Insurance  
19 Contract No. L010200970 was issued to Vernon U. who was then 68 years old. The initial  
20 premium was \$75,000.00. It was a declared rate contract with an initial surrender charge of 7%  
21 that gradually reduced to 0 over 7 years. It had a guaranteed interest rate of 4.5%

22           On or about October 8, 1987 and October 30, 1987, respectively, Nationwide Life  
23 Insurance Company of America Contracts Nos. 0104080400 and 010482670 were issued to  
24 Vernon U. who was then 67 years old. The initial premiums totaled approximately \$125,000.00.  
25 They were declared rate contracts with an initial surrender charge of 7% that gradually reduced to  
26 0 over 3 years and with a 4.5% guaranteed interest rate.

27           The replacement ALLIANZ MasterDex10 contract, number 70172917, was issued on  
28 November 12, 2004, when Vernon U. was 85 years old. There were no surrender charges

1 involved. At the time of the replacement, the North American contract had reached its maturity  
2 date and could only be continued by purchasing a payout annuity.

3 From a cash perspective, Vernon U. is financially disadvantaged. Putting the money in  
4 the bank would provide a better investment than the ALLIANZ contract with its 12.5% load and  
5 1.5% interest rate.

6 From an annuitization perspective, Vernon U. is also financially disadvantaged. While the  
7 ALLIANZ contract provides the 10% bonus, it's at the cost of poorer annuity purchase rates. For  
8 example, if Vernon U., at age 85, annuitized the North American contract under a 10 year certain  
9 and life contract, he would have had a guaranteed payout per thousand dollars of \$8.74 compared  
10 to \$7.84 for the ALLIANZ contract, an 11% higher payout.

#### 11 8. **Mary S.**

12 On September 7, 1993, Keyport Life Insurance Company annuity contract number  
13 KA00414577-02 issued to Mary S. with an initial premium of \$50,000.00 when she was 74 years  
14 old. It was a standard declared rate contract with an initial surrender charge of 7% that gradually  
15 reduced to 0 after 5 years. The guaranteed interest rate is 3.5%.

16 The replacement ALLIANZ MasterDex10 contract, no. 70136258, was issued on August  
17 6, 2004, when Mary S. was 85 years old.

18 From a cash value perspective, Mary S. is financially disadvantaged with the ALLIANZ  
19 contract. The Keyport contract provides her with full access to her funds and 3.5% guaranteed  
20 interest rate. The ALLIANZ contract provides her with a 12.5% load and a 1.5% interest rate.

21 From a cash value point of view she can never recover.

22 From an annuitization perspective, Mary S. is financially disadvantaged with the  
23 ALLIANZ contract. The ALLIANZ contract provides a 12% bonus, but does not allow  
24 annuitization for 5 years, when Mary S. would be 90 years old. During this period, the  
25 guaranteed interest rate is 2% on the fixed fund and 0% on the indexed funds, compared to 3.5%  
26 on the Keyport contract. Lastly, the guaranteed annuity purchase rates are better in the Keyport  
27 contract. For instance, the Keyport contract guarantees a 10 year monthly payout of \$9.61 per  
28 thousand, compared to \$8.75 for the ALLIANZ contract, 10% more.

1           **9. Virginia S.**

2           Transamerica annuity contract No. 212706EDV was issued on March 5, 1998 to Virginia  
3 S. when she was 78 years old. The initial premium was approximately \$127,000.00. It was a  
4 variable annuity contract with an initial surrender charge (for each payment) of 7% that gradually  
5 reduced to 0 at the end of 6 years. The guaranteed interest rate on the fixed account was 3%.

6           The replacement ALLIANZ MasterDex10, contract no. 70108484 was issued on July 22,  
7 2004, when Virginia S. was 84 years old.

8           From a cash value perspective, Virginia S. is financially disadvantaged with the  
9 ALLIANZ annuity. If she desired to protect herself from negative stock market experience she  
10 could have simply shifted her funds to the fixed account of the Transamerica contract. This  
11 would have provided her with a guaranteed return of 3% and full access to her funds. With the  
12 ALLIANZ contract she is subject to a 12.5% load and guaranteed rates of 1.5% on the fixed fund  
13 and 0% on the indexed funds. The cash value of the ALLIANZ contract will not reach the  
14 premium paid for 9 years, when she will be 93 years old. In the fixed fund of the Transamerica  
15 contract, her funds would have grown at least 30% in that period.

16           From an annuitization perspective, Virginia S. is financially disadvantaged with the  
17 ALLIANZ contract. Although the ALLIANZ contract credits a 12% bonus on the annuitization  
18 account, it guarantees a lower interest rate and has a higher purchase price for annuity payouts.  
19 For example, the Transamerica contract guarantees a 10 year monthly payout of \$9.61 per  
20 thousand, compared to \$8.75 for the ALLIANZ contract, 10% more. This effectively eliminates  
21 any value in the bonus

22           **10. Joe C. and the C. Family Trust**

23           Allmerica Life Insurance and Annuity Company Contract No. GN00108867 issued to the  
24 C. Family Trust and Joe C. who was then age 79, on January 26, 1998. The initial premium was  
25 approximately \$51,000.00. The Allmerica annuity was a variable annuity contract with an initial  
26 7% surrender charge that gradually reduced to 0 over a 6 year period. It provided a 3%  
27 guaranteed rate on the fixed account. It also provided a death benefit equal to the higher of the  
28 accumulation value or premiums paid increased at 5% per year.

1 The replacement ALLIANZ MasterDex10 contract number 70166326 was issued on  
2 October 12, 2004 when Joe C. was 86 years old. This would have been beyond the surrender  
3 charge period of the Allmerica contract.

4 From a cash value perspective, the C. Trust is financially disadvantaged with the  
5 ALLIANZ contract. Had the intent been to avoid the potential loss of principal of the variable  
6 accounts, a better result could have been obtained simply by transferring all the funds into the  
7 fixed account. This would have provided a guaranteed 3% accumulation with full access to the  
8 funds, compared to a 1.5% accumulation after a 12.5% load. It also would have retained a much  
9 more attractive death benefit.

10 From an annuitization perspective, the C. Trust is financially disadvantaged with the  
11 ALLIANZ contract. With respect to the annuitization value, the guaranteed rate on the Allmerica  
12 contract is better as are the annuity purchase rate guarantees. For example, the Allmerica contract  
13 guarantees a 10 year monthly payout of \$9.83 per thousand, compared to \$8.75 for the ALLIANZ  
14 contract.

15 **11. Ervin S.**

16 Capital Life annuity contract No. V36263408V issued on December 28, 1984 to Ervin S.  
17 when he was 65 years old. The initial premium amount was approximately \$15,663.00. It was  
18 subsequently assumed by Pacific Life Insurance Company. It was a variable annuity contract  
19 with an initial surrender charge (for each premium payment) of 5% that gradually reduced to 0  
20 over 5 years. The guaranteed interest rate on the fixed account was 4%.

21 The replacement ALLIANZ MasterDex10 contract, number 70297636, was issued on  
22 May 28, 2005 in the approximate amount of \$49,572.00, when Ervin S. was 85 years old. The  
23 ALLIANZ contract was surrendered during the "free look" time period.

24 From a cash value perspective, Ervin S. was financially disadvantaged with the ALLIANZ  
25 contract. With the First Capital contract he had available a guaranteed 4% account and full access  
26 to his funds. With the ALLIANZ contract, he has a 12.5% load and a 1.5% interest rate. There is  
27 no comparison.

28 From an annuitization perspective, Ervin S. was financially disadvantaged with the

1 ALLIANZ contract. While the ALLIANZ contract does provide a 10% bonus for annuitization, it  
2 does not allow annuitization for five years, when Ervin S. would be 90 years old, has lower  
3 interest guarantees during this period, and has higher guaranteed rates for annuitization. For  
4 example, the First Capital contract guarantees a 10 year monthly payout of \$10.06 per thousand,  
5 compared to \$8.75 for the ALLIANZ contract, 15% more.

6 **12. Erma D.**

7 ALLIANZ Life Insurance Company of North America Contract No. DA438761 46536  
8 was issued on January 23, 1996 to Erma D. when she was 77 years old. It had an initial premium  
9 of \$50,000.00. It was a variable annuity contract with an initial surrender charge (for each  
10 payment) of 6% that gradually reduced to 0 over 5 years. There was no fixed account.

11 The replacement ALLIANZ MasterDex10 contract number 70109722 was issued on  
12 August 2, 2004 when Erma D. was 86 years old.

13 From a cash value perspective, Erma D. is financially disadvantaged with the ALLIANZ  
14 annuity. If her desire was to avoid stock market risk, she could have moved her funds to a money  
15 market account in the variable contract. The 12.5% load assessed the MasterDex10 contract  
16 means that Erma D. would not receive her principal back until she was 95 years old.

17 From an annuitization perspective, Erma D. is financially disadvantaged with the  
18 ALLIANZ annuity. Although the ALLIANZ contract credits a 12% bonus, it does not allow  
19 annuitization for 5 years, when Erma D. would be 91 years old. Under the variable contract she  
20 could have annuitized at any time.

21 **13. Frank M.**

22 On November 10, 1998, GE Life and Annuity Assurance Company Contract No.  
23 T06099331 issued to Frank M. when he was 79 years old in the approximate \$75,125.00. It is a  
24 variable annuity contract with an initial surrender charge (for each payment) of 6% that gradually  
25 reduced to 0 over a 6 year period. The contract contains a provision whereby surrender charges  
26 are waived if the annuitant is confined to a hospital or nursing home for 30 days. The contract  
27 does not have a fixed fund.

28 The replacement MasterDex10 contract, no. 70167888, was issued on October 12, 2004

1 when Frank M. was 85 years old. There was no surrender charge assessed on the surrender of the  
2 GE contract.

