

STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT

Case Type: OTHER - CIVIL

State of Minnesota, by its Attorney General,
Lori Swanson,

Court File No. _____

Plaintiff,

vs.

**STATE OF MINNESOTA'S
COMPLAINT**

Allianz Life Insurance Company of North
America

Defendant.

The State of Minnesota, by its Attorney General, Lori Swanson, for its Complaint against Allianz Life Insurance Company of North America hereby states and alleges as follows:

INTRODUCTION

1. The State of Minnesota, by its Attorney General, Lori Swanson, seeks to halt and remedy the harm caused by Allianz Life Insurance Company of North America ("Allianz") in connection with its unlawful offer and sale of deferred annuity products to Minnesota senior citizens without regard for the suitability of the annuity to the seniors. Allianz's sale of these deferred annuities has restricted senior citizens' access to their money to pay for their daily expenses before the maturity date of the annuity, which is typically 5 years from the date of purchase, and sometimes longer than the life expectancy of the senior citizen. Allianz extracts high surrender charges (as high as 15%) from the senior citizens if they withdraw more than a small portion of their money. Allianz further uses "bonuses" to entice seniors to purchase its

annuities, some of which are deceptively and misleadingly referred to as “immediate” bonuses. In fact, the senior may collect these “immediate” bonuses only under very limited circumstances and it can take as long as 15 years for the senior to collect the full bonus.

2. Allianz focuses and targets its deferred annuity sales efforts towards senior citizens without complying with the consumer protection laws of Minnesota. It does not take the necessary steps to ensure that these complex financial products are suitable for purchase by individual seniors based on their particular circumstances. Allianz’s deferred annuities are often unsuitable investments for seniors because the circumstances of many senior citizens require, for example, unrestricted access to such funds to pay for ongoing living expenses, such as health care, long term care, the cost of housing, and food. Allianz also failed to properly supervise the offer and sale of these annuities, including the assessment by its agents of whether the annuities are suitable for individual senior citizens. Additionally, Allianz knowingly allows and incentivizes its sales agents to sell deferred annuities to seniors which may not be suitable for their circumstances by paying agents lucrative upfront commissions.

3. A prime example of Allianz’s sales practices and the harm caused to Minnesota citizens is Allianz’s annuity sale to L.S. In June 2001, L.S. was 73 years old when an Allianz agent sold him a deferred annuity in the amount of \$40,000, his total life savings. At the time the annuity was sold, L.S. and his wife both received social security and L.S.’s wife was disabled. The social security payments are not enough for L.S. and his wife to meet their monthly living expenses and medical bills. L.S. and his wife both must work part-time to make ends meet. When L.S. was solicited by the Allianz agent in 2001 to purchase the annuity, L.S. explained his financial situation to the agent and L.S. made it clear to the agent that he likely would need current income and ready access to the money due, in part, to pay for anticipated medical costs

for his wife. The agent recommended that L.S. purchase an Allianz Flex-Dex Bonus annuity. After purchasing the annuity, L.S.'s wife had hip surgery and their medical bills soared. When L.S. told his agent that he needed immediate access to the money to pay for these medical expenses, the agent told him for the first time that if he surrendered the annuity he would face a steep surrender charge. L.S. had no alternative but to surrender the annuity and was forced to pay an approximately \$6,000 surrender charge (15% of the deferred annuity Allianz sold to L.S.), which he could not afford.

4. Another example of Allianz's unlawful practices is the sale of an approximate \$160,000 deferred annuity to W.S. and V.S. in the spring of 2004. At the time of the sale, W.S. was 86 and it was obvious his health was deteriorating and that he was suffering from the early stages of Alzheimer's disease. His wife, V.S., was 78 and it was also obvious she was in deteriorating health. W.S. and V.S. attended a seminar sponsored by an Allianz agent for estate planning purposes. After the seminar, V.S. told the agent that he should not come to her home to discuss investments unless her sons were present so that they could evaluate the transaction. The agent ignored V.S.'s instructions, and several weeks later arrived at V.S.'s home unannounced. The agent then sold W.S. and V.S. an Allianz 10% Bonus PowerDex Elite annuity without the children present. The approximate \$160,000 5-year deferred annuity sold to W.S. and V.S. represented over 70% of W.S. and V.S.'s liquid net worth. Shortly after they purchased the annuity, W.S. entered a memory care center and the couple needed approximately \$4,000 additional income per month in order to sustain themselves. Despite W.S. and V.S.'s need for immediate access to their money, the Allianz annuity they were sold imposed a large penalty if they sought to cash in the policy before the fifth year. W.S. and V.S. would not have

purchased they annuity if they had known they would incur large surrender penalties to access their money.

