AS STEAMSHIP CO TORM
Form 6-K
June 06, 2005

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of June 2005

A/S STEAMSHIP COMPANY TORM
(Translation of registrant's name into English)

Tuborg Havnevej 18
DK-2900 Hellerup
Denmark
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F X Form 40-F__

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes__ No X

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Set forth herein as Exhibit 1 is a copy of Share Statement No. 4 - 2005 issued by A/S STEAMSHIP COMPANY TORM to The Copenhagen Stock Exchange on May 31, 2005.

Exhibit 1

SHARE STATEMENT No. 4 - 2005

31 May 2005

According to section 28a of the Danish Securities Trading Act, TORM must report transactions made by senior staff and related parties in TORM's shares and related securities:

Name	Klaus Nyborg

Reason	CFO
Issuer	A/S Dampskibsselskabet TORM
Securities code	DK0010281468
Name/description	Shares
Transaction	Sale
Trade date	30.05.2005
Market	Copenhagen Stock Exchange
Number	2,500
Market value in DKK	800,000.00

A/S Dampskibsselskabet TORM
Contact person: Klaus Nyborg, CFO (tel.: +45 39 17 92 00)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

A/S STEAMSHIP COMPANY TORM
(registrant)

Dated: June 6, 2005

By: /s/ Klaus Nyborg

Klaus Nyborg
Chief Financial Officer

03810.0001 #576901

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Amortization (164,919) (143,478) (136,388)

Effect of net unrealized gains/losses

(212,550) (399,259) (144,244)

Balance at end of year

$1,709,799 $1,683,857 $1,747,760

Sales inducements deferred and amortized are as follows:

	December 31,	
2012	2011	2010

(Dollars in thousands)

Balance at beginning of year	$ 1,242,787	$ 1,227,328	$ 1,011,449
Costs deferred during the year	306,659	385,123	370,714
Amortization	(87,157)	(71,781)	(59,873)
Effect of net unrealized gains/losses	(169,948)	(297,883)	(94,962)
Balance at end of year	$ 1,292,341	$ 1,242,787	$ 1,227,328

We periodically revise the key assumptions used in the calculation of amortization of deferred policy acquisition costs and deferred sales inducements retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of realized investment gains and losses) to be realized from a group of products are revised. The unlocking adjustment in 2012 increased amortization of deferred policy acquisition costs by $3.7 million and decreased amortization of deferred sales inducements by $0.2 million. The unlocking adjustment in 2011 decreased amortization of deferred policy acquisition costs by $9.1 million and decreased amortization for deferred sales inducements by $5.0 million. The unlocking adjustment in 2010 increased amortization of deferred policy acquisition costs by $1.4 million and increased amortization for deferred sales inducements by $0.3 million.

7. Reinsurance and policy provisions

Coinsurance

We have entered into two coinsurance agreements with EquiTrust Life Insurance Company ("EquiTrust"), covering 70% of certain of our index and fixed rate annuities issued from August 1, 2001 through December 31, 2001, 40% of those contracts issued during 2002 and

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2003 and 20% of those contracts issued from January 1, 2004 to July 31, 2004. The business reinsured under these agreements may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves, transferred to EquiTrust under these agreements were $1.0 billion and $1.1 billion at December 31, 2012 and 2011, respectively. We remain liable to policyholders with respect to the policy liabilities ceded to EquiTrust should EquiTrust fail to meet the obligations it has coinsured. None of the coinsurance deposits with EquiTrust are deemed by management to be uncollectible. The balance due under these agreements to EquiTrust was $9.2 million and $11.5 million at December 31, 2012 and 2011, respectively, and represents the fair value of call options held by us to fund index credits related to the ceded business net of cash due to or from EquiTrust related to monthly settlements of policy activity and other expenses.

Effective July 1, 2009, we entered into two funds withheld coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda. One agreement cedes 20% of certain of our fixed index annuities issued from January 1, 2009 through March 31, 2010. The business reinsured under this agreement is not eligible for recapture until the end of the month following seven years after the date of issuance of the policy. The other agreement cedes 80% of our multi-year rate guaranteed annuities issued on or after July 1, 2009. The business reinsured under this agreement may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves transferred to Athene under these agreements) were $1.9 billion and $1.7 billion at December 31, 2012 and 2011, respectively. We remain liable to policyholders with respect to the policy liabilities ceded to Athene should Athene fail to meet the obligations it has coinsured. The annuity deposits that have been ceded to Athene are being held in a trust on a funds withheld basis. American Equity Life is named as the sole beneficiary of the trust. The funds withheld are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the funds withheld account would ever reach a point where it is less than the amount of the ceded policy benefit liabilities on a statutory basis, Athene is required to either establish a letter of credit or deposit securities in a trust for the amount of any shortfall. None of the coinsurance deposits with Athene are deemed by management to be uncollectible. The balance due under these agreements to Athene was $14.0 million and $8.4 million at December 31, 2012 and 2011, respectively, and represents the fair value of call options held by us to fund index credits related to the ceded business net of cash due from Athene related to monthly settlements of policy activity.

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Amounts ceded to EquiTrust and Athene under these agreements are as follows:

	Year ended December 31,		
	2012	2011	2010
	(Dollars in thousands)		
Consolidated statements of operations			
Annuity product charges	$ 6,796	$ 8,149	$ 9,063
Change in fair value of derivatives	17,106	(2,771)	19,408
	$ 23,902	$ 5,378	$ 28,471
Interest sensitive and index product benefits	$ 94,113	$ 99,724	$ 96,872
Change in fair value of embedded derivatives	9,373	(12,428)	3,373
Other operating costs and expenses	9,333	8,970	8,948
	$ 112,819	$ 96,266	$ 109,193
Consolidated statements of cash flows			
Annuity deposits	$ (203,552)	$ (326,531)	$ (478,962)
Cash payments to policyholders	208,437	204,116	211,324
	$ 4,885	$ (122,415)	$ (267,638)

Financing arrangements

We have entered into three reinsurance transactions with Hannover Life Reassurance Company of America ("Hannover"), which are treated as reinsurance under statutory accounting practices and as financing arrangements under GAAP. The statutory surplus benefits under these agreements are eliminated under GAAP and the associated charges are recorded as risk charges and included in other operating costs and expenses in the consolidated statements of operations. The transactions became effective October 1, 2005 (the "2005 Hannover Transaction"), December 31, 2008 (the "2008 Hannover Transaction") and March 31, 2011 (the "2011 Hannover Transaction"). The 2008 Hannover Transaction and the 2011 Hannover Transaction terminate after the the final year of surplus reduction (see following discussion of each agreement), and the statutory surplus benefit is reduced over a five year period and is eliminated upon termination.

The 2011 Hannover Transaction is a coinsurance and yearly renewable term reinsurance agreement for statutory purposes and provided $49.2 million in net pretax statutory surplus benefit at inception in 2011. Pursuant to the terms of this agreement, pretax statutory surplus was reduced by $11.8 million and $9.2 million in 2012 and 2011, respectively, and is expected to be reduced as follows: 2013 $11.3 million, 2014 $10.8 million and 2015 $10.3 million. These amounts include risk charges equal to 1.25% of the pretax statutory surplus benefit as of the end of each calendar quarter. Risk charges attributable to this agreement were $1.8 million and $1.7 million during 2012 and 2011, respectively.

The 2008 Hannover Transaction is a coinsurance and yearly renewable term reinsurance agreement for statutory purposes and provided $29.5 million in net pretax statutory surplus benefit in 2008. Pursuant to the terms of this agreement, pretax statutory surplus was reduced by $6.8 million and $6.7 million in 2012 and 2011, respectively, and is expected to be reduced as follows: 2013 $6.9 million These amounts include risk charges equal to 1.25% of the pretax statutory surplus benefit as of the end of each calendar quarter. Risk charges attributable to

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this agreement were $0.5 million, $0.8 million and $1.1 million during 2012, 2011 and 2010, respectively.

The 2005 Hannover Transaction is a yearly renewable term reinsurance agreement for statutory purposes covering 47% of waived surrender charges related to penalty free withdrawals and deaths on certain business. The agreement has been amended several times to include policy forms that were not in existence at the time this agreement became effective. We may recapture the risks reinsured under this agreement as of the end of any quarter. However, the agreement, as amended, makes it punitive to us if we do not recapture the business ceded prior to January 1, 2016. The reserve credit recorded on a statutory basis by American Equity Life was $180.3 million and $162.5 million at December 31, 2012 and 2011, respectively. We pay quarterly reinsurance premiums under this agreement with an experience refund calculated on a quarterly basis resulting in a risk charge equal to approximately 5.8% of the weighted average statutory reserve credit. Risk charges attributable to the 2005 Hannover Transaction were $9.9 million, $8.6 million and $6.9 million during 2012, 2011 and 2010, respectively.

Indemnity reinsurance

In the normal course of business, we seek to limit our exposure to loss on any single insured and to recover a portion of benefits paid under our annuity, life and accident and health insurance products by ceding reinsurance to other insurance enterprises or reinsurers. Reinsurance contracts do not relieve us of our obligations to our policyholders. To the extent that reinsuring companies are later unable to meet obligations under reinsurance agreements, our life insurance subsidiaries would be liable for these obligations, and payment of these obligations could result in losses to us. To limit the possibility of such losses, we evaluate the financial condition of our reinsurers, and monitor concentrations of credit risk. No allowance for uncollectible amounts has been established against our asset for amounts receivable from other insurance companies since none of the receivables are deemed by management to be uncollectible.

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8. Income taxes

We file consolidated federal income tax returns that include all of our wholly-owned subsidiaries except Eagle Life which must file a separate federal income tax return for 2009-2013 under applicable federal income tax guidelines. Our income tax expense as presented in the consolidated financial statements is summarized as follows:

	Year ended December 31,		
	2012	2011	2010
	(Dollars in thousands)		
Consolidated statements of operations:			
Current income taxes	$ 80,527	$ 127,535	$ 140,381
Deferred income taxes (benefits)	(52,336)	(80,869)	(118,048)
Total income tax expense included in consolidated statements of operations	28,191	46,666	22,333
Stockholders' equity:			
Expense (benefit) relating to:			
Change in net unrealized investment losses	123,620	202,143	60,456
Share-based compensation	(392)	(1,061)	(480)
Total income tax expense included in consolidated financial statements	$ 151,419	$ 247,748	$ 82,309

Income tax expense in the consolidated statements of operations differed from the amount computed at the applicable statutory federal income tax rate of 35% as follows:

	Year ended December 31,		
	2012	2011	2010
	(Dollars in thousands)		
Income before income taxes	$ 85,989	$ 132,914	$ 65,266
Income tax expense on income before income taxes	$ 30,096	$ 46,520	$ 22,843
Tax effect of:			
Tax exempt net investment income	(1,876)		
Other	(29)	146	(510)
Income tax expense	$ 28,191	$ 46,666	$ 22,333
Effective tax rate	32.8%	35.1%	34.2%

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Deferred income tax assets or liabilities are established for temporary differences between the financial reporting amounts and tax bases of assets and liabilities that will result in deductible or taxable amounts, respectively, in future years. The tax effects of temporary differences that give rise to the deferred tax assets and liabilities at December 31, 2012 and 2011, are as follows:

	December 31,	
	2012	**2011**
	(Dollars in thousands)	
Deferred income tax assets:		
Policy benefit reserves	$ 1,698,831	$ 1,472,653
Other than temporary impairments	8,177	9,072
Derivative instruments		21,429
Other policyholder funds	10,860	9,946
Litigation settlement accrual	7,351	
Deferred compensation	14,659	15,576
Net operating loss carryforwards	16,783	14,818
Other	7,192	6,351
Gross deferred tax assets	1,763,853	1,549,845
Deferred income tax liabilities:		
Deferred policy acquisition costs and deferred sales inducements	(1,425,266)	(1,266,042)
Net unrealized gains on available for sale fixed maturity and equity securities	(357,686)	(234,066)
Convertible senior notes	(6,665)	(10,917)
Derivative instruments	(18,280)	
Investment income items	(2,588)	(4,315)
Other	(2,671)	(12,524)
Gross deferred tax liabilities	(1,813,156)	(1,527,864)
Net deferred income tax (liability) asset	$ (49,303)	$ 21,981

The total deferred income tax asset includes other than temporary impairments on investments. The other than temporary impairments will not be available for utilization for tax purposes until the securities are either sold at a loss or deemed completely worthless. The other than temporary impairments totaled $23.4 million and $26.0 million as of December 31, 2012 and 2011, respectively.