3 From a cash value perspective, Frank M. is financially disadvantaged with the ALLIANZ  
4 annuity. If it had been his desire to avoid stock market risk, Frank M. would have been better off  
5 from a cash value perspective simply putting his money in the money market account of the GE  
6 contract. While it provided no guaranteed minimum return, even a 0 return would be better than  
7 the ALLIANZ contract for 9 years.

8 From an annuitization perspective, Frank M. is financially disadvantaged with the  
9 ALLIANZ annuity. While the ALLIANZ contract does offer the 10% bonus on annuitization,  
10 Frank M. cannot annuitize with this benefit until he is 90 years. Furthermore, the GE contract  
11 offers more favorable guaranteed annuity purchase rates. For example, for a fixed 10 year  
12 payout, the GE contract guarantees a monthly payment of \$9.61 per thousand dollars, compared  
13 to \$8.75 in the ALLIANZ contract, a 10% better payout.

14 **14. Dora Lee T.**

15 During the second quarter of 1997, General Electric Capital Assurance Contract No.  
16 0100493718 was issued to Dora Lee T. who was then approximately 69 years old. The initial  
17 premium was approximately \$69,000.00. The annuity was a standard rate contract with a  
18 guaranteed interest rate of 3%

19 The replacement ALLIANZ MasterDex10 Contract No. 70137998 was issued on August  
20 8, 2004 when Dora Lee T was 85 years old. This was after the surrender charge period of the  
21 General Electric contract.

22 From a cash value point of view, Dora Lee T. is financially disadvantaged with the  
23 ALLIANZ contract. The General Electric contract pays a higher minimum interest rate (3%  
24 versus 1.5%) and provides full access to her funds. On the other hand, the ALLIANZ contract  
25 levies a 12.5% load.

26 With respect to annuitization, the ALLIANZ contract offers a 10% bonus but this is offset  
27 by lower guaranteed rates and higher guaranteed annuity purchase rates. For instance, the  
28 guaranteed monthly payout for a 10 year certain annuity is \$10.06 for the General Electric

1 annuity compared to \$8.75 for the ALLIANZ annuity. Additionally, Dora Lee T. can purchase a  
2 payout annuity at any time under the General Electric contract but must wait until she is 90 under  
3 the ALLIANZ annuity.

4 **15. John K.**

5 On or about May 15, 1990, Sun Life Insurance Company Contract No. 565-12-1220 was  
6 issued to Babette K. who was then age 63 (with John K. as beneficiary). The initial premium was  
7 \$10,000.00. This was a declared rate contract with a surrender charge of 4.5% for 7 years. The  
8 guaranteed interest rate was 4%.

9 The replacement ALLIANZ MasterDex10 Contract No. 70287545 was issued on July 14,  
10 2005 when John K. was 85 years old. This was beyond the surrender charge period of the Sun  
11 Life contract.

12 From a cash value perspective, John K. is financially disadvantaged with the ALLIANZ  
13 contract. With the Sun Life contract, he had a guaranteed interest rate of 4% and full access to his  
14 funds without penalty. With the ALLIANZ contract, he has suffered a 12.5% load and is only  
15 earning 1.5%.

16 John K. is also financially disadvantaged from an annuitization point of view. While the  
17 ALLIANZ contract offers a 10% bonus for annuitization, this is more than offset by significantly  
18 lower interest guarantees and significantly higher annuity purchase rates. For example, for a 10  
19 year certain life contract for an 85 year old man, the Sun Life Contract guarantees a monthly  
20 payout of \$9.43 compared to \$7.84 in the ALLIANZ contract, a 20% higher payout.

21 **16. Refugio G.**

22 On or about February 9, 1998, Life Investors Insurance Company of America Contract  
23 No. 010SP704837 was issued to Refugio G. who was then 76 years old. The initial premium  
24 amount was \$23,000.00. This was a declared rate contract with a guaranteed interest rate. No  
25 surrender charge was paid in connection with its surrender.

26 On or about December 26, 1997, Transamerica Life Insurance Company Contract No.  
27 200521EDV was issued to Refugio G. who was then approximately 76 years old. The initial  
28 premium amount was \$100,000.00. It was a variable annuity contract with a 3% guaranteed

1 interest rate on the fixed fund. It was also surrendered in connection with the purchase of an  
2 ALLIANZ MasterDex10 contract.

3 On or about March 14, 1990, Transamerica Life Insurance Company Contract No.  
4 0200UF08206 was issued to Refugio G. who was then approximately 69 years old. The initial  
5 premium amount was \$23,000.00. This was a declared rate contract with a minimum guaranteed  
6 interest rate of 4%. No surrender charge was paid in connection with its surrender.

7 On or about July 1, 1999, Great Northern Assured Annuity Corporation Contract No.  
8 0100362732N was issued to Refugio G. who was then approximately 78 years old. The initial  
9 premium amount was approximately \$35,000.00. This was a declared rate contract with a 3%  
10 guaranteed interest rate. No surrender charges were paid in connection with its surrender.

11 On or about April 8, 2005, the above contracts were replaced by a MasterDex10 Contract  
12 No. 70270979 when Refugio G. was 84 years old.

13 From a cash value perspective, Refugio G. was financially disadvantaged with the  
14 ALLIANZ contract. With each of the original contracts, he had full access to his funds with no  
15 surrender penalties and a guaranteed interest rate of at least 3%. With the ALLIANZ contract, he  
16 has been assessed a 12.5% load and has a contract paying only 1% interest.

17 Refugio G. is also financially disadvantaged from an annuitization perspective. While the  
18 ALLIANZ contract provides the 10% bonus for annuitization, this is offset by lower guaranteed  
19 interest rates and higher guaranteed annuity purchase rates. For example, for a 10 year payout the  
20 General Electric contract guarantees a monthly payout of 10.06 compared to \$8.75 in the  
21 ALLIANZ contract, a 15% higher payout. With the Transamerica variable contract, the rate is  
22 \$9.61, a 10% better payout than under the ALLIANZ contract.

23 **17. Amy R.**

24 On April 18, 1997, Merrill Lynch Life Insurance Company Contract No. M971194156  
25 was issued to Amy R. when she was 78 years old. It was a variable annuity contract that provided  
26 an initial surrender charge of 7% that gradually reduced to 0 over 6 years. The initial premium  
27 was \$120,000.00. The contract did not have a guaranteed fixed account.

28 The Merrill Lynch contract was approaching the annuity date and could be continued only

1 by purchasing a payout annuity. The replacement ALLIANZ MasterDex10 Contract No  
2 70184683 was issued on November 22, 2004 when Amy R. was 85 years old. The initial  
3 premium exceeded the funds in the Merrill Lynch contract so some funds came from elsewhere.

4 From a cash value perspective, Amy R. was financially disadvantaged by the purchase of  
5 the ALLIANZ replacement contract. Under the MasterDex 10 contract, she cannot even get her  
6 premium back for 9 years.

7 With respect to annuitization, Amy R. would have been better off annuitizing the Merrill  
8 Lynch contract. She cannot annuitize the ALLIANZ contract until she is 95 years old and the  
9 guaranteed purchase rates are poorer under the ALLIANZ contract.

10 **18. Norma H.**

11 On August 18, 1994, Delta Life and Annuity Company Contract No D056619 was issued  
12 to Norma H who was then 75 years old. It was a declared rate contract with an initial 8%  
13 surrender charge that gradually reduced to 0 over 8 years. The initial premium was  
14 approximately \$22,000.00.

15 The replacement ALLIANZ MasterDex10 contract, number 70292605, was issued on July  
16 11, 2005, when Norma H was 85 years old. This was beyond the surrender charge period of the  
17 Delta Life contract.

18 From a cash value perspective, Norma H is financially disadvantaged with the ALLIANZ  
19 contract. She has surrendered a contract paying a guaranteed 4% interest and full access to her  
20 funds for a contract that has levied a 12.5% load and is paying only 1.5% interest.

21 Norma H. is also disadvantaged from an annuitization perspective. While the ALLIANZ  
22 contract provides the 10% bonus for annuitization, she cannot annuitize until she is 95 years old,  
23 has lower guaranteed interest during this period, and higher guaranteed annuity purchase rates.  
24 For example, under the Delta Life contract, the guaranteed monthly payment for a 19 year certain  
25 annuity is \$10.06 per month compared to \$8.75 for the ALLIANZ contract, a 15% better payout  
26 rate.

27 //

28 //

1           **19. Lucy S.**

2           On or about May 22, 2000, American General Annuity and Insurance Company Contract  
3 No. JC220109 01 was issued to Lucy S. who was then 80 years old. The initial premium was  
4 approximately \$23,000.00. It was a standard declared rate annuity with an initial surrender  
5 charge (for each payment) of 8% that gradually reduced to 0 over 5 years. The guaranteed  
6 interest rate was 3%.

7           The replacement ALLIANZ MasterDex 10 Contract No. 70254115 was issued on April 7,  
8 2005 when Lucy S. was 85 years old. It appears that a substantial percentage of the proceeds of  
9 the ALLIANZ contract came from a source other than this American General Annuity.

10           From a cash value perspective, Lucy S. was financially disadvantaged from the purchase  
11 of the ALLIANZ replacement contract. The American General contract provided improved cash  
12 benefits than did the ALLIANZ contract in that the American General contract was at the end of  
13 its surrender charge period allowing Lucy S. full access to her funds, and guaranteed a 3%  
14 interest rate. The ALLIANZ contract levied a 12.5% load and paid a 1.5% interest rate.