5. By this Complaint, the State of Minnesota, by its Attorney General, Lori Swanson, seeks an order enjoining Allianz from, among other things, selling a deferred annuity to a senior citizen without first determining its suitability for the prospective purchaser's age and other relevant circumstances.

PARTIES

6. The State of Minnesota, by its Attorney General, Lori Swanson, is authorized pursuant to common law authority, including *parens patriae* authority, to initiate and maintain legal action on behalf of the State of Minnesota and its citizens to enforce rights pursuant to state and federal laws. The Attorney General is also authorized pursuant to Minn. Stat. §§ 8.31 and 8.32 (2006) to investigate violations of state law pertaining to unfair and unlawful practices in business, commerce and trade. The Attorney General is authorized to initiate legal action on behalf of the State of Minnesota and its citizens to enforce these state laws.

7. Defendant Allianz is a for-profit corporation organized under the laws of Minnesota with its principal place of business located at 5701 Golden Mills Drive, Minneapolis, Minnesota 55416.

JURISDICTION AND VENUE

8. This Court has personal jurisdiction over Allianz because Allianz is a corporation organized under the laws of Minnesota and Allianz does business in Minnesota. Pursuant to Minn. Stat. § 484.01 (2006), the Court has jurisdiction over the subject matter of this action.

9. Venue in Hennepin County is proper under Minn. Stat. § 542.09 (2006), because Defendant conducts business in Hennepin County.

STATEMENT OF FACTS

Allianz's Annuities

10. The annuities involved in this case are referred to as "deferred annuities," which are different from a traditional annuity (known as an "immediate annuity"). A traditional annuity typically requires an immediate lump sum payment that then entitles the purchaser to guaranteed periodic payments from the insurer over a period of time. The annuity payments begin immediately, and provide a stream of current income for the consumer to pay for ongoing living expenses or other costs that may occur in the future.

11. In contrast to an immediate annuity, a deferred annuity requires the policyholder to wait a period of time (in the case of Allianz's annuities usually 5 or 10 years) before the policyholder is eligible to receive periodic payments. Once the deferral period expires, a policyholder may elect to annuitize the contract in exchange for a stream of income over time.

12. The deferred annuities offered by Allianz generally provide for two investment options. One option guarantees a fixed interest rate which can generally be adjusted annually. The second option is based on the rate of return of a specific stock market index (referred to as "equity-index annuities") such as the Standard & Poor's 500 Index. The market-based rate typically is capped at a certain percentage return and has a guaranteed minimum rate of return. Some of Allianz's annuities allow investors to elect a combination of a fixed rate of return and a rate based on one or more market indices.

13. Many of Allianz's annuities also purport to offer "bonus" payments which are used as an incentive to lure senior citizens into purchasing Allianz deferred annuities. Allianz has two general types of "bonus" annuities. With some of Allianz's annuities the bonus is immediately credited to the investor's account (but is fully payable only if the senior keeps the

annuity for its entire term, usually 5 or 10 years). Allianz has another type of annuity which is a variation of its equity-index annuity, often referred to as a two-tiered bonus annuity, which is deceptively and misleadingly marketed by Allianz as including an "immediate" bonus of 5 or 10%. However, under Allianz's two-tiered bonus annuities, the bonus is only credited to the accumulation value which means that the investor may only collect the "immediate" bonus if he or she annuitizes the investment after a set period of time (often 5 years) and the investor elects to receive the annuity payments over a designated period of time thereafter (often 10 years). In other words, with Allianz's two-tiered bonus annuities it can be 15 years before the senior collects the entire bonus.