Included in the deferred income taxes is the expected income tax benefit attributable to unrealized losses on available for sale fixed maturity securities. There is no valuation allowance provided for the deferred income tax asset attributable to unrealized losses on available for sale fixed maturity securities. Management expects that the passage of time will result in the reversal of these unrealized losses due to the fair value increasing as these securities near maturity. Management has the intent and ability to hold these securities to maturity because we generate adequate cash flow from new business to fund all foreseeable cash flow needs and do not believe it would ever be necessary to liquidate these securities at a loss to meet cash flow needs. For deferred income taxes related to unrealized losses on equity securities, we had sufficient future taxable income from capital gain sources to support the realizability of the deferred income tax asset.

Realization of our deferred income tax assets is more likely than not based on expectations as to our future taxable income and considering all other available evidence, both positive and negative. Therefore, no valuation allowance against deferred income tax assets has been established as of December 31, 2012 and 2011.

There were no material income tax contingencies requiring recognition in our consolidated financial statements as of December 31, 2012. We are no longer subject to income tax examinations by tax authorities for years prior to 2008.

At December 31, 2012, we had non-life net operating loss carryforwards for federal income tax purposes totaling $23.4 million which expire beginning in 2018 through 2032.

9. Notes payable and amounts due under repurchase agreements

In September 2010, we issued $200.0 million principal amount of 3.5% Convertible Senior Notes Due 2015 (the "2015 notes"). The 2015 notes have a stated interest rate of 3.5%, mature on September 15, 2015, and are intended to be settled in cash; however, in certain limited circumstances we have the discretion to settle in shares of our common stock or a combination of cash and shares of our common stock. Contractual interest payable on the 2015 notes began accruing in September 2010 and is payable semi-annually in arrears each March 15th and September 15th. The initial transaction fees and expenses totaling $6.8 million were capitalized as deferred financing costs and will be amortized over the term of the 2015 notes using the effective interest method.

Upon occurrence of any of the conditions described below, holders may convert their 2015 notes at the applicable conversion rate at any time prior to June 15, 2015. On or after June 15, 2015 through the maturity date of September 15, 2015, holders may convert each of their 2015 notes at the applicable conversion rate regardless of the following conditions:

- during the 5 business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of notes was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on such trading day;

- during any calendar quarter commencing after December 31, 2010, the Notes may be converted if the last reported price of the common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day. The "last reported sale price" means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the New York Stock Exchange; or

- upon the occurrence of specified corporate transactions.

The initial conversion rate for the 2015 notes is 80 shares of our common stock per $1,000 principal amount of 2015 notes, equivalent to a conversion price of approximately $12.50 per share of our common stock, with the amount due on conversion. Upon conversion, a holder will receive the sum of the daily settlement amounts, calculated on a proportionate basis for each day, during a specified observation period following the conversion date. The conversion rate for the 2015 notes was adjusted to 80.9486 shares in December 2012, equivalent to a conversion price of approximately $12.35 per share.

If a fundamental change, as defined in the indenture, occurs prior to maturity and our stock price is at least $10.00 per share at that time, the conversion rate will increase by an additional amount of up to 20 shares of our common stock per $1,000 principal amount of 2015 notes, which amount would be paid to each holder that elects to convert its 2015 notes at that time.

The conversion option of the 2015 notes (the "2015 notes embedded conversion derivative") is an embedded derivative that requires bifurcation from the 2015 notes and is accounted for as a derivative liability, which is included in Other liabilities in our Consolidated Balance Sheets. The fair value of the 2015 notes embedded conversion derivative at the time of issuance of the 2015 notes was $37.0 million, and was recorded at the original debt discount for purposes of accounting for the debt component of the 2015 notes. This discount will be recognized as interest expense using the effective interest method over the term of the 2015 notes. The estimated fair value of the 2015 notes embedded conversion derivative was $43.1 million and $45.6 million as of December 31, 2012 and 2011, respectively.

Concurrently with the issuance of the 2015 notes, we entered into hedge transactions (the "2015 notes hedges") with two counterparties whereby we have the option to receive the cash equivalent of the conversion spread on approximately 16.0 million shares of our common stock based upon a strike price of $12.50 per share, subject to certain conversion rate adjustments in the 2015 notes. These options expire on September 15, 2015 and must be settled in cash. The aggregate cost of the 2015 notes hedges was $37.0 million. The 2015 notes hedges are accounted for as derivative assets, and are included in Other assets in our Consolidated Balance Sheets. The estimated fair value of the 2015 notes hedges was $43.1 million and $45.6 million as of December 31, 2012 and 2011, respectively.

The 2015 notes embedded conversion derivative and the 2015 notes hedges are adjusted to fair value each reporting period and unrealized gains and losses are reflected in our Consolidated Statements of Operations.

In separate transactions, we also sold warrants (the "2015 warrants") to two counterparties for the purchase of up to approximately 16.0 million shares of our common stock at a price of $16.00 per share. The warrants expire on various dates from December 2015 through March 2016 and are intended to be settled in net shares. The total number of shares of common stock deliverable under the 2015 warrants is, however, currently limited to 11.6 million shares. We received $15.6 million in cash proceeds from the sale of the 2015 warrants, which has been recorded as an increase in additional paid-in capital. Changes in the fair value of these warrants will not be recognized in our Consolidated Financial Statements as long as the instruments remain classified as equity.

In December 2004, we issued $260.0 million of convertible senior notes due December 15, 2024 (the "2024 notes"), of which $22.9 million was assigned to the equity component (net of income tax of $16.1 million). In December 2009, we issued $115.8 million of contingent convertible senior notes due December 15, 2029 (the "2029 notes"), of which $15.6 million was assigned to the equity component (net of income tax of $11.0 million), $52.2 million principal amount were issued for cash and $63.6 million were issued in exchange of $63.6 million of the 2024 notes.

The 2024 notes and 2029 notes bear interest at a fixed rate of 5.25% per annum. Interest is payable semi-annually in arrears on June 6 and December 6 of each year. In addition to regular interest on the notes, beginning with the six-month interest period ending June 6, 2012 for the December 2024 notes and June 6, 2015 for the 2029 notes, we will also pay contingent interest under certain conditions at a rate of 0.5% per annum based on the average trading price of the notes during a specified period.

The 2024 and 2029 notes are convertible at the holders' option prior to the maturity date into cash and shares of our common stock under the following conditions:

- during any fiscal quarter, if the closing sale price of our common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the fiscal quarter preceding the quarter in which the conversion occurs is more than 120% of the conversion price of the notes in effect on that 30th trading day;

- we have called the notes for redemption and the redemption has not yet occurred; or

- upon the occurrence of specified corporate transactions.

Holders may convert any outstanding notes into cash and shares of our common stock at a conversion price per share of $13.74 for the 2024 notes and $9.57 for the 2029 notes. This represents a conversion rate of approximately 72.8 shares and 104.5 shares of common stock per $1,000 in principal amount of notes (the "conversion rate") for the 2024 notes and the 2029 notes, respectively. Subject to certain exceptions described in the indentures covering these notes, at the time the notes are tendered for conversion, the value (the "conversion value") of the cash and shares of our common stock, if any, to be received by a holder converting $1,000 principal amount of the notes will be determined by multiplying the conversion rate by the "ten day average closing stock price", which equals the average of the closing per share prices of our common stock on the New York Stock Exchange on the ten consecutive trading days beginning on the second trading day following the day the notes are submitted for conversion. We will deliver the conversion value to holders as follows: (1) an amount in cash (the "principal return") equal to the lesser of (a) the aggregate conversion value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted, and (2) if the aggregate conversion value of the notes to be converted is greater than the principal return, an amount in shares (the "net shares") equal to such aggregate conversion value less the principal return (the "net share amount") and (3) an amount in cash in lieu of fractional shares of common stock. The number of net shares to be paid will be determined by dividing the net share amount by the ten day average closing stock price.

We may redeem some or all of the 2024 notes at any time and some or all of the 2029 notes at any time on or after December 15, 2014. In addition, the holders may require us to repurchase all or a portion of their 2024 notes on December 15, 2014 and 2019, and their 2029 notes on December 15, 2014, 2019 and 2024, and upon a change in control, as defined in the indenture governing the notes, holders may require us to repurchase all or a portion of their notes for a period of time after the change in control. The redemption price or repurchase price shall be payable in cash and equal to 100% of the principal amount of the notes plus

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accrued and unpaid interest (contingent interest and liquidated damages, if any) up to but not including the date of redemption or repurchase.

Our convertible notes are senior unsecured obligations and rank equally in right of payment with all existing and future senior indebtedness and senior to any existing and future subordinated indebtedness. Our convertible notes effectively rank junior in right of payment to any existing and future secured indebtedness to the extent of the value of the assets securing such secured indebtedness. Our convertible notes are structurally subordinated to all liabilities of our subsidiaries.

We are required to include the dilutive effect of the 2024 and 2029 notes in our diluted earnings per share calculation. Because these notes include a mandatory cash settlement feature for the principal amount, incremental dilutive shares will only exist when the fair value of our common stock at the end of the reporting period exceeds the conversion price per share disclosed above. At December 31, 2012 and 2011, the conversion premium of the 2029 notes was dilutive and the effect has been included in diluted earnings per share for the years ended December 31, 2012 and 2011. The 2015 notes and the 2015 notes hedges are excluded from the dilutive effect in our diluted earnings per share calculation as they are currently to be settled only in cash. The 2015 warrants could have a dilutive effect on our earnings per share to the extent that the price of our common stock exceeds the strike price of the 2015 warrants.

In 2010, we extinguished $6.7 million principal amount of the outstanding 2024 notes for $6.6 million in cash. The extinguished notes carried unamortized debt issue costs and unamortized debt discounts totaling $0.3 million. No value was assigned to reacquire of the equity component of the debt. A $0.3 million loss on extinguishment of debt was recorded for the amount that the cash payment exceeded the carrying of value the notes extinguished. On December 15, 2011, we repurchased $46.3 million principal amount of 2024 notes pursuant to the holders put option on that date.

The liability and equity components of the 2024 notes and 2029 notes are accounted for separately in the consolidated balance sheets. The liability component of the 2015 notes and the liability and equity components of the 2024 notes and 2029 notes are as follows:

	December 31, 2012			December 31, 2011		
	September 2015 notes	December 2029 notes	December 2024 notes	September 2015 notes	December 2029 notes	December 2024 notes
	(Dollars in thousands)			(Dollars in thousands)		
Notes payable:						
Principal amount of liability component	$ 200,000	$ 115,839	$ 28,243	$ 200,000	$ 115,839	$ 28,243
Unamortized discount	(21,944)	(12,269)		(28,906)	(17,568)	
Net carrying amount of liability component	$ 178,056	$ 103,570	$ 28,243	$ 171,094	$ 98,271	$ 28,243
Additional paid-in capital:						
Carrying amount of equity component		$ 15,586	$ 22,637		$ 15,586	$ 22,637
Amount by which the if-converted value exceeds principal	$	$ 30,382	$	$	$ 8,846	$

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The discount is being amortized over the expected lives of the notes, which is December 15, 2014 for the 2029 notes and September 15, 2015 for the 2015 notes, and was December 15, 2011 for the 2024 notes. The effective interest rates during the discount amortization periods are 8.9%, 8.5% and 11.9% on the 2015 notes, the 2024 notes and 2029 notes, respectively. The interest cost recognized in operations for the convertible notes, inclusive of the coupon and amortization of the discount and debt issue costs was $28.5 million, $31.6 million, and $20.9 million for the years ended December 31, 2012, 2011 and 2010, respectively.