15           From an annuitization perspective, Lucy S. was financially disadvantaged with the  
16 ALLIANZ contract. While the ALLIANZ contract provided a 10% bonus, this bonus was offset  
17 by lower guaranteed interest rates and higher guaranteed annuity purchase rates. For instance the  
18 guaranteed monthly payout for a 10 year certain annuity is \$9.61 per \$1,000.00 for the American  
19 General annuity, compared to \$8.75 per \$1,000.00 for the ALLIANZ annuity, a 10% higher  
20 payout by American General.

21           **20. LaVerne O.**

22           On or about November 21, 1997, Jackson National Life Insurance Company Contract No.  
23 0058297690 was issued to La Verne O. who was then 78 years old. The initial premium was  
24 approximately \$100,000.00. It was declared rate contract with an initial surrender charge of 7.5%  
25 that gradually reduced to 0 over 7 years. The guaranteed interest rate was 3%.

26           The replacement ALLIANZ MasterDex10 Contract No. 70201329 was issued on  
27 November 18, 2004 when La Verne O. was 85 years old. This would have been beyond the  
28 surrender charge period of the Jackson National contract.

1 From a cash value perspective, La Verne O. was financially disadvantaged by the  
2 purchase of the ALLIANZ replacement contract. With the Jackson National contract, La Verne  
3 O. had a guaranteed interest rate of 3% and full access to his funds without a surrender charge.  
4 With the ALLIANZ replacement contract, La Verne O. has been assessed a load of 12.5%, which  
5 never run off, and is earning an interest rate of only 1.5%.

6 From an annuitization perspective, La Verne O. is financially disadvantaged with the  
7 ALLIANZ contract. The ALLIANZ contract credits a 10% bonus on annuitization, however, this  
8 is offset by the lower guaranteed interest rates of the ALLIANZ contract as well as the higher  
9 guaranteed annuity purchase rates with the ALLIANZ contract. For instance, the 10 year fixed  
10 payout of the Jackson National contract guaranteed a monthly payout of \$10.06 per \$1,000.00  
11 compared to \$8.75 per \$1,000.00 in the ALLIANZ contract, a 15% higher payout by Jackson  
12 National.

13 **21. Hedwig K.**

14 On May 19, 1982, Hartford Life annuity contract number 5045140 issued to Hedwig K.  
15 when she was 63 years old. This variable annuity contract issued in the amount of \$25,000.00,  
16 and had an initial surrender charge (for each payment) of 6% that gradually reduced to 0 over 6  
17 years. The guaranteed interest rate on the fixed account was 4%. As of Dec. 31, 2004, the  
18 \$25,000.00 single premium had grown to over \$170,000.00, a return of over 9% a year.

19 The replacement ALLIANZ MasterDex10 contract, no. 70302522, was issued on March  
20 18, 2005 when Hedwig K. was 85 years old.

21 From a cash value perspective, Hedwig K. is financially disadvantaged with the  
22 ALLIANZ contract. If her desire was to avoid negative stock market experience, she could have  
23 moved her funds to the fixed fund. She would have had a guaranteed interest rate of 4% and full  
24 access to her funds at any time. With the ALLIANZ contract, she has been assessed a 12.5% load  
25 and is earning only a 1.5% rate.

26 From an annuitization point of view she is also financially disadvantaged. While she does  
27 receive a 10% bonus to her annuitization value in the ALLIANZ contract, this is more than offset  
28 by lower guaranteed interest rates and significantly higher annuity purchase rates. For example,

1 for a 10 year monthly payment, the Hartford contract guarantees \$10.12 per thousand, compared  
2 to an \$8.75 guarantee in the ALLIANZ contract, which is 15% more.

3 **B. MasterDex 5: Consumers Who Did Not Incur Surrender Charges**

4 1. **Mary D.**

5 On or about April 3, 1995, Hartford Life Insurance Company Contract No. 440006131  
6 was issued to Mary D. who was then 74 years old. The initial premium was approximately  
7 \$14,500.00. This was a declared rate annuity with an initial guarantee period of 3 years. It had  
8 an initial 7% surrender charge that gradually reduced to 0 over 7 years. In addition, it provided  
9 for a market value adjustment for surrenders that occurred within a guarantee period. The  
10 guaranteed interest rate was 3%.

11 The replacement ALLIANZ MasterDex5 Contract No. 70280766 was issued on May 6,  
12 2005, when Mary D. was 84 years old. This purchase took place beyond the surrender charge  
13 period of the Hartford contract.

14 From a cash value perspective, Mary D. is financially disadvantaged with the ALLIANZ  
15 replacement contract. Whereas the ALLIANZ contract provides for an initial surrender charge of  
16 approximately 10% (net of the 5% bonus) and surrender charges last until Mary D. would be 94,  
17 the Hartford contract had no remaining surrender charge. Additionally, the Hartford contract  
18 provided a 3% interest guarantee compared with 1.5% on the fixed account and 0% on the  
19 indexed accounts of the ALLIANZ contract.

20 From an annuitization perspective, Mary D. is financially disadvantaged with the  
21 ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this is offset by the  
22 lower guaranteed interest rates and more expensive guaranteed annuitization rates. For instance,  
23 for a ten year fixed payout, the Hartford contract guarantees a monthly payment of \$10.06 per  
24 \$1,000.00 compared to a guarantee of \$8.75 per \$1,000.00 for the ALLIANZ contract. The 15%  
25 higher payout more than offsets any value in the ALLIANZ 5% bonus.

26 2. **Eleanor R.**

27 On or about July 15, 1997, Pacific Life Insurance Company Contract No. VA97643670  
28 was issued to Eleanor R. who was then 77 years old. The initial premium was \$60,000.00. This

1 was a variable annuity contract with an initial surrender charge (for each payment) of 6% that  
2 gradually reduced to 0 over 5 years. The guaranteed interest rate on the fixed account was 4%.

3 The replacement ALLIANZ MasterDex5 Contract No. 70241197 was issued on March 21,  
4 2005, when Eleanor R. was 85 years old. There were no surrender charges in effect for the  
5 Pacific Life contract at that time.

6 From a cash value perspective, Eleanor R. is financially disadvantaged from the purchase  
7 of the ALLIANZ replacement contract. If Eleanor R. had desired to protect herself from negative  
8 stock market experience, she could have shifted her funds to the fixed account of the Pacific Life  
9 contract. This would have provided her with a guaranteed return of 4% and full access to her  
10 funds. With the ALLIANZ contract, Eleanor R. is subject to a 10% surrender charge (net of the  
11 5% bonus) which doesn't run off for 10 years, and guaranteed interest rates of 1.5% on the fixed  
12 fund and 0% on the indexed funds.

13 From an annuitization perspective, Eleanor R. is financially disadvantaged with the  
14 ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this bonus is offset by  
15 the lower guaranteed rates and higher guaranteed annuity purchase rates. For example, for a ten  
16 year fixed payout, the Pacific Life contract guarantees a monthly payment of \$10.06 per  
17 \$1,000.00 compared to a guarantee of \$8.75 per \$1,000.00 for the ALLIANZ contract, a 15%  
18 higher payout in the Pacific Life contract.

### 19 3. **Jack R.**

20 On or about September 23, 1996, Pacific Life Contract No. VA96312710 was issued to  
21 Jack R. who was then 76 years old. The initial premium was \$40,000.00. This was a variable  
22 annuity contract with an initial surrender charge (for each payment) of 6% that gradually reduced  
23 to 0 over 5 years. The guaranteed interest rate on the fixed account was 4%.

24 The replacement ALLIANZ MasterDex5 Contract No. 70241203 was issued on March 21,  
25 2005 when Jack R. was 85 years old. There were no surrender charges in effect for the Pacific  
26 Life contract at that time.

27 From a cash value perspective, Jack R. is financially disadvantaged from the purchase of  
28 the ALLIANZ replacement contract. If Jack R. had desired to protect himself from negative

1 stock market experience, he could have shifted his funds to the fixed account of the Pacific Life  
2 contract. This would have provided him with a guaranteed return of 4% and full access to his  
3 funds. With the ALLIANZ contract, Jack R. is subject to a 10% surrender charge (net of the 5%  
4 bonus) which doesn't run off for 10 years, and guaranteed interest rates of 1.5% on the fixed fund  
5 and 0% on the indexed funds.

6 From an annuitization perspective, Jack R. is financially disadvantaged from the purchase  
7 of the ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus, this bonus is  
8 offset by the lower guaranteed rates and higher guaranteed annuity purchase rates. For example,  
9 for a ten year fixed payout, the Pacific Life contract guarantees a monthly payment of \$10.06 per  
10 \$1,000.00 compared to a guarantee of \$8.75 per \$1,000.00 for the ALLIANZ contract, a 15%  
11 higher payout in the Pacific Life contract.

#### 12 4. **Helen B.**

13 On or about February 15, 2002, American Equity Contract No. 129255 was issued to  
14 Helen B. who was then 82 years old. The initial premium was \$25,000.00. It was a declared rate  
15 contract with an initial surrender charge of 9% that gradually reduced to 0 over 3 years. The  
16 guaranteed interest rate was 3%.

17 The replacement ALLIANZ MasterDex5 Contract No. 70242009 was issued on April 15,  
18 2005, when Helen B. was 86 years old. There was no surrender charge in connection with the  
19 surrender of the American Equity contract.

20 From a cash value perspective, Helen B. is financially disadvantaged with the ALLIANZ  
21 replacement contract. With the American Equity contract, she had a guaranteed interest rate of 3  
22 % thereafter and full access to her funds. With the ALLIANZ contract, she has a new initial 10%  
23 surrender charge, after allowance for the 5% bonus, a surrender charge period that lasts until she  
24 is 96, and a guaranteed interest rate of only 1.5%.

25 From an annuitization perspective, Helen B. is financially disadvantaged with the  
26 ALLIANZ contract. While the ALLIANZ contract provides a 5% bonus for annuitization, this  
27 bonus is offset by lower guaranteed interest and higher guaranteed annuity purchase prices. For  
28 example, for a ten year fixed payout, the American Equity contract guarantees a monthly payment

1 of \$9.64 per \$1,000.00 compared to a guarantee of \$8.75 per \$1,000.00 for the ALLIANZ  
2 contract, a 10% higher payout by American Equity.