14. Allianz's two-tiered annuities have two potential values, an "accumulation value" and a "cash surrender value." The accumulation value includes the principal plus the contractually defined interest rate - based upon the relevant market index or fixed rate of return - and any bonus. In contrast, the cash surrender value is generally calculated based on the initial investment plus a minimal interest rate - which can be as low as 1.5% - minus the surrender charge. The cash surrender value does not include any bonuses. In order to receive the higher accumulation value, an investor generally must wait the prescribed period (often 5 or 10 years), annuitize the investment, and elect to receive payment over several years. If the investor does not do so, he or she generally is only entitled to the much lower cash surrender value which accrues at a lower interest rate, does not include the bonus, and carries a hefty surrender charge.

Allianz's Sale and Marketing of Unsuitable Deferred Annuities to Seniors.

15. The deferral period in Allianz's deferred annuities enables Allianz to pay its agents higher commissions for selling deferred annuities than for immediate annuities. To recoup the higher commissions paid, Allianz imposes significant surrender penalties on deferred

annuities, which means purchasers of Allianz annuities generally cannot withdraw more than a small portion of the premiums they invested without paying a significant penalty. In short, the commissions Allianz pays its agents for selling deferred annuities are correlated to the duration of the annuity and amount of the surrender penalty, which provides a substantial incentive to the agents to sell the Allianz deferred annuities.

16. The substantial surrender charges imposed by Allianz's deferred annuities - which penalize withdrawal of the initial investment or accrued interest often for as long as 10 years - severely limits seniors' access to their funds.

17. In many instances, deferred annuities are unsuitable products for seniors because many senior citizens, for example, need current and unrestricted access to their money to pay for ongoing living expenses, such as health care, long term care, the cost of housing, and food and at times the annuity's maturity date is beyond the seniors' actuarial life expectancy. Allianz, however, recognizing the potential profitability of selling these annuities to seniors, has intentionally marketed and sold these investments to seniors without regard for their suitability to the circumstances of various seniors.

18. Despite requirements in Minnesota law that Allianz ensure that its annuities are suitable for each customer, on information and belief, before August 2005, Allianz did not even have suitability guidelines. Allianz also failed to exercise due diligence to ensure that its agents applied suitability guidelines and assessed and determined whether the Allianz annuities were suitable for the circumstances of each individual senior citizen who was sold an Allianz annuity, and disclosed all pertinent material information to seniors about Allianz's annuity products. Allianz further uses sales tactics that are not conducive to a fully informed and deliberate

decision whether to purchase the annuity. These tactics include the discouragement of a third person, such as a relative or friend, from attending the sales presentation with the senior citizen.

19. In addition, Allianz developed "bonus" deferred annuities to gain access to seniors with assets. Allianz deceptively and misleadingly advertised the bonuses on its two-tiered annuities as "immediate" bonuses even though in order to receive the bonus the senior generally must annuitize the policy and wait as long as 20 years to collect the entire bonus. Further, under these two-tiered bonus annuities, if the senior elects to take a lump sum payment or does not elect to annuitize their payment over the prescribed period, the senior does not get the bonus.

20. Allianz also developed seminars to gain access to the senior market and capitalize on seniors' financial concerns. As part of its "Annuity Seminar Selling System," Allianz created marketing materials for its agents and instructed its agents on conducting these seminars in order to gain access to seniors' funds. The seminars are often advertised as estate planning or wealth management seminars even though the goal of the seminars is to sell seniors Allianz annuities without first determining the suitability of the investment for the seniors' circumstances.

21. As a result of the foregoing, Allianz has offered and sold its deferred annuities to various senior citizens without regard to the suitability of such annuities for their financial circumstances.

22. Allianz knew or should have known that its agents were issuing policies to seniors that were unsuitable. Allianz is responsible for the acts of its agents who sold Allianz deferred annuities.

Further Examples of the Harm to Minnesota Consumers

23. The following are additional illustrative, but non-exclusive, examples of Allianz's unlawful practices.

24. D.H. and E.H. are both 79 years old. D.H. is a retired electrician. In late 2003 or early 2004, D.H. met with an Allianz agent. D.H. told the agent that he was retired and that he needed access to his money for living expenses. The agent recommended that D.H. purchase an Allianz BonusDex policy. The agent told D.H. that there was a 10% bonus payment the first year. The agent did not tell D.H. that in order to receive the bonus he had to annuitize the policy after 5 years and then the bonus would be paid out over an additional 10 year period. The agent also did not inform D.H. that in order to receive the full value of the policy, he would have to hold the policy for 5 years and then elect to receive payments over an additional 10 year period. Based on the agent's representations, D.H. invested \$230,000 in a BonusDex annuity. After making the investment, D.H. received the contract and plan statement. D.H. then discovered that a surrender fee is charged during the first 5 years of the policy and that the cash value of the policy was \$30,000 less than the amount he placed in the annuity. D.H. went to Allianz's home office to demand a refund. Allianz called security and removed D.H. from the building. Several weeks later Allianz sent D.H. a letter denying his request to rescind the policy.