We had a $150 million revolving line of credit agreement with eight banks. The revolving period of the facility was five years. The applicable interest rate was floating at LIBOR plus 0.80% or the greater of prime rate or federal funds rate plus 0.50%, as elected by us. During 2011, we terminated the $150 million revolving line of credit agreement and entered into a $160 million revolving line of credit agreement with seven banks for which the revolving period is three years. The interest rate is floating at a rate based on our election that will be equal to the alternate base rate (as defined in the credit agreement) plus the applicable margin or the adjusted LIBOR rate (as defined in the credit agreement) plus the applicable margin. We also pay a commitment fee on the available unused portion of the credit facility. The applicable margin and commitment fee rate are based on our credit rating and can change throughout the period of the credit facility. Based upon our current credit rating, the applicable margin is 2.00% for alternate base rate borrowings and 3.00% for adjusted LIBOR rate borrowings, and the commitment fee is 0.50%. Under this agreement, we are required to maintain a minimum risk-based capital ratio at American Equity Life of 275%; a maximum ratio of adjusted debt to total adjusted capital 0.35; a minimum cash coverage ratio of 1.0; and a minimum level of statutory surplus at American Equity Life equal to the sum of 1) 80% of statutory surplus at December 31, 2010, 2) 50% of the statutory net income for each fiscal quarter ending after December 31, 2010, and 3) 50% of all capital contributed to American Equity Life after September 30, 2010. No amounts were outstanding at December 31, 2012 and 2011. As of December 31, 2012, $109.5 million is unrestricted and could be distributed to shareholders.

As part of our investment strategy, we enter into securities repurchase agreements (short-term collateralized borrowings). We had no borrowings under repurchase agreements during 2012 and 2010. The maximum amount borrowed during 2011 was $180 million . When we do borrow cash on these repurchase agreements, we pledge collateral in the form of debt securities with fair values approximately equal to the amount due and we use the cash to purchase debt securities ahead of the time we collect the cash from selling annuity policies to avoid a lag between the investment of funds and the obligation to credit interest to policyholders. We earn investment income on the securities purchased with these borrowings at a rate in excess of the cost of these borrowings. Such borrowings averaged $12.9 million for the year ended December 31, 2011. The weighted average interest rate on amounts due under repurchase agreements was 0.23% for the year ended December 31, 2011.

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10. Subordinated debentures

Our wholly-owned subsidiary trusts (which are not consolidated) have issued fixed rate and floating rate trust preferred securities and have used the proceeds from these offerings to purchase subordinated debentures from us. We also issued subordinated debentures to the trusts in exchange for all of the common securities of each trust. The sole assets of the trusts are the subordinated debentures and any interest accrued thereon. The interest payment dates on the subordinated debentures correspond to the distribution dates on the trust preferred securities issued by the trusts. The trust preferred securities mature simultaneously with the subordinated debentures. Our obligations under the subordinated debentures and related agreements provide a full and unconditional guarantee of payments due under the trust preferred securities. All subordinated debentures are callable by us at any time, except for the Trust II subordinated debt obligations.

Following is a summary of subordinated debt obligations to the trusts at December 31, 2012 and 2011:

	December 31,			
	2012	**2011**	**Interest rate**	**Due date**
	(Dollars in thousands)			
American Equity Capital Trust I	$	$ 22,893	8%	
American Equity Capital Trust II	76,259	76,090	5%	June 1, 2047
American Equity Capital Trust III	27,840	27,840	*LIBOR + 3.90%	April 29, 2034
American Equity Capital Trust IV	12,372	12,372	*LIBOR + 4.00%	January 8, 2034
American Equity Capital Trust VII	10,830	10,830	*LIBOR + 3.75%	December 14, 2034
American Equity Capital Trust VIII	20,620	20,620	*LIBOR + 3.75%	December 15, 2034
American Equity Capital Trust IX	15,470	15,470	*LIBOR + 3.65%	June 15, 2035
American Equity Capital Trust X	20,620	20,620	*LIBOR + 3.65%	September 15, 2035
American Equity Capital Trust XI	20,620	20,620	*LIBOR + 3.65%	December 15, 2035
American Equity Capital Trust XII	41,238	41,238	*LIBOR + 3.50%	April 7, 2036
	$ 245,869	$ 268,593		

* three month London Interbank Offered Rate

During 2012, we issued a notice of mandatory redemption of all of our 8% Convertible Junior Subordinated Debentures (the "Debentures") and American Equity Capital Trust I, the holder of all of the Debentures, issued notices of mandatory redemption of all of its 8% Convertible Trust Preferred Securities and all of its 8% Trust Common Securities. As a result of this mandatory redemption, $20.6 million principal amount (688,327 shares) of 8% Convertible Trust Preferred Securities were converted into 2,549,333 shares of our common stock and 38,001 shares of these trust preferred securities were settled in cash of approximately $1.1 million. The remaining 6,000 shares will be settled in cash of $0.2 million. During 2012, prior to the mandatory redemption, 4,000 shares of these trust preferred securities were converted into 14,814 shares shares of our common stock. During 2010, 2,010 shares of these trust preferred securities converted into 7,444 shares of our common stock. There were no conversions during 2011.

The principal amount of the subordinated debentures issued by us to American Equity Capital Trust II ("Trust II") is $100.0 million. These debentures were assigned a fair value of $74.7

million at the date of issue (based upon an effective yield-to-maturity of 6.8%). The difference between the fair value at the date of issue and the principal amount is being accreted over the life of the debentures. The trust preferred securities issued by Trust II were issued to Iowa Farm Bureau Federation, which owns more than 50% of the voting capital stock of FBL Financial Group, Inc. ("FBL"). The consideration received by Trust II in connection with the issuance of its trust preferred securities consisted of fixed income securities of equal value which were issued by FBL.

11. Retirement and share-based compensation plans

We have adopted a contributory defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all of our full-time employees subject to minimum eligibility requirements. Employees can contribute a percentage of their annual salary (up to a maximum contribution of $17,000 in 2012 and $16,500 in 2011 and 2010) to the plan. We contribute an additional amount, subject to limitations, based on the voluntary contribution of the employee. Further, the plan provides for additional employer contributions based on the discretion of the Board of Directors. Plan contributions charged to expense were $0.4 million, $0.3 million and $0.3 million for the years ended December 31, 2012, 2011 and 2010, respectively.

During 2010, we established the American Equity Investment Life Holding Company Short-Term Performance Incentive Plan. Under this plan, certain members of our senior management may receive incentive awards comprised of a cash component and a restricted stock component. Shares of restricted stock received will be granted pursuant to the 2009 Employee Incentive Plan and will vest on the date three years following the date the Committee approves the payment of the incentive award provided that the participant remains employed by us. Compensation expense is recognized over the three year vesting period. Shares vest immediately for participants 65 years of age with 10 years of service with us and compensation expense under this plan for these participants is recognized upon approval of the incentive award by the compensation committee. During 2012 and 2011, we issued 51,810 and 24,497 shares of common stock (37,369 and 16,819 shares were restricted stock), respectively, and recognized share-based compensation expense of $0.5 million and $0.1 million, respectively.

We have deferred compensation arrangements with certain officers, directors, and consultants, whereby these individuals agreed to take our common stock at a future date in lieu of cash payments at the time of service. The common stock is to be issued in conjunction with a "trigger event," as that term is defined in the individual agreements. At December 31, 2012 and 2011, these individuals have earned, and we have reserved for future issuance, 354,923 and 503,142 shares of common stock, respectively, pursuant to these arrangements. We have incurred share-based compensation expense of $0.2 million, $0.3 million and $0.4 million for the years ended December 31, 2012, 2011 and 2010, respectively, under these arrangements.

We have deferred compensation agreements with certain officers whereby these individuals may defer certain bonus compensation which is deposited into the American Equity Officer Rabbi Trust (Officer Rabbi Trust). The amounts deferred are invested in assets at the direction of the employee. The assets of the Officer Rabbi Trust are included in our assets and a corresponding deferred compensation liability is recorded. The deferred compensation liability is recorded at the fair market value of the assets in the Officer Rabbi Trust with the change in fair value included as a component of compensation expense. The deferred compensation liability related to these agreements was $1.4 million and $1.6 million December 31, 2012 and 2011, respectively. During 2011 and 2010, the Officer Rabbi Trust purchased 1,250 shares of our common stock at a cost of $0.01 million and 104,661 shares of our common stock at a cost of $1.2 million, respectively. The Officer Rabbi Trust did not purchase any shares during 2012. The Officer Rabbi Trust held 104,551 shares and 139,751 shares of our common stock at December 31, 2012 and 2011, respectively, which are treated as treasury shares.

During 1997, we established the American Equity Investment NMO Deferred Compensation Plan ("NMO Deferred Compensation Plan") whereby agents can earn common stock in addition to their normal commissions. The NMO Deferred Compensation Plan was effective until December 31, 2006 at which time it was suspended. Awards were calculated using formulas determined annually by our Board of Directors and are generally based upon new annuity deposits. These shares are being distributed at the end of the vesting and deferral period of 9 years. We recognize commission expense and an increase to additional paid-in capital as share-based compensation when the awards vest. For the year ended December 31, 2010, agents vested in 1,052 shares of common stock and we recorded commission expense (capitalized as deferred policy acquisition costs) of $0.01 million under this plan. All outstanding shares issued under this plan were fully vested at December 31, 2010. At December 31, 2012 and 2011, the total number of undistributed vested shares under the NMO Deferred Compensation Plan was 1,142,332 and 1,631,548, respectively. These shares are included in the computation of earnings per share and earnings per share assuming dilution.

We have a Rabbi Trust, the NMO Deferred Compensation Trust (the "NMO Trust"), which has purchased shares of our common stock to fund the amount of vested shares under the NMO Deferred Compensation Plan. The common stock held in the NMO Trust is treated as treasury stock. The NMO Trust purchased 81,745 shares of our common stock during 2011 at a cost of $0.9 million. The NMO Trust did not purchase any shares during 2012 and 2010. The NMO Trust distributed 489,216, 306,032 and 166,965 shares during 2012, 2011 and 2010, respectively. The number of shares held by the NMO Trust at December 31, 2012 and 2011, was 1,142,332 and 1,631,548, respectively.

Our 1996 Stock Option Plan, 2000 Employee Stock Option Plan, 2000 Directors Stock Option Plan and 2011 Director Stock Option Plan (adopted in 2011) authorized grants of options to officers, directors and employees for an aggregate of up to 3,475,000 shares of our common stock. All options granted under these plans have 10 year terms and a 6 month vesting period after which they become fully exercisable immediately. At December 31, 2012, we had no shares of common stock available for future grant under the 2011 Director Stock Option Plan. In 2009, we adopted the 2009 Employee Incentive Plan which authorizes the grant of options, stock appreciation rights, restricted stock awards and restricted stock units convertible into or based upon our common stock up to 2,500,000 shares. All options granted under this plan have 10 year terms and a 3 year vesting period after which they become fully exercisable immediately. At December 31, 2012, we had 1,709,243 shares of common stock available for future grant under the 2009 Employee Incentive Plan.

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The fair value for each stock option granted to officers, directors and employees during the years ended December 31, 2012, 2011 and 2010 was estimated at the date of grant using a Black-Scholes option valuation model with the following assumptions:

	Year ended December 31,					
	2012		2011		2010	
	Directors and retirement eligible employees	**Non-retirement eligible employees**	**Directors and retirement eligible employees**	**Non-retirement eligible employees**	**Directors and retirement eligible employees**	**Non-retirement eligible employees**
Average risk-free interest rate	0.76%	1.36%	1.66%	2.00%	2.17%	2.99%
Dividend yield	1.1%	1.3%	0.8%	1.0%	0.8%	0.8%
Average expected life (years)	5	8	5	8	5	8
Volatility	62.5%	50.9%	66.1%	52.0%	75.7%	75.7%

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. We use the historical realized volatility of our stock for the expected volatility assumption within the valuation model. For options granted since 2007, the weighted average expected term for the majority of our options were calculated using average historical behavior.

During 2007, 2010 and 2012 we established Independent Insurance Agent Stock Option plans. Under these plans, agents of American Equity Life may receive grants of options to acquire shares of our common stock based upon their individual sales. The plans authorize grants of options to agents for an aggregate of up to 8,000,000 shares of our common stock. We recognize commission expense and an increase to additional paid-in capital as share-based compensation equal to the fair value of the options as they are earned.