### 3 **5. Gino C. Trust**

4 On or about March 21, 1997, Hartford Life and Annuity Company Contract No.  
5 710101000 was issued to Gino C. who was then 77 years old. The initial premium was  
6 \$55,000.00. It was a variable annuity contract with an initial surrender charge (for each payment)  
7 of 6% that gradually reduced to 0 over 7 years. The guaranteed interest rate on the fixed account  
8 was 3%.

9 The replacement ALLIANZ MasterDex5 Contract No. 70139301 was issued on August  
10 26, 2004 when Gino C. was 85 years old. There was no surrender charge assessed in connection  
11 with the surrender of the Hartford contract.

12 From a cash value perspective, Gino C. is financially disadvantaged with the purchase of  
13 the ALLIANZ replacement contract. The Hartford contract fixed fund would have provided him  
14 with a guaranteed 3% interest rate and full access to his funds. With the ALLIANZ contract, the  
15 guaranteed interest rate is only 1.5%. In addition, with the ALLIANZ contract, there is an initial  
16 surrender charge of 9% (after allowance for the 6% bonus) which does not fully disappear until  
17 Gino C. reaches 95 years old.

18 From an annuitization perspective, Gino C. is financially disadvantaged with the  
19 ALLIANZ contract. While the ALLIANZ contract provides a 6% bonus, this bonus is offset by  
20 lower guaranteed interest rates and higher annuity purchase rates. For example, for a 10 year  
21 fixed annuity, the Hartford contract guaranteed a monthly payment of \$9.61 per \$1,000.00 of  
22 proceeds compared to \$8.75 per \$1,000.00 for the ALLIANZ contract. The 10% higher payout by  
23 Hartford eliminates any value in the 6% bonus from ALLIANZ.

### 24 **6. Mary L. Revocable Trust**

25 SAFECO Life Insurance Company Contract No. LP1077473 issued on June 21, 2001  
26 when Mary L. was 82 years old. The initial premium was approximately \$58,000.00. It is a  
27 declared rate contract with a 5% surrender charge for 5 years and none thereafter. The minimum  
28 guaranteed interest rate is 3%.

1 The replacement ALLIANZ MasterDex5 contract, no. 70102464, was issued on July 19,  
2 2004 to the Mary L. Revocable Trust when Mary L. was 85 years old, and listed Mary L. as the  
3 annuitant. This was beyond the surrender charge period of the SAFECO contract.

4 From a cash value perspective, Mary L. is financially disadvantaged with the ALLIANZ  
5 contract. The SAFECO contract provided her with a guaranteed 3% interest rate and full access  
6 to her money. With the ALLIANZ contract, she has lower guarantees, 1.5% renewal on the fixed  
7 account and 0% on the indexed accounts, and a new surrender charge of 10% (allowing for the  
8 5% bonus) which will not disappear until she is 93 years old.

9 Mary L. is also financially disadvantaged from an annuitization perspective. While she  
10 does receive the 5% bonus, she cannot annuitize until she is 90, has lower guaranteed rates and  
11 higher guaranteed annuity purchase rates. For example, at age 90 for a 10 year certain and life  
12 annuity, the SAFECO contract guarantees \$8.44 per thousand while the ALLIANZ contract  
13 guarantees \$8.30, a 1.7% higher payout.

14  
15 **C. 10% Bonus PowerDex Elite: Consumers Who Did Not Incur Surrender**  
16 **Charges**

17 **1. Peter Z.**

18 On or about January 19, 1993, Western Reserve Life Insurance Company of Ohio  
19 Contract No. 09-D0512547 was issued to Peter Z. who was then 73 years old. The initial  
20 premium was \$35,000.00. It was a variable annuity contract with a surrender charge, for each  
21 payment, of 5% for 5 years. The contract had a fixed fund with a guaranteed interest rate. Given  
22 the issue date, the guaranteed interest rate would have been at least 3%.

23 The replacement ALLIANZ 10% Bonus PowerDex Elite Contract No. 70121418 was  
24 issued on August 9, 2004 when Peter Z. was 85 years old. There was no surrender charge  
25 assessed in connection with the ALLIANZ contract purchase.

26 From a cash value perspective, Peter Z. is financially disadvantaged from the purchase of  
27 the ALLIANZ replacement contract. Had it been Peter Z.'s desire to avoid stock market risk, he  
28 could have moved his funds to the fixed account of the Western Reserve contract. This would

1 have provided him with a minimum guaranteed interest rate of at least 3% and full access to funds  
2 without penalty. With the ALLIANZ replacement contract, he has been assessed a 12.5% load  
3 which never grades off, has a contract with a 1.5% interest guarantee after the first year on the  
4 fixed account, and a 0% guarantee on the equity indexed accounts.

5 From an annuitization perspective, Peter Z. is also financially disadvantaged with the  
6 ALLIANZ replacement contract. While the ALLIANZ contract does provide the 10% bonus, this  
7 bonus is offset by the lower guaranteed interest rates and higher guaranteed annuity purchase  
8 rates associated with the ALLIANZ contract. For instance, the guaranteed monthly payout for a  
9 10 year certain annuity is \$10.05 per \$1,000.00 for the Western Reserve annuity, compared to  
10 \$8.75 per \$1,000.00 for the ALLIANZ annuity, a 15% higher payout by Western Reserve.

## 11 2. **Gerald B.**

12 On or about August 13, 2001, Safeco Life Insurance Company Contract Nos. LP1084370  
13 and LP1084371 were issued to Gerald B. who was then 80 years old. The initial premium for  
14 each was \$100,000.00. They were declared rate contracts with a surrender charge of 5% for three  
15 years and none thereafter. The guaranteed interest rate was 3%.

16 The replacement ALLIANZ 10% Bonus PowerDex Elite Contract No. 70136309 was  
17 issued on September 21, 2004 when Gerald B. was 85 years old. There was no surrender charge  
18 assessed in connection with the ALLIANZ replacement contract purchase.

19 From a cash value perspective, Gerald B. is financially disadvantaged from the purchase  
20 of the ALLIANZ replacement contract. With the Safeco contracts, he had a guaranteed interest  
21 rate of 3% and full access to funds without penalty. With the ALLIANZ contract, he has been  
22 assessed a 12.5% load which never grades off, has a contract with a 1.5% interest guarantee after  
23 the first year on the fixed account, and a 0% guarantee on the equity indexed accounts.

24 From an annuitization perspective, Gerald B. is also financially disadvantaged from the  
25 ALLIANZ replacement contract purchase. The ALLIANZ contract provides the 10% bonus,  
26 however, he cannot use this to annuitize for 5 years, during which time he has lower guaranteed  
27 interest rates. The guaranteed annuity purchase rates are better for one contract or the other,  
28 depending on which option is chosen. For a 10 year certain and life annuity for a 90 year old

1 man, the age at which Gerald B. can first utilize the 10% bonus, the Safeco contracts guaranteed a  
2 monthly payment of \$8.56 per \$1,000.00 of proceeds compared to \$8.36 per \$1,000.00 in the  
3 ALLIANZ contract.

4 **D. PremierDex: Consumers Who Did Not Incur Surrender Charges**

5 1. **Luther E.**

6 On or about February 1, 2002, Manufacturers Life Insurance Contract No. 2280009 was  
7 issued to Luther E. who was then 82 years old. The initial premium was approximately  
8 \$90,000.00. It was a variable annuity with an initial surrender charge (for each payment) of 6%  
9 that gradually reduced to 0 over 3 years. The guaranteed interest rate on the fixed account was  
10 3%.

11 The replacement ALLIANZ PremierDex Contract No. 70286232 was issued on May 10,  
12 2005 when Luther E. was 85 years old. This was beyond the surrender charge period.

13 From a cash value perspective, Luther E. was financially disadvantaged with the  
14 ALLIANZ contract. If he had wanted to avoid stock market risk, he could have moved his funds  
15 to the fixed account of the Manufacturers Life contract and earned a guaranteed 3% interest and  
16 had full access to his funds without penalty. With the ALLIANZ contract, he has two separate  
17 types of surrender charges that do not fully disappear until he is 95 and a guaranteed rate after the  
18 first year of 1.5% on the fixed account and 0% on the indexed accounts.

19 From an annuitization perspective, Luther E. is also financially disadvantaged. The  
20 Manufacturers Life contract offers better interest guarantees, no vesting schedule reductions, and  
21 similar guaranteed annuity purchase prices.

22 **E. PowerDex Elite: Consumers Who Did Not Incur Surrender Charges**

23 1. **Eleanor K.**

24 On or about October 21, 1994, American Enterprise Life Insurance Company Contract  
25 No. 9920-3915137 was issued to Eleanor K. who was then 74 years old. The initial premium was  
26 approximately \$82,000.00. It was a declared rate contract with an initial surrender charge of 7%  
27 that gradually reduced to 0 over 8 years. The guaranteed interest rate was 3.5%.

28 The replacement ALLIANZ PowerDex Elite Contract No. 70254672 was issued on

1 October 21, 2004 when Eleanor K was 85 years old. This was beyond the surrender charge  
2 period of the American Enterprise contract.

3 The American Enterprise contract had matured and Eleanor K. had to either annuitize the  
4 contract or take her funds. She would have been better off annuitizing the American Enterprise  
5 contract rather than purchasing the ALLIANZ contract. The ALLIANZ contract imposes a  
6 surrender charge of 15% which does not fully disappear until Eleanor K. is 95 years old, and it  
7 has higher guaranteed annuity purchase rates. For example, for a ten year payout, the American  
8 Enterprise contract guarantees a monthly payout of \$9.83 per thousand dollars of proceeds versus  
9 \$8.75 for the ALLIANZ contract, a 12% higher payout.