25. L.R. is 79 and has been widowed for two years. When L.R.'s husband was alive he managed the couple's finances. When L.R.'s husband died he left his entire estate, worth \$120,000, to L.R. to pay for her future needs and care. L.R. carefully kept this money in a savings account at her local credit union. Other than the savings, L.R.'s only source of income is her deceased husband's railroad retirement payments, and a small Social Security check. The two checks are barely enough to meet L.R.'s monthly expenses. In January 2005, when L.R. was

77 years old, a teller at the credit union told her that an individual, located at the bank, might be able to offer her a higher interest rate on her account than she currently was earning. L.R. thought the individual was a credit union employee because his office was in the credit union, but he was in fact an Allianz agent. The agent did not tell L.R. that he was not employed by the bank, or that he was an insurance salesman.

26. After L.R. spoke with the agent on several occasions, the agent convinced L.R. to use her life savings to purchase an Allianz MasterDex 5 and an Allianz MasterDex 10 annuity. Several days after the purchase, while visiting L.R., L.R.'s daughter found out about the annuity purchase. L.R.'s daughter asked to see a copy of the contracts so she could assess their suitability for L.R.'s needs. L.R.'s mother stated that the agent did not give her a copy of the contract because the agent told her that that his clients do not want to see the whole contract, so he was keeping them in a file at the credit union. L.R.'s daughter asked L.R. to explain what she had purchased but L.R. was so confused that she could not describe the policies. L.R.'s daughter became alarmed and immediately contacted Allianz through its 800 number. The daughter told Allianz that her mother did not have copies of her contracts with Allianz. Allianz briefly explained to the daughter some features of the annuities including the fact that these annuities carried large penalties for withdrawal or surrender. The annuities would have tied up L.R.'s only liquid assets until she was 87 years old. Allianz explained to L.R.'s daughter that the policies have a free look period which allows the purchaser to review the contract and change her mind without penalty. L.R. was not aware of the free look period because she did not have copies of the contract and it had never been explained to her. Fortunately, because L.R.'s daughter called during the free look period, L.R. was able to cancel the annuities and get her money back. L.R. was devastated by the misrepresentations made by the selling agent as this was the first financial

decision L.R. made on her own after her husband died, and she had tried her best to protect herself.

27. H.P. is an 86 year-old retired farmer. H.P. lives in an apartment and uses all of his Social Security income to pay for rent and food. In May 2005, when H.P. was 85, two Allianz agents each sold H.P. an annuity. H.P. believes that he invested \$204,320 in each annuity for a total investment of \$408,640. H.P. believes that the annuities he purchased were Allianz PremierDex 5 annuities. Almost all of H.P.'s net worth is in these two annuities. If H.P. incurs any type of unexpected expense he will need to withdraw money from the annuities. H.P. may also need to use the money in these annuities to pay for living expenses. The agents never told H.P. that he would incur a large surrender charge if he surrenders the annuities within the first ten years.

28. L.K. is 86 years old. In February 2003, L.K. purchased two policies from an Allianz agent. Before purchasing the policies, L.K. met with the agent and reviewed all of her liquid financial assets. At the time, L.K.'s liquid net worth was approximately \$113,188, which included about \$48,500 in annuities and approximately \$20,300 in a mutual fund. The agent suggested that L.K. surrender an existing variable annuity worth approximately \$31,000 and invest it in an Allianz annuity. The agent told L.K. that the \$837.95 surrender charge she would incur by exchanging her existing annuity would be offset by a 5% bonus in the Allianz annuity. Based on the agent's representation, L.K. took the money from her existing variable annuity and the money from her mutual fund and invested it in two Allianz annuities. L.K. invested approximately \$30,000 in an Allianz FlexDex Multi Choice Annuity and approximately \$25,000 in an Allianz immediate annuity. L.K. later learned that the FlexDex Multi Choice Annuity carried a large surrender penalty (15% for the first 5 years and then a charge that decreased .18%

monthly over the next 7 years). L.K. also became concerned about the limited access to her money. On November 8, 2005, L.K. wrote her Allianz agent and informed him of her concerns and asked him to refund the premiums. The agent told L.K. to contact Allianz directly about a refund. On January 26, 2006, an attorney contacted Allianz on behalf of L.K. and asked that Allianz refund the FlexDex Multi Choice policy. On February 23, 2006, Allianz refused to refund the policy.