The fair value for each stock option granted to agents during the years ended December 31, 2012, 2011 and 2010 was estimated using a Black-Scholes option valuation model until the grant date, at which time the options are included as permanent equity, with the following assumptions:

	Year ended December 31,		
	2012	**2011**	**2010**
Average risk-free interest rate	0.51%	0.58%	1.44%
Dividend yield	1.2%	1.2%	0.8%
Average expected life (years)	3.75	3.75	3.75
Volatility	41.1%	67.2%	68.0%

American Equity Life's agents earned 1,125,100 options during 2012, which were granted in January 2013, and we recorded commission expense (capitalized as deferred policy acquisition costs) of $3.9 million in 2012. American Equity Life's agents earned 1,422,050 options during 2011, which were granted in January 2012, and we recorded commission expense (capitalized as deferred policy acquisition costs) of $6.8 million in 2011. American Equity Life's agents earned 1,361,900 options during 2010, which were granted in January 2011, and we recorded

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commission expense (capitalized as deferred policy acquisition costs) of $8.2 million in 2010. All options granted have 7 year terms and a 6 month vesting period after which they become exercisable immediately.

Changes in the number of stock options outstanding during the years ended December 31, 2012, 2011 and 2010 are as follows:

	Number of shares	Weighted-average exercise price per share	Total exercise price
	(Dollars in thousands, except per share data)		
Outstanding at January 1, 2010	3,142,189	$ 8.79	$ 27,620
Granted	1,794,200	8.76	15,726
Canceled	(120,000)	8.64	(1,037)
Exercised	(695,539)	8.80	(6,122)
Outstanding at December 31, 2010	4,120,850	8.78	36,187
Granted	1,486,850	12.99	19,309
Canceled	(177,500)	9.66	(1,714)
Exercised	(585,350)	8.00	(4,685)
Outstanding at December 31, 2011	4,844,850	10.13	49,097
Granted	1,558,900	7.60	11,854
Canceled	(28,050)	8.74	(245)
Exercised	(643,250)	8.77	(5,642)
Outstanding at December 31, 2012	5,732,450	9.61	$ 55,064

The following table summarizes information about stock options outstanding at December 31, 2012:

	Stock options outstanding			Stock options vested		
Range of exercise prices	Number of awards	Remaining life (yrs)	Weighted-average exercise price per share	Number of awards	Remaining life (yrs)	Weighted-average exercise price per share
$ 5.07 - $ 9.16	1,500,000	3.59	$ 7.70	1,500,000	3.59	$ 7.70
$ 9.49 - $11.46	2,714,350	5.56	10.35	2,218,350	5.34	10.47
$11.88 - $14.34	1,518,100	5.37	12.97	1,413,100	5.12	13.03
$ 5.07 - $14.34	5,732,450	5.00	10.35	5,131,450	4.77	10.36

The aggregate intrinsic value for stock options outstanding and vested awards was $11.8 million and $10.6 million, respectively, at December 31, 2012. For the years ended December 31, 2012, 2011 and 2010, the total intrinsic value of options exercised by officers, directors and employees was $0.9 million, $0.3 million and $0.6 million respectively. There were no option exercises during the year ended December 31, 2009. Intrinsic value for stock options is calculated as the difference between the exercise price of the underlying awards and the price of our common stock as of the reporting date. Cash received from stock options exercised for the years ended December 31, 2012 and 2011 was $5.7 million and $4.7 million, respectively. The tax benefit realized for the tax deduction from the exercise of stock options

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by officers, directors, employees and agents for both years ended December 31, 2012 and 2011, was $0.1 million.

We established the American Equity Investment Employee Stock Ownership Plan ("ESOP") effective July 1, 2007. The principal purpose of the ESOP is to provide each eligible employee with an equity interest in us. Employees become eligible once they have completed a minimum of six months of service. Employees become 100% vested after 2 years of service. Our contribution to the ESOP is determined by the Board of Directors.

In August 2007, we issued a loan to the ESOP in the amount of $7.0 million to purchase 650,000 shares of our common stock from David J. Noble, our Executive Chairman. The loan is to be repaid over a period of 20 years with annual interest payments due on December 31 of each year. Required principal payments according to the terms of the loan of $1.8 million are due on December 31, 2012, 2017, and 2022 with the final principal payment due on August 31, 2027; however, at December 31, 2012, the outstanding balance on this loan is $1.6 million as we have been prepaying the balance due. The loan is eliminated in the consolidated financial statements. The shares purchased by the ESOP were pledged as collateral for this debt and are reported as unallocated common stock held by the ESOP, a contra-equity account in stockholders' equity. When shares are committed for release, the shares become outstanding for earnings per share computations. For each plan year in which a payment or prepayment of principal or interest is made, we will release from the pledge the number of shares determined under the principal and interest method. Dividends on allocated ESOP shares are recorded as a reduction in retained earnings and are credited to employee accounts. Dividends on unallocated shares held by the ESOP will be used to repay indebtedness. As of December 31, 2012 and 2011, there were 54,971 shares and 59,751 shares committed for release and compensation expense of $1.1 million, $1.3 million and $0.8 million was recognized in 2012, 2011 and 2010, respectively. The fair value of 239,799 unreleased shares and 336,093 unreleased shares was $2.9 million and $3.5 million at December 31, 2012 and 2011, respectively.

12. Statutory financial information and dividend restrictions

Statutory accounting practices prescribed or permitted by regulatory authorities for our life insurance subsidiaries differ from GAAP. Net income for our primary life insurance subsidiary as determined in accordance with statutory accounting practices was as follows:

	Year ended December 31,		
	2012	**2011**	**2010**
	(Dollars in thousands)		
American Equity Life	82,039	169,365	177,311

Statutory capital and surplus for our primary life insurance subsidiary was as follows:

	December 31,	
	2012	**2011**
	(Dollars in thousands)	
American Equity Life	$ 1,658,929	$ 1,597,018

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American Equity Life is domiciled in the state of Iowa and is regulated by the Iowa Insurance Division. Life insurance companies are subject to the National Association of Insurance Commissioners ("NAIC") risk-based capital (RBC) requirements which are intended to be used by insurance regulators as an early warning tool to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. Calculations using the NAIC formula indicated that American Equity Life's ratio of total adjusted capital to the highest level of required capital at which regulatory action might be initiated (Company Action Level) is as follows:

	December 31,	
	2012	2011
	(Dollars in thousands)	
Total adjusted capital	$ 1,741,638	$ 1,655,205
Company Action Level RBC	524,928	479,023
Ratio of adjusted capital to Company Action Level RBC	332%	346%

Prior approval of regulatory authorities is required for the payment of dividends to American Equity Investment Life Holding Company ("Parent Company") by American Equity Life which exceed an annual limitation. American Equity Life may pay dividends without prior approval, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) net gain from operations before net realized capital losses for the preceding calendar year or, (2) 10% of the American Equity Life's capital and surplus at the preceding year-end. The amount of dividends permitted to be paid by American Equity Life to its Parent Company without prior approval of regulatory authorities (no dividends were paid by any of our insurance subsidiaries for any of the years presented in these financial statements) is $99.2 million as of December 31, 2012.

The Parent Company relies on its subsidiaries for cash flow, which has primarily been in the form of investment management fees and/or dividends. Retained earnings in our consolidated financial statements primarily represent undistributed earnings of American Equity Life. As such, our ability to pay dividends is limited by the regulatory restriction placed upon insurance companies as described above. In addition, American Equity Life retains funds to allow for sufficient capital for growth.

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13. Commitments and contingencies

We lease our home office space and certain equipment under various operating leases. Rent expense for the years ended December 31, 2012, 2011 and 2010 totaled $2.0 million, $1.9 million and $1.9 million, respectively. At December 31, 2012, the aggregate future minimum lease payments are $11.3 million. The following represents payments due by period for operating lease obligations as of December 31, 2012 (dollars in thousands):

Year Ending December 31:	
2013	$ 1,493
2014	1,487
2015	1,469
2016	1,377
2017	1,138
2018 and thereafter	4,329

We are occasionally involved in litigation, both as a defendant and as a plaintiff. In addition, state regulatory bodies, such as state insurance departments, the SEC, FINRA, the Department of Labor, and other regulatory bodies regularly make inquiries and conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws, the Employee Retirement Income Security Act of 1974, as amended, and laws governing the activities of broker-dealers.

In accordance with applicable accounting guidelines, we establish an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. As a litigation or regulatory matter is developing we, in conjunction with outside counsel, evaluate on an ongoing basis whether the matter presents a loss contingency that meets conditions indicating the need for accrual and/or disclosure, and if not the matter will continue to be monitored for further developments. If and when the loss contingency related to litigation or regulatory matters is deemed to be both probable and estimable, we will establish an accrued liability with respect to that matter and will continue to monitor the matter for further developments that may affect the amount of the accrued liability. We recorded an estimated litigation liability of $17.5 million during the third quarter of 2012 based on developments in the mediation of the matter discussed below.

In recent years, companies in the life insurance and annuity business have faced litigation, including class action lawsuits, alleging improper product design, improper sales practices and similar claims. We are currently a defendant in a purported class action, *McCormack, et al. v. American Equity Investment Life Insurance Company, et al.*, in the United States District Court for the Central District of California, Western Division and *Anagnostis v. American Equity, et al.*, coordinated in the Central District, entitled, *In Re: American Equity Annuity Practices and Sales Litigation*, in the United States District Court for the Central District of California, Western Division (complaint filed September 7, 2005) (the "Los Angeles Case"), involving allegations of improper sales practices and similar claims as described below.

The Los Angeles Case is a consolidated action involving several lawsuits filed by individuals, and the individuals are seeking class action status for a national class of purchasers of annuities issued by us; however, no class has yet been certified. The named plaintiffs in this consolidated case are Bernard McCormack, Gust Anagnostis by and through Gary S. Anagnostis and

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Robert C. Anagnostis, Regina Bush by and through Sharon Schipiour, Lenice Mathews by and through Mary Ann Maclean and George Miller. The allegations generally attack the suitability of sales of deferred annuity products to persons over the age of 65. The plaintiffs seek rescission and injunctive relief including restitution and disgorgement of profits on behalf of all class members under California Business & Professions Code section 17200 et seq. and Racketeer Influenced and Corrupt Organizations Act; compensatory damages for breach of fiduciary duty and aiding and abetting of breach of fiduciary duty; unjust enrichment and constructive trust; and other pecuniary damages under California Civil Code section 1750 and California Welfare & Institutions Codes section 15600 et seq. As previously reported, we participated in mediation sessions with plaintiffs' counsel in 2011 and 2012 where potential settlement terms continued to be discussed. Based upon the current status of those discussions, the $17.5 million litigation liability referred to above represents our best estimate of probable loss with respect to this litigation. However, a formal settlement has not been reached, the potential settlement has not been reviewed by the court and other factors could potentially result in a change in this estimate as further developments take place. In light of the inherent uncertainties involved in the pending purported class action lawsuit, there can be no assurance that such litigation, or any other pending or future litigation, will not have a material adverse effect on our business, financial condition, or results of operations.

14. Earnings per share

The following table sets forth the computation of earnings per common share and earnings per common share assuming dilution:

			Year ended December 31,	
	2012	2011	2010
	(Dollars in thousands, except per share data)		
Numerator:			
Net income numerator for earnings per common share	$ 57,798	$ 86,248	$ 42,933
Interest on convertible subordinated debentures (net of income tax benefit)	517	1,034	1,035
Numerator for earnings per common share assuming dilution	$ 58,315	$ 87,282	$ 43,968
Denominator:			
Weighted average common shares outstanding(1)	61,258,825	59,482,349	58,506,804
Effect of dilutive securities:			
Convertible subordinated debentures	1,348,447	2,727,084	2,729,514
Convertible senior notes	2,515,067	848,164	2,904,571
Stock options and deferred compensation agreements	553,312	561,898	438,834
Denominator for earnings per common share assuming dilution	65,675,651	63,619,495	64,579,723
Earnings per common share	$ 0.94	$ 1.45	$ 0.73
Earnings per common share assuming dilution	$ 0.89	$ 1.37	$ 0.68

(1) Weighted average common shares outstanding include shares vested under the NMO Deferred Compensation Plan and exclude unallocated shares held by the ESOP.

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Options to purchase shares of our common stock that were outstanding during the respective periods indicated but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares are as follows:

Period	**Number of shares**		**Range of exercise prices Minimum**		**Maximum**
Year ended December 31, 2012	1,522,100	$	11.35	$	14.34
Year ended December 31, 2011	2,290,200	$	10.65	$	14.34
Year ended December 31, 2010	1,945,500	$	8.75	$	14.34

In November 2011, our board of directors approved a share repurchase program authorizing us to repurchase up to 10,000,000 shares of our common stock. As of December 31, 2012, no shares had been repurchased under this program.

15. Quarterly financial information (unaudited)

Unaudited quarterly results of operations are summarized below.