10 **F. Power 7 Elite: Consumers Who Did Not Incur Surrender Charges**

11 **1. Neva H.**

12 Life Investors Insurance Company of America Contract No. 010SP532091 issued on July  
13 7, 1994 when Neva H. was 76 years old. It is a declared rate contract with an initial surrender  
14 charge of 6% that gradually reduced to 0 over 6 years. Total premiums were approximately  
15 \$18,500.00. The guaranteed interest rate is 3%.

16 The replacement ALLIANZ Power 7 Elite contract, no. 70051795, was issued on  
17 February 2, 2004 when Neva H. was 85 years old. This was beyond the surrender charge period  
18 of the Life Investors contract. The account value bonus on this contract was 5% rather than 7%.

19 From a cash value perspective, Neva H. is financially disadvantaged with the ALLIANZ  
20 contract. With the Life Investors contract she had a 3% guaranteed interest rate and full access to  
21 her funds. With the ALLIANZ contract she has a reinstated a surrender charge of 5% (after  
22 allowance for the 5% bonus) and a 1.5% guaranteed interest rate.

23 Neva H. is also financially disadvantaged from an annuitization point of view. She does  
24 receive the 5% bonus, but has a lower guaranteed interest rate, cannot annuitize before she is 90  
25 and has higher guaranteed annuity purchase rates. For example, for a 10 year fixed payout, the  
26 Life Investors contract guarantees a monthly payment of \$9.61 per thousand, compared to \$8.75  
27 for the ALLIANZ contract, a 10% higher payout.

28

1           **G. FlexDex Multi-Choice Elite: Consumers Who Did Not Incur Surrender**  
2                           **Charges**

3           1. **Kenneth L.**

4           Keyport Life Insurance Company Contract No. KA00494622-01 issued on December 27,  
5           1995 when Kenneth L. was 78 years old. The initial premium was approximately \$156,000.00. It  
6           is a declared rate contract with an initial surrender charge of 7% that gradually reduced to 0 over  
7           5 years. The guaranteed interest rate is 3.5%. The contract could remain in deferral until  
8           Kenneth L.'s 90<sup>th</sup> birthday.

9           The replacement ALLIANZ FlexDex Multi-Choice Elite contract, no. 70226142, was  
10          issued on January 6, 2004 when Kenneth L. was 86 years old. This was beyond the surrender  
11          charge period of the Keyport contract.

12          From a cash value perspective, Kenneth L. is financially disadvantaged with the  
13          ALLIANZ contract. He has surrendered a contract which provided full access to his funds and a  
14          3.5% guaranteed interest rate. In its place he has a contract with an initial 10% surrender charge  
15          (after allowance for the 5% bonus), which will not vanish until he is 96 years old, and a 2%  
16          renewal interest guarantee.

17          Kenneth L. is also financially disadvantaged from an annuitization perspective. While he  
18          would receive the 5% bonus if he were to annuitize, he cannot annuitize at the full accumulation  
19          value until he is 91 years old. At that point he will have higher guaranteed annuity purchase rates  
20          than in the Keyport contract. For example, for a male aged 90, the highest age shown in the  
21          ALLIANZ contract, the guaranteed monthly payout in a 10 year certain and life annuity is \$9.31  
22          per thousand, compared with \$8.36 in the ALLIANZ contract. This is an 11% higher payout,  
23          which more than offsets any value in the 5% bonus.

24           **H. 5% Bonus PowerDex Elite: Consumers Who Did Not Incur Surrender**  
25                           **Charges**

26           1. **Jane M.**

27           On or about April 26, 1996, Hartford Life Insurance Company Contract No. 310158540  
28           was issued to Jane M. who was then 77 years old. The initial premium was \$81,000.00. It was a

1 variable annuity contract with an initial surrender charge (for each payment) of 6% that gradually  
2 reduced to 0 over 7 years. It had a guaranteed interest rate in the fixed account of 3%.

3 The replacement ALLIANZ 5% Bonus PowerDex Elite contract, number 70097625, was  
4 issued on July 2, 2004 when Jane M. was 85 years old. This was beyond the surrender charge  
5 period of the Hartford contract. The ALLIANZ contract is an equity indexed annuity which  
6 credits a 5% premium bonus and has a 15% surrender charge for 6 years, then gradually reduces  
7 to 0 at the end of year 12. It has one equity indexed account and no fixed account. In order the  
8 use the full account value to annuitize, the annuitant must hold the contract for five years and then  
9 choose a payment option that is either life contingent or for a period of 10 or more years. Jane M.  
10 surrendered the ALLIANZ replacement contract during the free look period.

11 From a cash value perspective, Jane M. was financially disadvantaged from the purchase  
12 of the ALLIANZ contract. If Jane M. had desired to protect herself from negative stock market  
13 experience, she could have shifted her funds to the fixed account of the Hartford contract. This  
14 would have provided her with a guaranteed interest rate of 3% and full access to her funds  
15 without penalty. With the ALLIANZ replacement contract, Jane M. had a 0% guaranteed rate  
16 and a new 10% surrender charge, after allowance for the 5% bonus, and a surrender charge period  
17 that would have lasted until she is 97 years old.

18 From an annuitization perspective, Jane M. was also financially disadvantaged with the  
19 ALLIANZ contract. While the ALLIANZ contract does offer the 15% bonus, Jane M. would  
20 have had to wait 5 years before she could use it, during which time she would have had a  
21 guaranteed interest rate of 0% compared to 3% on the Hartford contract. Additionally, the  
22 ALLIANZ contract had poorer guaranteed annuity purchase rates. For example, for a ten year  
23 payout, the Hartford contract guaranteed a monthly payment of \$9.61 per \$1,000.00 of proceeds  
24 compared to \$8.75 per \$1,000.00 for the ALLIANZ contract, a 10% higher payout with Hartford.

## 15 10.

### 16 **Non-replacement Annuity Sales: 10% Bonus PowerDex Elite**

17 ALLIANZ sold its 10% Bonus PowerDex annuities to the following senior citizens age 80  
18 to 86 years old, to their financial disadvantage, in violation of the provisions of California

1 Insurance Code sections 780, 781, 785(a), 790.03(a), and 790.03(b). This annuity is financially  
2 disadvantageous to these seniors in that:

- 3 • In order to obtain the 10% or 12% bonus that accrues only to the annuitization account, the  
4 owner must hold the annuity in deferral for at least 5 years and then purchase either a life  
5 contingent annuity or an annuity that lasts ten or more years. Given the advanced age of  
6 the senior, life expectancy tables show that it is not likely that the senior will live the  
7 necessary 5 years, and it is highly likely that the senior will not live 15 years, making it  
8 unlikely that the seniors will get the full benefit of the proceeds that went into the annuity;
- 9 • If the owner dies prior to annuitizing, the beneficiary receives the greater of the premium  
10 paid less any previous withdrawals or the cash value. Given that the cash value account  
11 accrues interest at 3% in the first year and a guaranteed 1.5% thereafter, and is subject to a  
12 12.5% withdrawal fee, it is likely that the amount the beneficiary will receive upon the  
13 death of the owner is the premium paid less any withdrawals, resulting in the beneficiary  
14 receiving no interest on the premium monies;
- 15 • If the owner dies and the beneficiary instead takes an annuity, the annuitization value will  
16 be used to calculate annuity payments, provided the annuity lasts at least 5 years. In this  
17 situation, the minimum guaranteed payout is based on 1% interest per year;
- 18 • If the owner needs to access more than 5% of the monies yearly up to 25 % of the cash  
19 value of the annuity, or takes more than one withdrawal during a one year time frame, or  
20 surrenders the annuity or withdraws an amount in excess of the free withdrawal amount,  
21 ALLIANZ will assess a 12.5% charge retroactively on all withdrawals taken that year,  
22 resulting in the consumer receiving no free withdrawals that policy year.

23

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70052903	Mona C.	86	26,000.00
70086850	Robert W.	86	29,548.11
70129911	Carolyn M.	86	34,932.58

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<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70064199	Ruth D.	85	20,000.00
70076546	Cora D.	85	150,000.00
70076547	Cora D.	85	150,000.00
70085385	Elaine K.	85	48,000.00
70085744	Eloise C.	85	40,000.00
70087042	M. M.	85	100,000.00
70094199	Joseph H.	85	0.00
70104379	Carl Y.	85	0.00
70109510	Frank B.	85	50,000.00
70120197	Joseph H.	85	85,002.36
70125928	Jannie M.	85	63,082.03
70181561	Wayne C.	85	100,000.00
70206829	Agnes B.	85	15,007.16
70118968	Joseph H.	85	98,875.82
70088601	Frank B. Trust	85	0.00
70128694	Z. Family Trust	85	421,000.00

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70054039	John O.	84	48,182.98
70064453	Norman W.	84	115,237.54
70068692	Paul H.	84	65,000.00
70071353	Beatrice F.	84	14,871.72
70071375	Beatrice F.	84	14,881.72

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70071481	Beatrice F.	84	50,000.00
70071497	Beatrice F.	84	50,000.00
70071507	Beatrice F.	84	50,000.00
70073340	Alfred M.	84	10,000.00
70079195	Richard D.	84	46,786.14

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70053022	John A.	83	200,000.00
70059719	Audrey S.	83	100,000.00
70062530	Clyde A.	83	100,000.00
70067053	Rose R.	83	500,000.00
70067586	Leo W.	83	100,000.00
70069400	Richard S.	83	45,319.65
70070691	Helga A.	83	5,000.00
70071195	Victor M.	83	90,000.00
70071287	Clyde M.	83	60,000.00
70071424	Arthur V.	83	6,745.61