29. A.D. is 84 years old and her husband is 83. In October 2003, A.D. and her husband were solicited by an Allianz agent who told them that she could offer an annuity with a 13.58% return for the first year and that, for each additional premium deposited during the first five years, the additional premium would return 13.58% for each year during the 5-year period. Based on this representation, A.D. and her husband invested \$5,000 in an Allianz 10% Bonus PowerDex Elite annuity. After purchasing the annuity, they discovered that the annuity had a rate of return of 3.26%. They also discovered that they could not collect the bonus until the policy matured - which is 5 years from the issuance date - and that the bonus could only be collected if they withdrew the funds over 10 years. In other words, it would take 15 years to get the entire 10% bonus. Additionally, A.D. and her husband were not informed that if they cashed the policy in early the policy would have a lower "surrender value". A.D. and her husband also were not told that it would take 15 years to fully withdraw the money. Given their ages, A.D. and her husband needed access to these funds and the policy was unsuitable for their needs. On February 5, 2005, A.D. contacted Allianz and demanded her money back. On March 21, 2005 Allianz agreed to rescind the policy.

30. W.B. is currently 78 years old and his wife D.B. is 76. W.B. is a retired machinist and D.B. is a retired bank teller. In December 2004, an Allianz agent sold W.B. a MasterDex 10

annuity which was advertised having a "10% senior bonus." W.B. paid \$160,569.83 for the annuity. The agent received a \$12,261.29 commission on the transaction. In February 2005, the same agent sold D.B. a MasterDex 10 annuity for \$98,708.32. The agent received a \$9,655.31 commission on this sale. W.B. and D.B. placed approximately 50% of their liquid net worth in these two annuities. Because they placed such a large portion of their assets in these annuities, W.B. and D.B. needed current income from some of the principal of the money for living expenses. After purchasing these annuities, however, W.B. and D.B. discovered that the annuities restrict their ability to withdraw money without penalty for at least five years. The agent told W.B. and D.B. that the "10% Senior Bonus" policy would pay 10% interest in the first year. Only when D.B. and W.B. went to a financial planner did they discover that they could only get the bonus if they annuitized the policy after 10 years and agreed to a withdrawal of the annuity over an additional 10 years.

31. In approximately September 2003, T.V. who was 79 and her husband who was 81 deposited \$100,600 into an Allianz Bonus Maxxx Elite Annuity. The agent represented to T.V. that the annuity provided a 10% bonus on purchase and throughout the sales process focused on the fact that the annuity would earn a 13.5% first year return. The agent did not tell T.V. about the consequences of early withdrawals. After purchasing the annuity, T.V. and her husband discovered that they owed a significant amount of income tax. T.V. and her husband also learned that because of the significant withdrawal penalties imposed by the Allianz annuity, they could not use the money they put in the annuity to pay their tax bill. After discovering the nature of this investment, C.V.s' accountant complained to Allianz and asked for a refund. Allianz refused to refund the policy.

32. J.S. and her husband are both 69 years old. In 2002, they attended an estate planning seminar offered by an Allianz agent. Between May 2003 and December 2003 they purchased seven annuities from Allianz paying approximately \$140,000 in premiums. J.S. and her husband purchased two BonusDex policies, four PowerDex policies, and one Cash Bonus policy. At the time of the transactions, J.S. and her husband were planning for retirement. They planned on utilizing the current income from the annuities by the time they turned 70. The agent told J.S. and her husband that they would be paid a 10% bonus premium at the time the annuity was issued and that the policies were indexed to the stock market. Later J.S. discovered that in order to collect the bonus, they would have to wait 10 years, annuitize the contract, and opt to receive the annuity payments over an additional 10 years. J.S. also found that regardless of how well the stock market performed, the maximum return they could earn on the annuities was 8% annually. J.S. and her husband requested that Allianz rescind their annuities. Allianz refused the request. J.S. and her husband then met with a financial planner who reviewed the annuities and concluded that they were entirely unsuitable for J.S. and her husband's needs. The financial planner contacted Allianz and Allianz refunded the money.