							Quarter ended	
		March 31,		**June 30,**		**September 30,**		**December 31,**
		(Dollars in thousands, except per share data)						
2012								
Premiums and product charges	$	22,615	$	25,156	$	27,175	$	26,937
Net investment income		326,910		320,259		318,594		321,160
Change in fair value of derivatives		259,161		(150,847)		161,090		(48,266)
Net realized gains (losses) on investments, excluding OTTI losses		(6,076)		(611)		(1,238)		1,471
Net OTTI losses recognized in operations		(2,881)		(978)		(1,686)		(9,387)
Total revenues		599,729		192,979		503,935		291,915
Net income (loss)		10,471		18,759		(7,829)		36,397
Earnings (loss) per common share		0.18		0.31		(0.13)		0.58
Earnings (loss) per common share assuming dilution		0.16		0.30		(0.13)		0.55
2011								
Premiums and product charges	$	19,878	$	23,181	$	23,531	$	21,750
Net investment income		292,128		296,878		305,502		324,272
Change in fair value of derivatives		148,653		(22,029)		(333,621)		92,269
Net realized gains (losses) on investments, excluding OTTI losses		(1,193)		(854)		(17,292)		698
Net OTTI losses recognized in operations		(6,571)		(2,229)		(8,891)		(16,285)
Total revenues		452,895		294,947		(30,771)		422,704
Net income (loss)		31,343		18,274		(13,068)		49,699
Earnings (loss) per common share		0.53		0.31		(0.22)		0.83
Earnings (loss) per common share assuming dilution		0.48		0.28		(0.22)		0.79

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Earnings per common share for each quarter is computed independently of earnings per common share for the year. As a result, the sum of the quarterly earnings per common share amounts may not equal the earnings per common share for the year.

In the quarter ended March 31, 2011, we adjusted for an overstatement of our single premium immediate annuity reserves that resulted in a cumulative overstatement of net income for the first quarter of 2011 of $2.7 million.

The differences between the change in fair value of derivatives for each quarter primarily correspond to the performance of the indices upon which our call options are based. The comparability of net income (loss) is impacted by the application of fair value accounting to our fixed index annuity business as follows:

				Quarter ended
	March 31,	**June 30,**	**September 30,**	**December 31,**
		(Dollars in thousands)		
2012	$ 16,279	$ 5,058	$ 18,106	$ (8,270)
2011	(2,945)	9,747	45,868	(21,313)

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Schedule I Summary of investments other than investments in related parties
American Equity Investment Life Holding Company
December 31, 2012
(Dollars in thousands)

Column A		Column B		Column C		Column D
Type of investment		**Amortized cost(1)**		**Fair value**		**Amount at which shown in the balance sheet**
			(Dollars in thousands)			
Fixed maturity securities:						
Available for sale:						
United States Government full faith and credit	$	4,590	$	5,154	$	5,154
United States Government sponsored agencies		1,763,789		1,772,025		1,772,025
United States municipalities, states and territories		3,116,678		3,578,323		3,578,323
Foreign government obligations		86,099		105,259		105,259
Corporate securities		12,930,173		14,466,772		14,466,772
Residential mortgage backed securities		2,743,537		2,888,113		2,888,113
Commercial mortgage backed securities		354,870		357,982		357,982
Other asset backed securities		957,291		998,508		998,508
		21,957,027		24,172,136		24,172,136
Held for investment:						
Corporate security		76,088		61,521		76,088
Total fixed maturity securities		22,033,115	$	24,233,657		24,248,224
Equity securities, available for sale:						
Non-redeemable preferred stocks		29,955		30,120		30,120
Common stocks		14,643		23,302		23,302
Total equity securities		44,598		53,422		53,422
Mortgage loans on real estate		2,623,940		2,848,235		2,623,940
Derivative instruments		196,106		415,258		415,258
Other investments		196,366				196,366
Total investments	$	25,094,125			$	27,537,210

(1) On the basis of cost adjusted for repayments and amortization of premiums and accrual of discounts for fixed maturity securities and short-term investments, original cost for derivative instruments and unpaid principal balance less allowance for credit losses for mortgage loans.

See accompanying Report of Independent Registered Public Accounting Firm.

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Schedule II Condensed financial information of registrant American Equity Investment Life Holding Company (parent company) Condensed balance sheets

(Dollars in thousands)

	December 31, 2012	2011
Assets		
Cash and cash equivalents	$ 11,220	$ 12,609
Equity securities of subsidiary trusts	7,398	8,196
Receivable from subsidiaries	535	747
Deferred income taxes	2,378	
Federal income tax recoverable, including amount from subsidiaries	11,613	8,868
Other assets, including 2015 notes hedges	55,010	61,233
	88,154	91,653
Investment in and advances to subsidiaries	2,235,403	1,933,845
Total assets	$ 2,323,557	$ 2,025,498
Liabilities and Stockholders' Equity		
Liabilities:		
Notes payable	$ 309,869	$ 297,608
Subordinated debentures payable to subsidiary trusts	245,869	268,653
Deferred income taxes		460
Other liabilities, including 2015 notes embedded derivative	47,582	50,098
Total liabilities	603,320	616,819
Stockholders' equity:		
Common stock	61,751	57,837
Additional paid-in capital	496,715	468,281
Unallocated common stock held by ESOP	(2,583)	(3,620)
Accumulated other comprehensive income	686,807	457,229
Retained earnings	477,547	428,952
Total stockholders' equity	1,720,237	1,408,679
Total liabilities and stockholders' equity	$ 2,323,557	$ 2,025,498

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

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Schedule II Condensed financial information of registrant (continued)
American Equity Investment Life Holding Company
(parent company)
Condensed statements of operations
(Dollars in thousands)

	Year ended December 31, 2012	2011	2010
Revenues:			
Net investment income	$ 565	$ 298	$ 295
Dividends from subsidiary trusts	403	427	455
Investment advisory fees	36,178	29,765	23,713
Surplus note interest from subsidiary	4,080	4,080	4,080
Realized gain on investments		18	13
Change in fair value of derivatives	(7,472)	(21,146)	27,059
Loss on extinguishment of debt			(292)
Total revenues	33,754	13,442	55,323
Expenses:			
Change in fair value of embedded derivatives	(2,488)	(21,002)	29,595
Interest expense on notes payable	28,479	31,633	22,125
Interest expense on subordinated debentures issued to subsidiary trusts	13,458	13,977	14,906
Other operating costs and expenses	8,228	7,307	6,013
Total expenses	47,677	31,915	72,639
Loss before income taxes and equity in undistributed income of subsidiaries	(13,923)	(18,473)	(17,316)
Income tax benefit	(5,944)	(7,407)	(7,417)
Loss before equity in undistributed income of subsidiaries	(7,979)	(11,066)	(9,899)
Equity in undistributed income of subsidiaries	65,777	97,314	52,832
Net income	$ 57,798	$ 86,248	$ 42,933

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

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Schedule II Condensed financial information of registrant (continued)
American Equity Investment Life Holding Company
(parent company)
Condensed statements of cash flows
(Dollars in thousands)

	Year ended December 31,		
	2012	2011	2010
Operating activities			
Net income	$ 57,798	$ 86,248	$ 42,933
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in fair value of 2015 notes embedded conversion derivative	(2,488)	(21,002)	29,595
Provision for depreciation and amortization	2,382	2,395	1,270
Accrual of discount on equity security	(5)	(5)	(4)
Equity in undistributed income of subsidiaries	(65,777)	(97,314)	(52,832)
Amortization of premium on fixed maturity security		1,005	185
Accrual of discount on contingent convertible notes	12,261	13,024	7,761
Change in fair value of derivatives	7,472	21,002	(29,595)
Realized (gain) loss on investments		(18)	(13)
Loss (gain) on extinguishment of debt			292
Accrual of discount on debenture issued to subsidiary trust	110	158	148
Share-based compensation	1,348	866	1,087
ESOP compensation	45	45	82
Deferred income tax benefit	(2,838)	(4,355)	(5,153)
Changes in operating assets and liabilities:			
Receivable from subsidiaries	1,205	1,596	(10)
Federal income tax recoverable	(2,745)	142	(2,296)
Other assets	(549)	1,702	(1,925)
Other liabilities	(4,469)	(1,562)	3,708
Net cash provided by (used in) operating activities	3,750	3,927	(4,767)
Investing activities			
Capital contributions to subsidiaries		(2,450)	(2,400)
Purchase of fixed maturity security		(53,610)	(50,260)
Sales, maturities or repayments of fixed maturity securities available for sale		52,623	50,088
Purchases of property, plant and equipment			(33)
Net cash provided by (used in) investing activities		(3,437)	(2,605)
Financing activities			
Financing fees incurred and deferred	$	$ (1,566)	$ (6,800)
Proceeds from notes payable			200,000
Repayments of notes payable		(46,251)	(156,641)
Purchase of 2015 notes hedges			(37,000)
Repayment of subordinated debentures	(1,141)		
Excess tax benefits realized from share-based compensation plans	6	28	31
Proceeds from issuance of common stock	5,370	4,686	6,123
Proceeds from issuance of warrants			15,600
Dividends paid	(9,374)	(7,102)	(5,829)
Net cash provided by (used in) financing activities	(5,139)	(50,205)	15,484

Increase (decrease) in cash and cash equivalents	(1,389)	(49,715)	8,112
Cash and cash equivalents at beginning of year	12,609	62,324	54,212
Cash and cash equivalents at end of year	$ 11,220	$ 12,609	$ 62,324
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest on notes payable	$ 14,564	$ 16,917	$ 11,085
Interest on subordinated debentures	13,102	13,703	14,717
Non-cash financing activity:			
Conversion of subordinated debentures	20,770		60

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

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Schedule II Condensed financial information of registrant (continued)
American Equity Investment Life Holding Company
(parent company)
Note to condensed financial statements
December 31, 2012

1. Basis of presentation

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of American Equity Investment Life Holding Company (Parent Company).

In the Parent Company financial statements, its investment in and advances to subsidiaries are stated at cost plus equity in undistributed income (losses) of subsidiaries since the date of acquisition and net unrealized gains/losses on the subsidiaries' fixed maturity securities classified as "available for sale" and equity securities.

See notes 9 and 10 to the consolidated financial statements for a description of the Parent Company's notes payable and subordinated debentures payable to subsidiary trusts.

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Schedule III Supplementary insurance information
American Equity Investment Life Holding Company

Column A	Column B Deferred policy acquisition costs	Column C Future policy benefits, losses, claims and loss expenses	Column D Unearned premiums	Column E Other policy claims and benefits payable
	(Dollars in thousands)			
As of December 31, 2012:				
Life insurance	$ 1,709,799	$ 31,773,988	$	$ 455,752
As of December 31, 2011:				
Life insurance	$ 1,683,857	$ 28,118,716	$	$ 400,594
As of December 31, 2010:				
Life insurance	$ 1,747,760	$ 23,655,807	$	$ 222,860

Column A	Column F Premium revenue	Column G Net investment income	Column H Benefits, claims, losses and settlement expenses	Column I Amortization of deferred policy acquisition costs	Column J Other operating expenses
	(Dollars in thousands)				
As of December 31, 2012:					
Life insurance	$ 101,883	$ 1,286,923	$ 1,200,218	$ 164,919	$ 137,432
As of December 31, 2011:					
Life insurance	$ 88,340	$ 1,218,780	$ 750,214	$ 143,478	$ 113,169
As of December 31, 2010:					
Life insurance	$ 81,057	$ 1,036,106	$ 932,292	$ 136,388	$ 151,646

See accompanying Report of Independent Registered Public Accounting Firm.