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70052258	Barbara B.	82	100,000.00
70054035	William C.	82	82,534.14
70054244	Barbara B.	82	18,904.84
70064203	Frederick D.	82	30,000.00
70066339	Everett F.	82	5,084.38
70066406	Mine T.	82	110,419.86

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70067617	Keith H.	82	70,000.00
70067946	Joseph O.	82	40,000.00
70074634	Martin B.	82	69,155.79
70080427	Arthur G.	82	381,483.18

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70043477	Raymond Y.	81	22,333.83
70052843	Marjorie S.	81	0.00
70054428	Walter H.	81	100,000.00
70054959	Anthony C.	81	102,319.60
70055348	Audoro M.	81	246,345.35
70056024	James B.	81	25,000.00
70056183	Mildred B.	81	25,109.87
70058396	Selma A.	81	50,400.37
70058966	Margaret G.	81	78,281.47
70059837	Doris C.	81	50,000.00

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70050988	Louisa K.	80	5,000.00
70051565	Helen D.	80	77,300.00
70055281	Dana G.	80	57,724.02
70062468	Heljo K.	80	75,000.00
70067131	Lourdes W.	80	164,000.00
70067172	John C.	80	42,637.99
70069268	Marilyn W.	80	200,000.00

70070270	Silvio P.	80	5,000.00
70070584	Elaine J.	80	13,567.01
70070921	Elizabeth H.	80	39,721.53

The Department may amend this accusation to allege approximately the following number of additional sales to seniors in the following age groups that occurred between approximately January 1, 2004 and July 31, 2005: a) 16 sales to persons 84 years old; b) 19 sales to persons 83 years old; c) 26 sales to persons 82 years old; d) 32 sales to persons 81 years old; and e) 26 sales to persons 80 years old.

**11.**

ALLIANZ sold its MasterDex 10 annuities to the following senior citizens, aged 80 to 86 years old, to their financial disadvantage, in violation of the provisions of California Insurance Code sections 780, 781, 785(a), 790.03(a), and 790.03(b). This annuity is financially disadvantageous to these seniors in that:

- In order to obtain the 10% bonus that accrues to the accumulation account, the owner must hold the annuity in deferral for at least 5 years and then purchase either a life contingent annuity or an annuity that lasts ten or more years. Given the advanced age of the senior, life expectancy tables show that it is not likely that the senior will live the necessary 5 years and it is likely that the senior will not live 15 years, making it unlikely that the senior will get the full benefit of the proceeds that went into the annuity;
- If the owner dies prior to annuitizing, the beneficiary receives the greater of the premium paid less any previous withdrawals or the cash value. Given that the cash value account accrues interest at a guaranteed interest rate of 1.5%, and is subject to a 12.5% withdrawal fee that never decreases, it is likely that the amount the beneficiary will receive upon the death of the owner will be the premium paid less any withdrawals, resulting in the beneficiary receiving no interest on the premium monies;

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- If the owner dies and the beneficiary instead takes an annuity, the annuitization value will be used to calculate annuity payments, provided the annuity lasts at least 5 years. In this situation, the minimum guaranteed payout is based on 1% interest per year;
- The policy owner can take a free withdrawal of up to 10% yearly until the owner has withdrawn 50% of the cash value. Therefore, if the owner needs to surrender the annuity, withdraw an amount in excess of the free withdrawal amount, or take more than one withdrawal during a one year time frame, ALLIANZ will assess a 12.5% charge retroactively on all withdrawals taken that year, resulting in the consumer receiving no free withdrawals that policy year.

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70113941	Vincent F.	86	250,000.00
70206179	George C.	86	20,000.00
70243262	Sue S.	86	469,049.23
70290597	Joda H.	86	0.00
70307828	Thelma B.	86	100,000.00
70309451	Emma K.	86	33,000.00
70139428	R. Fam. Trust	86	50,000
70164407	Calistro M. Trust	86	37,266.31

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70106762	Lorraine W.	85	10,000.00
70110590	Freda S.	85	42,500.00
70111160	Dale A.	85	12,000.00
70125613	Thomas M.	85	100,000.00

1	70127157	Vivian S.	85	66,135.36
2	70131236	Jerome I.	85	35,000.00
3	70134608	Maria O.	85	33,352.12
4	70137317	Inez R.	85	300,000.00
5	70138295	Maxine W.	85	55,922.00
6	70141017	Victor P.	85	75,224.75
7	70142649	Carl Y.	85	195,000.00
8	70145485	Lona C.	85	25,000.00
9	70149370	Morris S.	85	4,976.13
10	70149381	Morris S.	85	7,127.42
11	70168558	Thomas B.	85	224,707.48
12				

	<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
13				
14				
15				
16	70106795	Leo W.	84	163,000.00
17	70109238	Iona G.	84	20,000.00
18	70111331	Winifred B.	84	101,600.00
19	70111380	Shirley N.	84	67,781.65
20	70120993	Jimmie H.	84	73,490.00
21	70130417	Ethel T.	84	180,078.38
22	70137069	Nina W.	84	73,000.00
23	70143590	Roland L.	84	305,000.00
24	70145472	Virginia S.	84	44,500.00
25	70149551	Everett O.	84	40,000.00
26	70150586	Dee R.	84	100,000.00
27	70152179	Lee C.	84	75,000.00
28	70152388	Hiram H.	84	89,473.70

70156343	Marion T.	84	58,800.00
70157046	Leo W.	84	90,000.00

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70101317	Sara W.	83	10,233.98
70106602	Wayman B.	83	48,576.85
70108322	Edward W.	83	25,000.00
70122230	Ann S.	83	45,164.48
70124333	Bernice L.	83	101,680.22
70127896	Barbara B.	83	40,000.00
70135202	Irene H.	83	100,000.00
70141886	Ida V.	83	5,000.00
70149648	William A.	83	300,000.00
70149662	Eugene P.	83	50,000.00
70150874	Janyce S.	83	100,000.00
70156300	Robert S.	83	200,000.00
70156686	Narciso S.	83	5,000.00
70159308	Lois V.	83	10,000.00
70160822	Sirvart H.	83	90,000.00
70321259	Joan M.	83	100,000.00
	Arthur E.		
70101218	Exemption	83	18,092.68
70135887	Paula E. Trust	83	225,000.00
70162917	P. 1982 Trust	83	10,000.00
	John & Mary W.		
70171789	Trust	83	125,000.00

70243308	H. Family Trust	83	43,010.47
70243514	Dorothy Mc. Trust	83	0.00
70243689	H. Family Trust	83	43,334.21

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70100657	Constance O'b.	82	25,000.00
70102037	Dorothy M.	82	0.00
70104138	Flora M.	82	0.00
70107179	Marian H.	82	341,000.00
70107634	Donald B.	82	11,687.38
70117786	Evelyn F.	82	100,000.00
70120568	Dorothy M.	82	487,811.00
70123037	Donald M.	82	8,300.00
70123106	Kenneth W.	82	93,846.24
70135112	Hiroshi N.	82	40,000.00

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70100461	Margie P.	81	10,000.00
70108328	Virginia L.	81	236,627.58
70116840	James H.	81	100,000.00
70117741	Betty C.	81	20,000.00
70119697	Lucile F.	81	10,000.00
70124204	Audrey O.	81	50,000.00
70126552	Samuel A.	81	372,770.81
70126750	Dorothy P.	81	4,538.31

70127739	Doris H.	81	5,000.00
70129099	Gertrude M.	81	33,171.06

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70088763	Tamara R.	80	5,743.45
70101247	June W.	80	16,740.00
70107330	Violet P.	80	450.00
70108379	Florida B.	80	497.77
70108731	Louella J.	80	18,000.00
70109326	Rudolph L.	80	3,600.00
70110868	Silvio P.	80	9,000.00
70111580	Frances M.	80	36,000.00
70112236	Suzan L.	80	9,000.00
70113978	Lourdes W.	80	18,000.00

The Department may amend this accusation to allege approximately the following number of additional sales to seniors in the following age groups that occurred between approximately January 1, 2004 and July 31, 2005: a) 42 sales to persons 85 years old; b) 27 sales to persons 84 years old; c) 36 sales to persons 83 years old; d) 60 sales to persons 82 years old; e) 63 sales to persons 81 years old; and f) 85 sales to persons 80 years old.

**12.**

ALLIANZ sold its MasterDex 5 annuities to the following senior citizens, aged 80 to 86 years old, which is financial disadvantageous to them, in violation of the provisions of California Insurance Code sections 780, 781, 785(a), 790.03(a), and 790.03(b) in that:

- Although a 5% bonus is credited to the account value, the MasterDex 5 has an initial 15% surrender charge which remains level for 4 years then gradually reduces to 0 at the end of 10 years. At the end of the 6<sup>th</sup> year of policy ownership the surrender charge rate remains at 10.71%. Given the advanced age of the senior, life expectancy tables show that it is not

- 1 likely that the senior will out live the 10 year surrender charge period, making it unlikely  
 2 that the senior will get the full benefit of the proceeds that went into the annuity;
- 3 • The death benefit is equal to the higher of the cash value or the premium paid less any  
 4 withdrawals, so that upon the death of the annuitant, surrender charges will be deducted  
 5 from the monies paid to a beneficiary who wants to cash out. The beneficiary can, instead,  
 6 decide to take an annuity, for which the accumulation value will be used to calculate  
 7 annuity payments, provided that the annuity lasts at least five years. If the beneficiary  
 8 elects to take an annuity for a term of years rather than a cash payout, the minimum  
 9 guaranteed payout is based on 1% interest per year.
  - 10 • The policy owner can take a free withdrawal of up to 10% yearly until the owner has  
 11 withdrawn 25% of the premium received. Therefore, if the owner needs to surrender the  
 12 annuity, withdraw an amount in excess of the free withdrawal amount, or take more than  
 13 one withdrawal during a one year time frame, ALLIANZ will assess a partial surrender  
 14 charge retroactively on all withdrawals taken that year, resulting in the consumer receiving  
 15 no free withdrawals that policy year.