33. C.F. is a 65 year-old retired teacher. Her 74 year-old husband, J.F., has been in a nursing home since July 2004. J.F. also spent more than 30 days in a nursing home in 2002, but was eventually able to return home. In August 2003, C.F. received an invitation to attend a financial planning seminar given by an Allianz agent. The agent advertised the program as being able to protect seniors' assets from nursing home expenses. The agent began the seminar with a story about his own grandparents and how after reviewing their finances he decided that annuity products were the perfect place to shelter their money from Medicaid asset assessments. C.F. was impressed by the presentation and met with the agent immediately after the seminar. C.F.

told the agent that she wanted to protect her and her husband's assets from nursing home expenses. She also told the agent that she was especially concerned about this issue because J.F. had been in a nursing home in 2002. The agent assured C.F. that the money would be protected in Allianz's annuities. Based on these representations, C.F. invested 90% of her and her husband's net worth (\$300,000) in an Allianz PowerDex Elite Annuity. In 2005, after J.F. returned to the nursing home, C.F. had to complete an asset assessment to determine whether J.F.'s care would be paid for by Medicaid. C.F. then discovered that because her husband had been in a nursing home in 2002, the Allianz annuities did not protect their assets as the agent had promised. After incurring \$5,000 in legal bills, C.F. eventually succeeded in getting Allianz to agree to cancel the policies. C.F. believes that the cancellation resulted in her losing approximately \$30,000 of income. Additionally, because the annuity did not protect C.F.'s assets from the Medicaid asset assessment C.F. was forced to spend down other assets. In order to accomplish this, C.F. had to move from the senior apartment community she enjoyed living in into a condominium where she did not know anyone.

34. M.I. is 65 and her husband is G.I. is 70. M.I. used to work at a bank and G.I. is a retired dairy farmer. An Allianz agent visited M.I. and her husband several times at their home. The representative knew M.I. and G.I. were religious and gained their trust by saying that he would pray the rosary on the way over to their home. On the agent's advice, M.I. and G.I. transferred four IRAs with Catholic Aid worth approximately \$127,000 into three Allianz MasterDex 10 policies. This investment was approximately 30% of M.I. and G.I.'s net worth. The agent told M.I. and G.I. that they would receive a 10% bonus on their investment. After going to a financial planner, M.I. and G.I. discovered that they would incur surrender charges unless they kept the annuities for twelve years and that in order to receive the bonus they would

have to annuitize the policy. Had they been aware of the surrender charges, M.I. and G.I. would not have purchased the annuities because they may need access to the money to pay for future medical expenses.

**COUNT I:
VIOLATIONS OF MINN. STAT. § 325F.67**

35. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

36. Minnesota Statutes § 325F.67 (2006) prohibits, in part:

Any person, firm, corporation, or association who, with intent to sell...merchandise..., services, or anything offered by such person, firm, corporation, or association, directly or indirectly, to the public, for sale or distribution, or with intent to increase the consumption thereof, or to induce the public in any manner to enter into any obligation relating thereto...makes, publishes, disseminates, circulates, or places before the public, or causes, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in this state, in a newspaper or other publication, or in the form of a book, notice, handbill, poster, bill, label, price tag, circular, pamphlet, program, or letter, or over any radio or television station, or in any other way, an advertisement of any sort regarding merchandise, securities, service, or anything so offered to the public for use, consumption, purchase, or sale, which advertisement contains any material assertion, representation, or statement of fact which is untrue, deceptive, or misleading....

37. Defendant's conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.67.

**COUNT II:
VIOLATIONS OF MINN. STAT. § 325F.69**

38. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

39. Minnesota Statutes § 325F.69, subd. 1 (2006) prohibits:

The act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise,

whether or not any person has in fact been misled, deceived, or damaged thereby...