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Schedule IV Reinsurance
American Equity Investment Life Holding Company

Column A	Column B Gross amount	Column C Ceded to other companies	Column D Assumed from other companies	Column E Net amount	Column F Percent of amount assumed to net
	(Dollars in thousands)				
Year ended December 31, 2012:					
Life insurance in force, at end of year	$ 2,350,473	$ 4,742	$ 61,488	$ 2,407,219	2.55%
Insurance premiums and other considerations:					
Annuity product charges	$ 93,472	$ 6,796	$	$ 86,676	
Traditional life and accident and health insurance premiums	12,525	364	716	12,877	5.56%
	$ 105,997	$ 7,160	$ 716	$ 99,553	0.72%
Year ended December 31, 2011:					
Life insurance in force, at end of year	$ 2,469,428	$ 4,692	$ 65,197	$ 2,529,933	2.58%
Insurance premiums and other considerations:					
Annuity product charges	$ 84,338	$ 8,149	$	$ 76,189	
Traditional life and accident and health insurance premiums	11,777	348	722	12,151	5.94%
	$ 96,115	$ 8,497	$ 722	$ 88,340	0.82%
Year ended December 31, 2010:					
Life insurance in force, at end of year	$ 2,505,280	$ 3,147	$ 69,734	$ 2,571,867	2.71%
Insurance premiums and other considerations:					
Annuity product charges	$ 78,138	$ 9,063	$	$ 69,075	
Traditional life and accident and health insurance premiums	11,811	711	882	11,982	7.36%
	$ 89,949	$ 9,774	$ 882	$ 81,057	1.09%

See accompanying Report of Independent Registered Public Accounting Firm.

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Schedule V Valuation and qualifying accounts
American Equity Investment Life Holding Company

	Balance January 1,	Charged to costs and expenses	Translation adjustment	Write-offs/ payments/other	Balance December 31,
	(Dollars in thousands)				
Year Ended December 31, 2012					
Valuation allowance on mortgage loans	$ (32,964)	$ (16,832)	$	$ 15,562	$ (34,234)
Year Ended December 31, 2011					
Valuation allowance on mortgage loans	$ (16,224)	$ (30,770)	$	$ 14,030	$ (32,964)
Year Ended December 31, 2010					
Valuation allowance on mortgage loans	$ (5,266)	$ (15,225)	$	$ 4,267	$ (16,224)

See accompanying Report of Independent Registered Public Accounting Firm.

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American Equity Investment Life Holding Company and subsidiaries
Consolidated balance sheets
(Dollars in thousands, except per share data)

	March 31, 2013	December 31, 2012
	(Unaudited)	
Assets		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value (amortized cost: 2013 $23,513,179; 2012 $21,957,027)	$ 25,609,218	$ 24,172,136
Held for investment, at amortized cost (fair value: 2013 $62,173; 2012 $61,521)	76,129	76,088
Equity securities, available for sale, at fair value (cost: 2013 $44,172; 2012 $44,598)	55,215	53,422
Mortgage loans on real estate	2,591,897	2,623,940
Derivative instruments	719,683	415,258
Other investments	193,714	196,366
Total investments	29,245,856	27,537,210
Cash and cash equivalents	882,097	1,268,545
Coinsurance deposits	2,941,816	2,910,701
Accrued investment income	298,341	261,833
Deferred policy acquisition costs	1,803,498	1,709,799
Deferred sales inducements	1,370,285	1,292,341
Other assets	311,076	153,049
Total assets	$ 36,852,969	$ 35,133,478
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	$ 32,937,308	$ 31,773,988
Other policy funds and contract claims	447,301	455,752
Notes payable	313,043	309,869
Subordinated debentures	245,913	245,869
Deferred income taxes	33,313	49,303
Income taxes payable	10,194	4,756
Other liabilities	1,135,668	573,704
Total liabilities	35,122,740	33,413,241
Stockholders' equity:		

Preferred stock, par value $1 per share, 2,000,000 shares authorized, 2013 and 2012 no shares issued and outstanding				
Common stock, par value $1 per share, 200,000,000 shares authorized; issued and outstanding: 2013 62,783,971 shares (excluding 4,779,535 treasury shares); 2012 61,750,601 shares (excluding 5,127,379 treasury shares)		62,784		61,751
Additional paid-in capital		504,470		496,715
Unallocated common stock held by ESOP; 2013 239,799 shares; 2012 239,799 shares		(2,266)		(2,583)
Accumulated other comprehensive income		661,663		686,807
Retained earnings		503,578		477,547
Total stockholders' equity		1,730,229		1,720,237
Total liabilities and stockholders' equity	$	36,852,969	$	35,133,478

See accompanying notes to unaudited consolidated financial statements.

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American Equity Investment Life Holding Company and subsidiaries
Consolidated statements of operations
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenues:		
Traditional life insurance premiums	$ 2,698	$ 3,222
Annuity product charges	21,481	19,393
Net investment income	329,690	326,910
Change in fair value of derivatives	373,962	259,161
Net realized gains (losses) on investments, excluding other than temporary impairment ("OTTI") losses	10,585	(6,076)
OTTI losses on investments:		
Total OTTI losses	(2,189)	(1,781)
Portion of OTTI losses recognized from other comprehensive income	(1,048)	(1,100)
Net OTTI losses recognized in operations	(3,237)	(2,881)
Total revenues	735,179	599,729
Benefits and expenses:		
Insurance policy benefits and change in future policy benefits	1,735	2,117
Interest sensitive and index product benefits	225,809	139,123
Amortization of deferred sales inducements	28,831	16,710
Change in fair value of embedded derivatives	363,272	359,066
Interest expense on notes payable	7,248	6,995
Interest expense on subordinated debentures	3,009	3,586
Amortization of deferred policy acquisition costs	46,230	34,284
Other operating costs and expenses	19,520	21,713
Total benefits and expenses	695,654	583,594
Income before income taxes	39,525	16,135
Income tax expense	13,494	5,664
Net income	$ 26,031	$ 10,471
Earnings per common share	$ 0.41	$ 0.18
Earnings per common share assuming dilution	$ 0.38	$ 0.16
Weighted average common shares outstanding (in thousands):		
Earnings per common share	63,314	59,701
Earnings per common share assuming dilution	68,706	65,930

See accompanying notes to unaudited consolidated financial statements.

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American Equity Investment Life Holding Company and subsidiaries
Consolidated statements of comprehensive income
(Dollars in thousands)
(Unaudited)

	Three months ended March 31,	
	2013	2012
Net income	26,031	10,471
Other comprehensive loss:		
Change in net unrealized investment gains/losses(1)	(35,183)	(74,975)
Noncredit component of OTTI losses(1)	347	389
Reclassification of unrealized investment gains/losses to net income(1)	(3,847)	
Other comprehensive loss before income tax	(38,683)	(74,586)
Income tax effect related to other comprehensive income	13,539	26,104
Other comprehensive loss	(25,144)	(48,482)
Comprehensive income (loss)	$ 887	$ (38,011)

(1) Net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

See accompanying notes to unaudited consolidated financial statements.

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American Equity Investment Life Holding Company and subsidiaries
Consolidated statements of changes in stockholders' equity
(Dollars in thousands, except per share data)
(Unaudited)

	Common stock	Additional paid-in capital	Unallocated common stock held by ESOP	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
Balance at December 31, 2012	$ 61,751	$ 496,715	$ (2,583)	$ 686,807	$ 477,547	$ 1,720,237
Net income for period					26,031	26,031
Other comprehensive loss				(25,144)		(25,144)
Allocation of 29,430 shares of common stock by ESOP, including excess income tax benefits		58	317			375
Share-based compensation, including excess income tax benefits		1,488				1,488
Issuance of 1,033,370 shares of common stock under compensation plans, including excess income tax benefits	1,033	6,209				7,242
Balance at March 31, 2013	$ 62,784	$ 504,470	$ (2,266)	$ 661,663	$ 503,578	$ 1,730,229
Balance at December 31, 2011	$ 57,837	$ 468,281	$ (3,620)	$ 457,229	$ 428,952	$ 1,408,679
Net income for period					10,471	10,471
Other comprehensive loss				(48,482)		(48,482)
Conversion of $60 of subordinated debentures	7	49				56
Allocation of 30,903 shares of common stock by ESOP, including excess income tax benefits		22	333			355
Share-based compensation, including excess income tax benefits		1,774				1,774
Issuance of 777,690 shares of common stock under compensation plans, including excess income tax benefits	778	(47)				731
Balance at March 31, 2012	$ 58,622	$ 470,079	$ (3,287)	$ 408,747	$ 439,423	$ 1,373,584

See accompanying notes to unaudited consolidated financial statements.

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American Equity Investment Life Holding Company and subsidiaries
Consolidated statements of cash flows
(Dollars in thousands)
(Unaudited)

	Three months ended March 31, 2013	2012
Operating activities		
Net income	$ 26,031	$ 10,471
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest sensitive and index product benefits	225,809	139,123
Amortization of deferred sales inducements	28,831	16,710
Annuity product charges	(21,481)	(19,393)
Change in fair value of embedded derivatives	363,272	359,066
Increase in traditional life and accident and health insurance reserves	402	6,032
Policy acquisition costs deferred	(94,638)	(91,177)
Amortization of deferred policy acquisition costs	46,230	34,284
Provision for depreciation and other amortization	4,607	4,547
Amortization of discounts and premiums on investments	(6,296)	(39,738)
Realized gains/losses on investments and net OTTI losses recognized in operations	(7,348)	8,957
Change in fair value of derivatives	(373,962)	(259,161)
Deferred income taxes	(2,451)	(12,443)
Share-based compensation	1,290	1,106
Change in accrued investment income	(36,508)	(7,685)
Change in income taxes payable	5,438	17,441
Change in other assets	1,315	(682)
Change in other policy funds and contract claims	(8,451)	18,224
Change in collateral held for derivatives	224,755	292,043
Change in other liabilities	(6,215)	(19,523)
Other	(1,014)	(482)
Net cash provided by operating activities	369,616	457,720

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American Equity Investment Life Holding Company
and subsidiaries
Consolidated statements of cash flows (continued)
(Dollars in thousands)
(Unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Investing activities		
Sales, maturities, or repayments of investments:		
Fixed maturity securities available for sale	937,343	965,283
Fixed maturity securities held for investment		1,140,816
Equity securities available for sale		2,605
Mortgage loans on real estate	125,998	99,199
Derivative instruments	146,918	57,015
Other investments	5,371	4,568
Acquisition of investments:		
Fixed maturity securities available for sale	(2,308,052)	(988,547)
Mortgage loans on real estate	(95,147)	(43,678)
Derivative instruments	(82,448)	(83,201)
Other investments	(199)	(17)
Purchases of property, furniture and equipment	(78)	(191)
Net cash provided by (used in) investing activities	(1,270,294)	1,153,852
Financing activities		
Receipts credited to annuity and single premium universal life policyholder account balances	$ 914,936	$ 933,632
Coinsurance deposits	5,641	(49,478)
Return of annuity policyholder account balances	(402,185)	(368,708)
Excess tax benefits realized from share-based compensation plans	305	665
Proceeds from issuance of common stock	7,103	721
Change in checks in excess of cash balance	(11,570)	(6,243)
Net cash provided by financing activities	514,230	510,589
Increase (decrease) in cash and cash equivalents	(386,448)	2,122,161
Cash and cash equivalents at beginning of period	1,268,545	404,952
Cash and cash equivalents at end of period	$ 882,097	$ 2,527,113
Supplemental disclosures of cash flow information		
Cash paid during period for:		
Interest expense	$ 6,470	$ 7,014
Income taxes	10,200	
Non-cash operating activity:		
Deferral of sales inducements	73,898	70,019
Non-cash investing activity:		
Real estate acquired in satisfaction of mortgage loans	844	3,303
Non-cash financing activities:		
Conversion of subordinated debentures		60

See accompanying notes to unaudited consolidated financial statements.

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American Equity Investment Life Holding Company and subsidiaries
Notes to consolidated financial statements
March 31, 2013
(Unaudited)

1. Significant accounting policies

Consolidation and basis of presentation

The accompanying consolidated financial statements of American Equity Investment Life Holding Company ("we", "us" or "our") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by GAAP for complete financial statements. The consolidated financial statements reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly our financial position and results of operations on a basis consistent with the prior audited consolidated financial statements. Operating results for the three month period ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ended December 31, 2013. All significant intercompany accounts and transactions have been eliminated. The preparation of financial statements requires the use of management estimates. For further information related to a description of areas of judgment and estimates and other information necessary to understand our financial position and results of operations, refer to the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2012.

As previously reported in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, we identified certain classification errors related to amounts reported in the financing activities section of our consolidated statements of cash flows. Consistent with that presentation, we have revised the consolidated statement of cash flows for the three months ended March 31, 2012 resulting in decreases of $45.8 million to receipts credited to annuity and single premium universal life policyholder account balances and return of annuity policyholder account balances. These revisions had no net impact on net cash provided by financing activities, and no impact on our consolidated balance sheets, statements of operations, statements of comprehensive income or statements of changes in stockholders' equity.