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70163926	Henry R.	86	85,000.00
70207249	Ralph S.	86	61,775.13
70291631	Ruth L.	86	100,000.00

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70101388	Ruth C.	85	75,000.00
70105518	Mary B.	85	40,000.00
70107403	Ethyl B.	85	500,000.00
70107945	Milton B.	85	130,000.00
70114183	Mary W.	85	25,000.00

1	70176983	Beatrice S.	85	67,000.00
2	70179470	Robert O.	85	130,000.00
3	70207611	Elizabeth A.	85	97,912.47
4	70210077	M. Mc.	85	40,000.00
5	70212641	Helen B.	85	50,025.00

	<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
7				
8				
9				
10	70113084	Ruth M.	84	161,750.30
11	70120113	Elvira F.	84	100,000.00
12	70124684	Takako N.	84	142,335.80
13	70132772	Betty O.	84	140,981.42
14	70134487	Robert E.	84	25,000.00
15	70139023	Delmer F.	84	100,000.00
16	70157090	Clorinda A.	84	50,000.00
17	70167098	Norman L.	84	118,000.00
18	70167130	W. H.	84	65,000.00
19	70171164	William P.	84	58,000.00

	<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
20				
21				
22				
23	70115316	Mary C.	83	301,699.61
24	70124533	Myra R.	83	109,595.88
25	70145177	Winifred R.	83	30,000.00
26	70168708	Douglas G.	83	25,000.00
27	70168864	Wayman B.	83	60,000.00
28	70173810	Jeane D.	83	0.00

70176428	Thomas H.	83	25,000.00
70176468	Lydia S.	83	45,000.00
70184569	Peggy C.	83	35,000.00
70188038	Robert C.	83	50,000.00

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70304988	Wanda W.	82	100,000.00
70102317	Lois G.	82	30,500.00
70110520	Takamoto H.	82	0.00
70126296	Chizuko S.	82	257,000.00
70155744	June C.	82	75,326.51
70166418	Thomas S.	82	100,000.00
70173424	James M.	82	50,000.00
70177064	Marjorie B.	82	50,000.00
70177070	Marjorie B.	82	50,000.00
70177076	Marjorie B.	82	50,000.00
70185036	Lillian M.	82	122,724.79
70186074	Adrian K.	82	27,547.66

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70104914	Marjorie B.	81	52,000.00
70107693	Dorothy S.	81	41,773.15
70137716	Patricia K.	81	35,000.00
70139431	Mildred R.	81	82,756.83
70144760	Helen L.	81	25,000.00

70154651	Helen L.	81	0.00
70166988	John K.	81	50,000.00
70176469	Robert J.	81	250,000.00
70176707	Morton S.	81	27,458.14
70177399	Rosina O.	81	50,000.00

<b>Policy #</b>	<b>Name</b>	<b>Age at Purchase</b>	<b>Premium Paid</b>
70109611	Harry K.	80	50,000.00
70138097	John C.	80	173,578.79
70141012	Francis W.	80	40,000.00
70144699	Mary F.	80	125,000.00
70149914	Geraldine H.	80	0.00
70162067	Verna W.	80	55,000.00
70163651	Donald E.	80	25,000.00
70175140	Lurlie A.	80	30,000.00
70186264	Edwin S.	80	49,235.95
70195666	Lawrence L.	80	30,000.00

The Department may amend this accusation to allege approximately following number of additional sales to seniors in the following age groups that occurred between approximately January 1, 2004 and July 31, 2005: a) 13 more sales to persons 85 years old; b) 24 more sales to persons 84 years old; c) 22 more sales to persons 83 years old; d) 23 more sales to persons 82 years old; e) 34 more sales to persons 81 years old; and f) 29 more sales to persons 80 years old.

**13.**

ALLIANZ, in violation of Insurance Code section 10127.13, from approximately January 1, 2004 through July 31, 2005, failed to disclose the surrender period and all associated penalties

1 in 12 point bold type on the annuity cover page, nor did ALLIANZ disclose the location of the  
2 surrender information, in 12 point bold type, on the cover page or policy jacket, or on a sticker  
3 affixed thereto. Instead, on the policy cover sheet of the following annuities, ALLIANZ refers  
4 the reader to the “Benefits and Values” section of the contract. The Table of Contents, shown on  
5 page 2, does not list a Benefits and Values section, nor is one found in the body of the contract  
6 itself. This violation occurred regarding the following annuities:

- 7 a) MasterDex 10;
- 8 b) PremierDex;
- 9 c) 10% Bonus PowerDex;
- 10 d) 5% Bonus PowerDex;
- 11 e) PowerDex Elite;
- 12 f) MasterDex 5;
- 13 g) PremierDex 5;
- 14 h) MasterDex.

15 **14.**

16 From approximately January 1, 2004 to the present, ALLIANZ annuities, in which the  
17 death benefit is subject to a surrender penalty, do not contain a reference to such on the policy  
18 cover sheet, in violation of Insurance Code section 10127.13.

19 **15.**

20 From approximately January 1, 2004 to the present, ALLIANZ’s deferred annuities and  
21 an immediate annuities called “Immediate Annuity” violated Insurance Code section 10127.10 in  
22 that the wording of ALLIANZ’s notice to seniors of their right to return the annuity within 30  
23 days did not comply with the requirements of said Insurance Code.

24 **16.**

25 From approximately January 1, 2004 to the present, ALLIANZ, in violation of Insurance  
26 Code section 10127.10, failed to notify seniors of their right to return the annuity within 30 days  
27 on the cover page of its “Immediate Elite” and “Wealthcare” immediate annuities.  
28

1 **17.**

2 From approximately January 1, 2004 to the present, ALLIANZ has used confusing  
3 language and incomplete disclosures on its policy forms, thereby causing the policy to be  
4 misleading, in violation of Sections 780, 781, 785(a), 790(a), 790(b) as follows:

- 5 a) In ALLIANZ contracts that have a Vesting Schedule component, such as the PremierDex  
6 and PremierDex 5, the definition of “Vesting Schedule” never states what it is or how it  
7 works.
- 8 b) On the Policy Schedule of the various bonus annuities, the premium bonus statement  
9 reads “10.00% for the first five Policy Years.” This language is misleading as it leads one  
10 to believe that there will be a bonus on all premium every five years and the policy holder  
11 will not discover that the premium bonus is only received once each time new premium is  
12 deposited unless he realizes that the term “premium bonus” is a term of art and refers to  
13 the definition of “premium bonus” within the annuity.
- 14 c) In the ALLIANZ annuities that include “Systemic Withdrawal of Credits”, the policies  
15 never explain what a credit is or what a systemic withdrawal of credit is, only what it is  
16 not.

17 **18.**

18 From approximately April 2003 to the present, in the ALLIANZ annuity contracts that  
19 include the use of the term “High Water Value”, such as the 10% Bonus PowerDex, PowerDex,  
20 and 5% Bonus PowerDex Elite, the definition of this term as set forth in the annuity is vague and  
21 ambiguous in that this provision references several contract components which have complex  
22 definitions that the consumer must read and comprehend in order to attempt to discern the  
23 meaning of this complicated passage, and still, the definition is unclear as to how it is calculated,  
24 what its purpose is, and what its effect is on the annuitization value of the annuity, constituting a  
25 violation of Insurance Code section 785(a). The Definition of High Water Value in the contract  
26 is:

27 The High Water Value on the first day of the initial term is equal to the Current Value.  
28 The High Water Value at the end of the last day of a Term (after the calculation of the  
Current Value) is equal to the greater of (a) or (b), where:

- a) is the Current Value; and  
b) is the High Water Value at the beginning of the first day of the Term plus the

1 Interim Interest Account.

2  
3 **19.**

4 From approximately January 1, 2004 through July 31, 2005, the Annual Policy Statement  
5 for the two tiered MasterDex 10 policy and 10% Bonus PowerDex that ALLIANZ provided to  
6 policy holders was misleading, in violation of Sections 780, 785(a), 790(a) and 790(b), in that the  
7 Annual Policy Statement, shows only one Yield to Date and fails to label it as applying only to  
8 the accumulation account, causing it to be unclear as to whether the Yield to Date pertains to the  
9 accumulation account or the cash value account or both accounts.

10 **20.**

11 From approximately January 1, 2004 through July 31, 2005, the Annual Policy Statement  
12 used by ALLIANZ Life for the MasterDex 10 for the first policy year is misleading, in violation  
13 of Insurance Code sections 780, 785(a), and 790.03(a) and (b), in that:

- 14 a) It fails to clearly show that the 10% bonus was credited to the annuitization value  
15 account;
- 16 b) It states that the “values are based on the past policy year performance” when in fact  
17 the 10% bonus does not constitute part of the annuity’s “performance;”
- 18 c) It lists a “Yield to Date”, but fails to state which earnings comprise the “Yield to Date”  
19 when the Yield to Date includes at least the 10% bonus and equity indexed earnings.  
20

21 **21.**

22 Respondent claims in its marketing materials and on its website that the premium bonuses  
23 featured on its two tiered annuity policies are “immediate”, “up-front”, and that the bonuses can  
24 be used to “overcome surrender charges”, “recover losses”, and pay capital gains taxes”. In  
25 reality, the 10% premium bonus is not “upfront” because the premium bonus is credited only to  
26 the annuitization value, which is not available to the policy holder unless he or she (1) annuitizes  
27 the entire policy after a deferral period of 5 years and (2) elects to receive annuity income  
28 payments through a life contingent annuity or an annuity that pays out at least 10 years. If the

1 policy owner fails to satisfy either of these 2 requirements, the policy holder loses the 10%  
2 bonus and all positive accrued equity index returns and is entitled to receive only the Cash value  
3 less the 12.5% surrender charge. The 12.5% surrender charge remains applicable throughout the  
4 life of the annuity; it does not decline over time as do typical surrender charges. ALLIANZ only  
5 discloses the true facts about the two-tiered annuities in very small print on its consumer  
6 brochures.