40. Defendant's conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.69.

**COUNT III:
VIOLATIONS OF MINN. STAT. § 72A.20, SUBD. 1**

41. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

42. Minnesota Statutes § 72A.19, subd. 1 (2006) prohibits any trade practice in the business of insurance defined to be an unfair method of competition or an unfair or deceptive act or practice.

43. Minnesota Statutes § 72A.20, subd. 1 (2006) provides that:

Making, issuing, circulating, or causing to be made, issued, or circulated, any estimate, illustration, circular, or statement misrepresenting the terms of any policy issued or to be issued or the benefits or advantages promised thereby... shall constitute an unfair method of competition and an unfair and deceptive act or practice in the business of insurance.

44. Defendant's conduct described above constitutes multiple, separate violations of Minn. Stat. § 72A.20, subd. 1 (2006).

**COUNT IV:
VIOLATIONS OF MINN. STAT. § 72A.20, SUBD. 2**

45. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

46. Minnesota Statutes § 72A.19, subd. 1 prohibits any trade practice in the business of insurance "which is defined in section 72A.17 to 72A.32 as or determined pursuant to sections 72A.17 to 72A.32 to be an unfair method of competition or an unfair or deceptive act or practice.

47. Minnesota Statutes § 72A.20, subd. 2 provides that:

Making, publishing, disseminating, circulating, or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio station, or in any other way, an advertisement, announcement, or statement, containing any assertion, representation, or statement with respect to the business of insurance, or with respect to any person in the conduct of the person's insurance business, which is untrue, deceptive, or misleading, shall constitute an unfair method of competition and an unfair and deceptive act or practice.

48. Defendant's conduct described above constitutes multiple, separate violations of Minn. Stat. § 72A.20, subd. 2.

**COUNT V:
VIOLATIONS OF MINN. STAT. §. 72A.20, SUBD. 34**

49. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

50. Minnesota Statutes 72A.20, subd. 34 (2006) provides in relevant part:

In recommending or issuing life, endowment, individual accident and sickness, long-term care, annuity, life-endowment, or Medicare supplement insurance to a customer, an insurer, either directly or through its agent, must have reasonable grounds for believing that the recommendation is suitable for the customer.

51. Defendant's conduct described above constitutes multiple, separate violations of Minn. Stat. § 72A.20, subd. 34.

**COUNT VI
VIOLATION OF MINN. STAT. § 60K.46**

52. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

53. Minnesota Statutes § 60K.46, subd. 4 (2006) provides in relevant part:

In recommending the purchase of any life, endowment, individual accident and sickness, long-term care, annuity, life-endowment, or Medicare supplement insurance to a customer, a producer must have reasonable grounds for believing that the recommendation is suitable for the customer and must make reasonable

inquiries to determine suitability. The suitability of a recommended purchase of insurance will be determined by reference to the totality of the particular customer's circumstances, including, but not limited to, the customer's income, the customer's need for insurance, and the values, benefits, and costs of the customer's existing insurance program, if any, when compared to the values, benefits, and costs of the recommended policy or policies.

54. Minnesota Statutes § 60K.49, subd. 1 (2006) provides:

A person performing acts requiring a producer license under this chapter is at all times the agent of the insurer and not the insured.

55. Defendant and its agent's practices described above constitute violations of Minn. Stat. § 60K.46, subd. 4.

**COUNT VII:
VIOLATIONS OF MINN. STAT. § 325D.44**

56. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

57. Minnesota Statutes § 325D.44, subd. 1 (2006) provides, in part, that:

A person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person:

...
(5) represents that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities that they do not have or that a person has a sponsorship, approval, status, affiliation, or connection that the person does not have;

...
(7) represents that goods or services are of a particular standard, quality, or grade, or that goods are of a particular style or model, if they are of another;

...
(13) engages in any other conduct which similarly creates a likelihood of confusion or misunderstanding.

58. Defendant's conduct as described above constitutes multiple, separate violations of Minn. Stat. § 325D.44, subd. 1 (2006).

**COUNT VIII:
VIOLATIONS OF MINN. STAT. § 325F.71**

59. Plaintiff re-alleges and incorporates by reference all prior paragraphs of this Complaint.

60. Minnesota Statutes § 325F.71, subd. 2 (2006) provides, in part, that:

(a) In addition to any liability for a civil penalty pursuant to sections 325D.43 to 325D.48, regarding deceptive trade practices; 325F.67, regarding false advertising; and 325F.68 to 325F.70, regarding consumer fraud; a person who engages in any conduct prohibited by those statutes, and whose conduct is perpetrated against one or more senior citizens or disabled persons, is liable for an additional civil penalty not to exceed \$10,000 for each violation, if one or more of the factors in paragraph (b) are present.