Adopted accounting pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") that expands the disclosure requirements related to other comprehensive income (loss). A reporting entity is now required to provide information about the amounts reclassified out of accumulated other comprehensive income (loss) by component. In addition, a reporting entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. This ASU became effective for interim and annual periods beginning after December 15, 2012. We adopted this ASU on January 1, 2013.

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New accounting pronouncements

There are no accounting standards updates finalized to become effective in the future that will significantly affect our consolidated financial statements.

2. Fair values of financial instruments

The following sets forth a comparison of the fair values and carrying amounts of our financial instruments:

	March 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	(Dollars in thousands)			
Assets				
Fixed maturity securities:				
Available for sale	$ 25,609,218	$ 25,609,218	$ 24,172,136	$ 24,172,136
Held for investment	76,129	62,173	76,088	61,521
Equity securities, available for sale	55,215	55,215	53,422	53,422
Mortgage loans on real estate	2,591,897	2,831,426	2,623,940	2,848,235
Derivative instruments	719,683	719,683	415,258	415,258
Other investments	164,950	164,725	163,193	163,517
Cash and cash equivalents	882,097	882,097	1,268,545	1,268,545
Coinsurance deposits	2,941,816	2,699,973	2,910,701	2,678,232
Interest rate caps	3,724	3,724	3,247	3,247
2015 notes hedges	71,203	71,203	43,105	43,105
Liabilities				
Policy benefit reserves	32,610,449	26,941,764	31,452,496	26,264,831
Single premium immediate annuity (SPIA) benefit reserves	446,967	461,429	455,167	469,768
Notes payable	313,043	476,786	309,869	422,175
Subordinated debentures	245,913	224,659	245,869	218,283
2015 notes embedded derivatives	71,203	71,203	43,105	43,105
Interest rate swap	3,528	3,528	4,261	4,261

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The objective of a fair value measurement is to determine that price for each financial instrument at each measurement date. We meet this objective using various methods of valuation that include market, income and cost approaches.

We categorize our financial instruments into three levels of fair value hierarchy based on the priority of inputs used in determining fair value. The hierarchy defines the highest priority inputs (Level 1) as quoted prices in active markets for identical assets or liabilities. The lowest priority inputs (Level 3) are our own assumptions about what a market participant would use in determining fair value such as estimated future cash flows. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers

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factors specific to the financial instrument. We categorize financial assets and liabilities recorded at fair value in the consolidated balance sheets as follows:

Level 1	Quoted prices are available in active markets for identical financial instruments as of the reporting date. We do not adjust the quoted price for these financial instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.
Level 2	Quoted prices in active markets for similar financial instruments, quoted prices for identical or similar financial instruments in markets that are not active; and models and other valuation methodologies using inputs other than quoted prices that are observable.
Level 3	Models and other valuation methodologies using significant inputs that are unobservable for financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in Level 3 are securities for which no market activity or data exists and for which we used discounted expected future cash flows with our own assumptions about what a market participant would use in determining fair value.

Transfers of securities among the levels occur at times and depend on the type of inputs used to determine fair value of each security. There were no transfers between levels during the three months ended March 31, 2013.

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Our assets and liabilities which are measured at fair value on a recurring basis as of March 31, 2013 and December 31, 2012 are presented below based on the fair value hierarchy levels:

	Total fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(Dollars in thousands)		
March 31, 2013				
Assets				
Fixed maturity securities:				
Available for sale:				
United States Government full faith and credit	$ 4,616	$ 4,616	$	$
United States Government sponsored agencies	1,857,377		1,857,377	
United States municipalities, states and territories	3,657,164		3,657,164	
Foreign government obligations	100,460		100,460	
Corporate securities	15,550,966	25,814	15,525,152	
Residential mortgage backed securities	2,668,454		2,666,730	1,724
Commercial mortgage backed securities	748,601		748,601	
Other asset backed securities	1,021,580	380	1,021,200	
Equity securities, available for sale: finance, insurance and real estate	55,215	37,744	17,471	
Derivative instruments	719,683		719,683	
Cash and cash equivalents	882,097	882,097		
Interest rate caps	3,724		3,724	
2015 notes hedges	71,203		71,203	
	$ 27,341,140	$ 950,651	$ 26,388,765	$ 1,724
Liabilities				
2015 notes embedded derivatives	$ 71,203	$	$ 71,203	$
Interest rate swap	3,528		3,528	
Fixed index annuities embedded derivatives	3,848,902			3,848,902
	$ 3,923,633	$	$ 74,731	$ 3,848,902

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		Total Fair value		Quoted prices in active markets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)
				(Dollars in thousands)				
December 31, 2012								
Assets								
Fixed maturity securities:								
Available for sale:								
United States Government full faith and credit	$	5,154	$	5,154	$		$	
United States Government sponsored agencies		1,772,025				1,772,025		
United States municipalities, states and territories		3,578,323				3,578,323		
Foreign government obligations		105,259				105,259		
Corporate securities		14,466,772		33,131		14,433,641		
Residential mortgage backed securities		2,888,113				2,886,301		1,812
Commercial mortgage backed securities		357,982				357,982		
Other asset backed securities		998,508		378		998,130		
Equity securities, available for sale: finance, insurance and real estate		53,422		36,928		16,494		
Derivative instruments		415,258				415,258		
Cash and cash equivalents		1,268,545		1,268,545				
Interest rate caps		3,247				3,247		
2015 notes hedges		43,105				43,105		
	$	25,955,713	$	1,344,136	$	24,609,765	$	1,812
Liabilities								
2015 notes embedded derivatives	$	43,105	$		$	43,105	$	
Interest rate swap		4,261				4,261		
Fixed index annuities embedded derivatives		3,337,556						3,337,556
	$	3,384,922	$		$	47,366	$	3,337,556

The following methods and assumptions were used in estimating the fair values of financial instruments during the periods presented in these consolidated financial statements.

Fixed maturity securities and equity securities

The fair values of fixed maturity securities and equity securities in an active and orderly market are determined by utilizing independent pricing services. The independent pricing services incorporate a variety of observable market data in their valuation techniques, including:

reported trading prices,

benchmark yields,

broker-dealer quotes,

benchmark securities,

bids and offers,

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- credit ratings,
- relative credit information, and
- other reference data.

The independent pricing services also take into account perceived market movements and sector news, as well as a security's terms and conditions, including any features specific to that issue that may influence risk and marketability. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary.

The independent pricing services provide quoted market prices when available. Quoted prices are not always available due to market inactivity. When quoted market prices are not available, the third parties use yield data and other factors relating to instruments or securities with similar characteristics to determine fair value for securities that are not actively traded. We generally obtain one value from our primary external pricing service. In situations where a price is not available from this service, we may obtain further quotes or prices from additional parties as needed. In addition, for our callable United States Government sponsored agencies we obtain two broker quotes and take the average of two broker prices received. Market indices of similar rated asset class spreads are considered for valuations and broker indications of similar securities are compared. Inputs used by the broker include market information, such as yield data and other factors relating to instruments or securities with similar characteristics. Valuations and quotes obtained from third party commercial pricing services are non-binding and do not represent quotes on which one may execute the disposition of the assets.

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis of inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of March 31, 2013 and December 31, 2012.

Mortgage loans on real estate

Mortgage loans on real estate are not measured at fair value on a recurring basis. The fair values of mortgage loans on real estate are calculated using discounted expected cash flows using current competitive market interest rates currently being offered for similar loans. The fair values of impaired mortgage loans on real estate that we have considered to be collateral dependent are based on the fair value of the real estate collateral (based on appraised values) less estimated costs to sell. The inputs utilized to determine fair value of all mortgage loans are unobservable market data (competitive market interest rates and appraised property values); therefore, fair value of mortgage loans falls into Level 3 in the fair value hierarchy.

Derivative instruments

The fair values of derivative instruments, primarily call options, are based upon the amount of cash that we will receive to settle each derivative instrument on the reporting date. These amounts are determined by our investment team using industry accepted valuation models and are adjusted for the nonperformance risk of each counterparty net of any collateral held. Inputs include market volatility and risk free interest rates and are used in income valuation techniques in arriving at a fair value for each option contract. The nonperformance risk for each counterparty is based upon its credit default swap rate. We have no performance obligations related to the call options purchased to fund our fixed index annuity policy liabilities.

Other investments

None of the financial instruments included in other investments are measured at fair value on a recurring basis. Financial instruments included in other investments are policy loans, an equity method investment and company owned life insurance (COLI). We have not attempted to determine the fair values associated with our policy loans, as we believe any differences between carrying value and the fair values afforded these instruments are immaterial to our consolidated financial position and, accordingly, the cost to provide such disclosure does not justify the benefit to be derived. The fair value of our equity method investment qualifies as a Level 3 fair value and was determined by calculating the present value of future cash flows discounted by a risk free rate, a risk spread and a liquidity discount. The risk spread and liquidity discount are rates determined by our investment professionals and are unobservable market inputs. The fair value of our COLI approximates the cash surrender value of the policies and whose fair values fall within Level 2 of the fair value hierarchy.

Cash and cash equivalents

Amounts reported in the consolidated balance sheets for these instruments are reported at their historical cost which approximates fair value due to the nature of the assets assigned to this category.

2015 notes hedges

The fair value of these call options is determined by a third party who applies market observable data such as our common stock price, its dividend yield and its volatility, as well as the time to expiration of the call options to determine a fair value of the buy side of these options.

Interest rate swap and caps

The fair values of our pay fixed/receive variable interest rate swap and interest rate caps are obtained from third parties and are determined by discounting expected future cash flows using projected LIBOR rates for the term of the swap and caps.

Policy benefit reserves, coinsurance deposits and SPIA benefit reserves

The fair values of the liabilities under contracts not involving significant mortality or morbidity risks (principally deferred annuities), are stated at the cost we would incur to extinguish the liability (i.e., the cash surrender value) as these contracts are generally issued without an annuitization date. The coinsurance deposits related to the annuity benefit reserves have fair values determined in a similar fashion. For period-certain annuity benefit contracts, the fair value is determined by discounting the benefits at the interest rates currently in effect for newly purchased immediate annuity contracts. We are not required to and have not estimated the fair value of the liabilities under contracts that involve significant mortality or morbidity risks, as these liabilities fall within the definition of insurance contracts that are exceptions from financial instruments that require disclosures of fair value. Policy benefit reserves, coinsurance deposits and SPIA benefit reserves are not measured at fair value on a recurring basis. All of the fair values presented within these categories fall within Level 3 of the fair value hierarchy as most of the inputs are unobservable market data.

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Notes payable

The fair value of the convertible senior notes is based upon pricing matrices developed by a third party pricing service when quoted market prices are not available and are categorized as Level 2 within the fair value hierarchy. Notes payable are not remeasured at fair value on a recurring basis.

Subordinated debentures

Fair values for subordinated debentures are estimated using discounted cash flow calculations based principally on observable inputs including our incremental borrowing rates, which reflect our credit rating, for similar types of borrowings with maturities consistent with those remaining for the debt being valued. These fair values are categorized as Level 2 within the fair value hierarchy. Subordinated debentures are not measured at fair value on a recurring basis.

2015 notes embedded derivatives

The fair value of this embedded derivative is determined by pricing the call options that hedge this potential liability. The terms of the conversion premium are identical to the 2015 notes hedges and the method of determining fair value of the call options is based upon observable market data.

Fixed index annuities embedded derivatives

We estimate the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves at each valuation date by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk free interest rates adjusted for our nonperformance risk related to those liabilities. The projections of policy contract values are based on our best estimate assumptions for future policy growth and future policy decrements. Our best estimate assumptions for future policy growth include assumptions for the expected index credit on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values.

The following tables provide a reconciliation of the beginning and ending balances for our Level 3 assets and liabilities, which are measured at fair value on a recurring basis using significant unobservable inputs for the three months ended March 31, 2013 and 2012:

	Three months ended March 31,	
	2013	**2012**
	(Dollars in thousands)	
Available for sale securities		
Beginning balance	$ 1,812	$ 2,098
Principal returned	(368)	(41)
Accretion of discount	129	26
Total gains (losses) (realized/unrealized):		
Included in other comprehensive income (loss)	151	102
Included in operations		(158)
Ending balance	$ 1,724	$ 2,027

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The Level 3 assets included in the table above are not material to our financial position, results of operations or cash flows, and it is management's opinion that the sensitivity of the inputs used in determining the fair value of these assets is not material as well.