7 **22.**

8 The MasterDex 10 and MasterDex 5 provide that the consumer can take a 10% free  
9 withdrawal per year up to 50% of the contract's cash value. The 10% Bonus PowerDex provides  
10 that the consumer can take a 5% free withdrawal per year up to 25% of the contract's cash value.  
11 All three of these contracts provide that if the consumer takes more than the free withdrawal  
12 amount during the year, surrender charges will be assessed on the total amount withdrawn that  
13 year. However, if the consumer withdraws in excess of the free withdrawal amount during the  
14 year, withdraws money more than one time during the policy year, or annuitizes or surrenders the  
15 contract during the policy year in which the free withdrawal was taken, surrender charges will be  
16 assessed retroactively on the total amount withdrawn that year. The language used to describe  
17 these provisions in the contracts is overly complex and difficult to understand. For example, the  
18 MasterDex 5 states:

19 We will not deduct Partial Surrender Charges and the PMVA if all of the following  
20 conditions are met:

- 21 (a) the requested Partial Surrender amount does not exceed 10% of Premium received;  
22 (b) the Partial Surrender is taken at least 12 months after the last Premium is received;  
23 (c) no more than one Partial Surrender is taken within a 12 month period; and  
24 (d) the cumulative Partial Surrenders do not exceed 50% of the Premium paid.

25 If you request a Full or Partial Surrender, an Annuity Option, or if you submit Additional  
26 Premium within 12 months after a Partial Surrender that met the conditions listed above,  
27 the Partial Surrender will be recalculated as if the above conditions were not met. This  
28 recalculation will occur prior to fulfillment of this request.

1 By using overly complex language to describe when partial surrender charges will accrue,  
2 ALLIANZ diminishes the likelihood that the policy holder will understand his or her contract, to  
3 his or her detriment, in violation of Insurance Code section 785(a).

4 **23.**

5 From approximately January 1, 2004 through July 31, 2005, ALLIANZ used scripts to  
6 communicate the features of its annuity products to its sales agents. These scripts, which were  
7 provided to its home office sales agents for use in discussing ALLIANZ's annuity products with  
8 its life agents, failed to describe fully the relevant features of the annuity products and the impact  
9 of these features for the policy holder. By providing its sales agents with incomplete and  
10 misleading product explanations in the scripts, ALLIANZ failed to adequately train its life agents,  
11 and causes them to provide misleading and/or deceptive information to consumers in violation of  
12 Sections 780, 781, 785(a), 790.03(a) and (b). Said incomplete and/or misleading information is  
13 found in the following:

- 14 a) The MasterDex 10 script includes a section in the discussion of loans that states that  
15 the policy holder can "make money" while borrowing money. Said script indicates  
16 that the policy holder can earn as much as 2.8% per month on money borrowed. This  
17 script fails to state, however, that this gain would occur in few situations, such as if the  
18 money was borrowed immediately (meaning that the bonus comes into play) and if the  
19 index goes up at least 3% per month for twelve (12) consecutive months. This type of  
20 event is highly unlikely to occur in reality.
- 21 b) In discussing the 1% cap in the MasterDex 10 script, ALLIANZ falsely portrays the  
22 worst case scenario that would exist in the event of a 12% gain by referring to a  
23 scenario wherein the index goes up more than 1% per month for twelve (12) months.  
24 A more realistic "worst case scenario" would occur if the monthly rise and fall of the  
25 index results in the policy holder obtaining no gain over the course of the year.
- 26 c) The scripts for the MasterDex 10 and the 10% Bonus PowerDex Elite refer to a 10%  
27 bonus as "what a great way to overcome surrender charges...recover losses...pay  
28 capital gains taxes." Since the 10% bonus with these products cannot be fully realized

1 for at least fifteen (15) years, it is misleading to characterize the bonus as being  
2 available to recover losses that are incurred immediately such as surrender charges,  
3 losses, and capital gains taxes.

4 d) ALLIANZ touts the “high water mark” feature of the 10% Bonus PowerDex Elite as a  
5 positive thing, stating that the owner’s gains on the annuity will never fall below the  
6 highest high water mark. In a script titled “Crediting Methods”, ALLIANZ states:

7 Clients have the comfort of knowing that they will never receive less  
8 than their highest value... This means that the client’s best year... Is  
now their worst case scenario...

9 In fact, ALLIANZ fails to adequately inform consumers that the high water mark can be  
10 detrimental: for example, if the annuity owner has a high water mark in year one that is  
11 not surpassed in year two, the annuity owner’s annuitization account will make no profit  
12 during year two.

13  
14 e) The scripts regarding the 10% Bonus PowerDex are misleading in that they lead the  
15 reader to believe that the annuity is more liquid than it truly is. For example, in the  
16 script titled “Bullets... Rest of Story... Flame Red” states: ““The 10% Bonus  
17 PowerDex Elite is liquid like a faucet...”.

18 f) In the section of the 10% Bonus PowerDex script titled “Not Enough Liquidity”,  
19 regarding loans, it indicates that the client can make up to 10% on money he borrows  
20 from his annuity. This is the effect of the bonus and would only be true if the funds  
21 were withdrawn immediately at sale and the index rose 8% in the first year. The  
22 interest rate on the loan is 8%.  
23

#### 24 24.

25 ALLIANZ’s 10% Bonus PowerDex Elite brochure that issued in approximately June 2005  
26 is misleading and/or deceptive, in violation of Sections 780, 781, 785(a), 790.03(a) and (b), in  
27 that:

28 a) ALLIANZ fails to provide any information that indicates that the high water mark can be

1 detrimental. Instead, ALLIANZ leads the consumer to believe that positive gains in the indexes  
2 will necessarily result in profit for the consumer, and the high water value aspect of the annuity  
3 will shield the consumers from stock market loss. For example, ALLIANZ states:

4           When the market indexes slump, the high water design of the 10% Bonus PowerDex  
5           Elite lets you retain more of what you've gained. Your annuity's value is always the  
6           high water value.

7 ALLIANZ's brochure fails to inform the consumer that if the annuity owner has a high water  
8 mark in year one that is not surpassed in year two, the annuity owner's annuitization account will  
9 make no profit during year two. Additionally, in general, index based annuities (including the  
10 MasterDex 5 and 10) shield contract owners from stock market loss; annuity owners will not lose  
11 money if the stock market falls. Therefore, the high water value concept does not provide any  
12 added safeguard for consumers.

13 b)       In fine print on the first page of ALLIANZ's 10 page brochure, (which ALLIANZ  
14 numbers as 8 pages long) ALLIANZ states:

15           "Index adjustments are made to your current value at the end of each year. Index  
16           adjustments may be positive or negative; positive adjustments may be limited to an  
17           annual maximum."

18 ALLIANZ fails to explain that the term "current value", is a term of art in the 10% Bonus  
19 PowerDex Elite annuity and that even if the stock market goes up, causing the annuity owner's  
20 current value to increase, the annuity owner's account may not make any money if the indexes do  
21 not exceed the "high water mark" of the previous year.

22 c)       ALLIANZ's brochure is misleading and confusing in that it both implies that in most  
23 years, profits will not be limited by a cap, and it also states that there is a cap. The true facts are  
24 that pursuant to the provisions of the 10% Bonus PowerDex Elite annuity, ALLIANZ sets a cap  
25 yearly. At page 3 (as numbered by ALLIANZ), the brochure states:

26           "Your policy's current value will increase right along with the S&P 500 and/or Nasdaq-100  
27           Index that helped determine it. **In some years**, though, the increase in your 10% Bonus  
28           PowerDex Elite Annuity's value **may be** limited by a cap, or maximum growth percentage...  
              (Emphasis added)"

Yet, at page 5 (as numbered by ALLIANZ), the brochure states: "As mentioned earlier, your  
annual gains are subject to a cap.

PRAYER AND NOTICE OF MONETARY PENALTY

WHEREFORE, Petitioner prays for judgment against ALLIANZ, as follows:

- (a) An Order to Cease and Desist from engaging in such unfair acts and practices in violation of Insurance Code section 790.03 and other Insurance Code sections and related statutes, as set forth above;
- (b) Pursuant to Insurance Code section 790.035, for willful acts in violation of Insurance Code section 790.03 a penalty in an amount to be fixed by the Commissioner not to exceed ten thousand dollars (\$10,000.00) for each act; and for each unfair or deceptive act or practice not found to be willful, a penalty in an amount to be fixed by the Commissioner not to exceed five thousand dollars (\$5,000.00) for each act.
- (c) Pursuant to Insurance Code section 782, a fine not exceeding twenty-five thousand dollars (\$25,000.00), or in a case in which the loss of the victim exceeds ten thousand dollars (\$10,000.00), by a fine not exceeding three times the amount of the loss suffered by the victim. Restitution to the victim ordered pursuant to section 1202.4 of the Penal Code shall be satisfied before any fine imposed by this section is collected.
- (d) Pursuant to Insurance Code section 789.3(d), an administrative penalty of ten thousand dollars (\$10,000.00) for the first violation of Article 6.3 of Chapter 1, Part 2, Division 1 of the Insurance Code, entitled "Senior Insurance".
- (e) Pursuant to Insurance Code section 789.3(e), for knowing violations or violations of Article 6.3 of Chapter 1, Part 2, Division 1 of the Insurance Code, entitled "Senior Insurance", which occur with such