(1) whether the defendant knew or should have known that the defendant's conduct was directed to one or more senior citizens or disabled persons;

(2) whether the defendant's conduct caused senior citizens or disabled persons to suffer: loss or encumbrance of a primary residence, principal employment, or source of income; substantial loss of property set aside for retirement or for personal or family care and maintenance . . . or assets essential to the health or welfare of the senior citizen or disabled person;

(3) whether one or more senior citizens or disabled persons are more vulnerable to the defendant's conduct than other members of the public because of age, poor health or infirmity, impaired understanding, restricted mobility, or disability, and actually suffered physical, emotional, or economic damage resulting from the defendant's conduct; or

(4) whether the defendant's conduct caused senior citizens or disabled persons to make an uncompensated asset transfer that resulted in the person being found ineligible for medical assistance.

61. Defendant's conduct as described above constitutes multiple, separate violations of Minn. Stat. § 325F.71, subd. 2 (2006).

RELIEF

WHEREFORE, State of Minnesota, by its Attorney General, Lori Swanson, respectfully asks this Court to award judgment against Defendant:

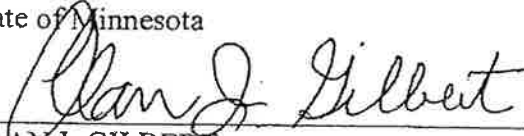
1. Declaring that Allianz's acts described in this Complaint constitute multiple, separate violations of Minn. Stat. § 60K.46, subd. 4, § 72A.20, subs. 1, 2, 34; § 325D.44, subd. 1, § 325F.67, § 325F.69, subd. 1, and 325F.71, subd. 2.
2. Enjoining Allianz, and its employees, officers, directors, agents, successors, assignees, affiliates, merged or acquired predecessors, parent or controlling entities, subsidiaries, and all other persons acting in concert or participation with it, from selling a deferred annuity to a senior without first determining the suitability of the annuity for the purchaser's actuarial life expectancy and other relevant circumstances or otherwise violating in any other way Minn. Stat. § 60K.46, subd. 4, § 72A.20, subs. 1, 2, 34; § 325D.44, subd. 1, § 325F.67, § 325F.69, subd. 1, and 325F.71, subd. 2.
3. Awarding judgment against Allianz for civil penalties pursuant to Minn. Stat. §§ 8.31, subd. 3, and 325F.71, subd. 2 for each separate violation of Minn. Stat. § 60K.46, subd. 4, § 72A.20, subs. 1, 2, 34; § 325D.44, subd. 1, § 325F.67, and § 325F.69, subd. 1.
4. Awarding judgment against Allianz for restitution under the *parens patriae* doctrine, Minn. Stat. § 8.31, the general equitable powers of this Court, and any other authority for all persons injured by Allianz's acts described in this Complaint.
5. Awarding plaintiff its costs, including costs of investigation and attorney fees, as authorized by Minn. Stat. § 8.31, subd. 3a.

6. Granting such further relief as the Court deems appropriate and just.

Dated: 1/9/07

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota



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Solicitor General
Atty. Reg. No. 0034678

DANIEL L. ABELSON
Assistant Attorney General
Atty. Reg. No. 0327554

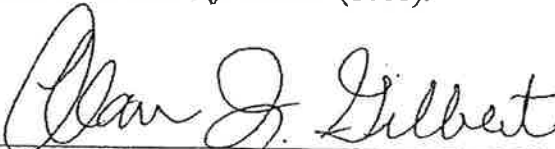
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ATTORNEYS FOR PLAINTIFF STATE OF
MINNESOTA

MINN. STAT. § 549.211 ACKNOWLEDGMENT

The party on whose behalf the attached pleading is served acknowledges through its undersigned counsel that sanctions, including reasonable attorney fees and other expenses, may be awarded to the opposite party or parties pursuant to Minn. Stat. § 549.211 (2006).

Dated: 1/9/07



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