	Three months ended March 31,	
	2013	2012
	(Dollars in thousands)	
Fixed index annuities embedded derivatives		
Beginning balance	$ 3,337,556	$ 2,530,496
Premiums less benefits	246,722	84,226
Change in unrealized gains, net	264,624	306,315
Ending balance	$ 3,848,902	$ 2,921,037

Change in unrealized gains, net for each period in our embedded derivatives are included in change in fair value of embedded derivatives in the unaudited consolidated statements of operations.

Certain derivatives embedded in our fixed index annuity contracts are our most significant financial instrument measured at fair value that are categorized as Level 3 in the fair value hierarchy. The contractual obligations for future annual index credits within our fixed index annuity contracts are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. We estimate the fair value of these embedded derivatives at each valuation date by the method described above under **fixed index annuities embedded derivatives.** The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values.

The most sensitive assumption in determining policy liabilities for fixed index annuities is the rates used to discount the excess projected contract values. As indicated above, the discount rate reflects our nonperformance risk. If the discount rates used to discount the excess projected contract values at March 31, 2013, were to increase by 100 basis points, the fair value of the embedded derivatives would decrease by $261.8 million recorded through operations as a decrease in the change in fair value of embedded derivatives and there would be a corresponding decrease of $158.3 million to our combined balance for deferred policy acquisition costs and deferred sales inducements recorded through operations as an increase in amortization of deferred policy acquisition costs and deferred sales inducements. A decrease by 100 basis points in the discount rate used to discount the excess projected contract values would increase the fair value of the embedded derivatives by $291.9 million recorded through operations as an increase in the change in fair value of embedded derivatives and increase our combined balance for deferred policy acquisition costs and deferred sales inducements by $177.0 million recorded through operations as a decrease in amortization of deferred policy acquisition costs and deferred sales inducements.

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3. Investments

At March 31, 2013 and December 31, 2012, the amortized cost and fair value of fixed maturity securities and equity securities were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(Dollars in thousands)			
March 31, 2013				
Fixed maturity securities:				
Available for sale:				
United States Government full faith and credit	$ 4,091	$ 525	$	$ 4,616
United States Government sponsored agencies	1,853,618	7,646	(3,887)	1,857,377
United States municipalities, states and territories	3,191,793	466,207	(836)	3,657,164
Foreign government obligations	86,102	14,574	(216)	100,460
Corporate securities	14,167,049	1,434,504	(50,587)	15,550,966
Residential mortgage backed securities	2,488,435	186,029	(6,010)	2,668,454
Commercial mortgage backed securities	742,965	8,772	(3,136)	748,601
Other asset backed securities	979,126	48,252	(5,798)	1,021,580
	$ 23,513,179	$ 2,166,509	$ (70,470)	$ 25,609,218
Held for investment:				
Corporate security	$ 76,129	$	$ (13,956)	$ 62,173
Equity securities, available for sale:				
Finance, insurance, and real estate	$ 44,172	$ 11,043	$	$ 55,215
December 31, 2012				
Fixed maturity securities:				
Available for sale:				
United States Government full faith and credit	$ 4,590	$ 564	$	$ 5,154
United States Government sponsored agencies	1,763,789	11,704	(3,468)	1,772,025
United States municipalities, states and territories	3,116,678	461,770	(125)	3,578,323
Foreign government obligations	86,099	19,160		105,259
Corporate securities	12,930,173	1,568,223	(31,624)	14,466,772
Residential mortgage backed securities	2,743,537	172,304	(27,728)	2,888,113
Commercial mortgage backed securities	354,870	5,095	(1,983)	357,982
Other asset backed securities	957,291	44,190	(2,973)	998,508
	$ 21,957,027	$ 2,283,010	$ (67,901)	$ 24,172,136
Held for investment:				
Corporate security	76,088		(14,567)	61,521
Equity securities, available for sale:				
Finance, insurance, and real estate	$ 44,598	$ 10,227	$ (1,403)	$ 53,422

During the three months ended March 31, 2013 and 2012, we received $0.3 billion and $1.9 billion, respectively, in redemption proceeds related to calls of our callable United States Government sponsored agency securities and public and private corporate bonds, of which $1.1 billion for the three months ended March 31, 2012, were classified as held for investment. The proceeds from these redemptions that have been reinvested have primarily been in United States government sponsored agencies, corporate securities, commercial mortgage backed

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securities and other asset backed securities. At March 31, 2013, 31% of our fixed income securities have call features and 0.3% ($0.1 billion) were subject to call redemption. Another 8% ($1.8 billion) will become subject to call redemption during the next twelve months, of which $522.3 million are short-term U.S. Government agency securities with a book yield of 0.76%.

The amortized cost and fair value of fixed maturity securities at March 31, 2013, by contractual maturity, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives and are shown below as separate lines.

	Available for sale		**Held for investment**	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
	(Dollars in thousands)			
Due in one year or less	$ 100,860	$ 105,574	$	$
Due after one year through five years	737,142	833,797		
Due after five years through ten years	5,706,584	6,093,251		
Due after ten years through twenty years	5,804,473	6,322,926		
Due after twenty years	6,953,594	7,815,035	76,129	62,173
	19,302,653	21,170,583	76,129	62,173
Residential mortgage backed securities	2,488,435	2,668,454		
Commercial mortgage backed securities	742,965	748,601		
Other asset backed securities	979,126	1,021,580		
	$ 23,513,179	$ 25,609,218	$ 76,129	$ 62,173

Net unrealized gains on available for sale fixed maturity securities and equity securities reported as a separate component of stockholders' equity were comprised of the following:

	March 31, 2013	**December 31, 2012**
	(Dollars in thousands)	
Net unrealized gains on available for sale fixed maturity securities and equity securities	$ 2,107,082	$ 2,223,933
Adjustments for assumed changes in amortization of deferred policy acquisition costs and deferred sales inducements	(1,123,806)	(1,201,974)
Deferred income tax valuation allowance reversal	22,534	22,534
Deferred income tax benefit	(344,147)	(357,686)
Net unrealized gains reported as accumulated other comprehensive income	$ 661,663	$ 686,807

The National Association of Insurance Commissioners ("NAIC") assigns designations to fixed maturity securities. These designations range from Class 1 (highest quality) to Class 6 (lowest quality). In general, securities are assigned a designation based upon the ratings they are given by the Nationally Recognized Statistical Rating Organizations ("NRSRO's"). The NAIC designations are utilized by insurers in preparing their annual statutory statements. NAIC

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Class 1 and 2 designations are considered "investment grade" while NAIC Class 3 through 6 designations are considered "non-investment grade." Based on the NAIC designations, we had 98% and of our fixed maturity portfolio rated investment grade at March 31, 2013 and December 31, 2012.

The following table summarizes the credit quality, as determined by NAIC designation, of our fixed maturity portfolio as of the dates indicated:

	March 31, 2013		December 31, 2012	
NAIC designation	**Amortized cost**	**Fair value**	**Amortized cost**	**Fair value**
	(Dollars in thousands)			
1	$ 14,659,495	$ 16,121,041	$ 13,737,381	$ 15,250,560
2	8,457,623	9,087,432	7,838,186	8,533,121
3	419,163	408,178	398,294	387,222
4	50,789	53,006	53,879	56,151
5				
6	2,238	1,734	5,375	6,603
	$ 23,589,308	$ 25,671,391	$ 22,033,115	$ 24,233,657

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The following tables show our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 211 and 198 securities, respectively) have been in a continuous unrealized loss position, at March 31, 2013 and December 31, 2012:

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	(Dollars in thousands)					
March 31, 2013						
Fixed maturity securities:						
Available for sale:						
United States Government sponsored agencies	$ 874,724	$ (3,887)	$	$	$ 874,724	$ (3,887)
United States municipalities, states and territories	62,810	(836)			62,810	(836)
Foreign government obligations	14,270	(216)			14,270	(216)
Corporate securities:						
Finance, insurance and real estate	379,876	(7,483)	68,378	(6,127)	448,254	(13,610)
Manufacturing, construction and mining	622,394	(13,677)	11,980	(1,896)	634,374	(15,573)
Utilities and related sectors	362,337	(10,870)	39,887	(3,533)	402,224	(14,403)
Wholesale/retail trade	95,328	(1,586)	10,263	(193)	105,591	(1,779)
Services, media and other	370,926	(5,222)			370,926	(5,222)
Residential mortgage backed securities	62,181	(2,251)	92,736	(3,759)	154,917	(6,010)
Commercial mortgage backed securities	216,149	(3,136)			216,149	(3,136)
Other asset backed securities	167,487	(3,598)	24,008	(2,200)	191,495	(5,798)
	$ 3,228,482	$ (52,762)	$ 247,252	$ (17,708)	$ 3,475,734	$ (70,470)
Held for investment:						
Corporate security:						
Insurance	$	$	$ 62,173	$ (13,956)	$ 62,173	$ (13,956)

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	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	(Dollars in thousands)					
December 31, 2012						
Fixed maturity securities:						
Available for sale:						
United States Government sponsored agencies	$ 973,728	$ (3,468)	$	$	$ 973,728	$ (3,468)
United States municipalities, states and territories	24,393	(125)			24,393	(125)
Corporate securities:						
Finance, insurance and real estate	177,962	(4,126)	85,709	(8,438)	263,671	(12,564)
Manufacturing, construction and mining	426,120	(4,303)	21,975	(1,281)	448,095	(5,584)
Utilities and related sectors	221,044	(5,187)	39,224	(4,212)	260,268	(9,399)
Wholesale/retail trade	101,790	(784)	10,250	(208)	112,040	(992)
Services, media and other	264,421	(3,085)			264,421	(3,085)
Residential mortgage backed securities	220,622	(8,679)	260,226	(19,049)	480,848	(27,728)
Commercial mortgage backed securities	161,582	(1,983)			161,582	(1,983)
Other asset backed securities	145,238	(2,242)	26,131	(731)	171,369	(2,973)
	$ 2,716,900	$ (33,982)	$ 443,515	$ (33,919)	$ 3,160,415	$ (67,901)
Held for investment:						
Corporate security:						
Insurance	$	$	$ 61,521	$ (14,567)	$ 61,521	$ (14,567)
Equity security, available for sale:						
Services	$	$	$ 8,722	$ (1,403)	$ 8,722	$ (1,403)

The following is a description of the factors causing the temporary unrealized losses by investment category as of March 31, 2013:

United States Government sponsored agencies: These securities are relatively long in duration; however, they are callable in less than 12 months making the value of such securities sensitive to changes in market interest rates. The timing of when some of these securities were purchased gave rise to unrealized losses at March 31, 2013.

United States municipalities, states and territories: These securities are relatively long in duration whose fair values are sensitive to changes in market interest rates. The timing of the purchase of these securities have resulted in unrealized losses at this point in time.

Foreign government obligations: The unrealized losses on these securities is due to wider spreads on the announcement of increased capital expenditures with resulting higher leverage and greater supply.

Corporate securities: The unrealized losses in these securities are due partially to the timing of purchases in 2012 and 2013. These securities carry yields less than those available at December 31, 2012 as the result of rising interest rates in the first quarter of 2013. In addition, a small number of securities seeing their credit spreads remain wide due to issuer or industry

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specific news while some financial and industrial sector credit spreads remain wide due to continued economic uncertainty and concerns of economic instability in the European Union.

Residential mortgage backed securities: At March 31, 2013, we had no exposure to sub-prime residential mortgage backed securities. All of our residential mortgage backed securities are pools of first-lien residential mortgage loans. Substantially all of the securities that we own are in the most senior tranche of the securitization in which they are structured and are not subordinated to any other tranche. Our "Alt-A" residential mortgage backed securities are comprised of 36 securities with a total amortized cost basis of $358.3 million and a fair value of $378.6 million. Despite recent improvements in the capital markets, the fair values of RMBS with weaker borrower characteristics continue at prices below amortized cost. These RMBS prices will likely remain below our cost basis until the housing market is able to absorb current and future foreclosures.

Commercial mortgage backed securities: The unrealized losses in these securities are due partially to the timing of purchases in 2012 and 2013. A number of purchases made in the middle of the fourth quarter 2012 were at yields lower than what could be executed at the end of this quarter due to the increase in the treasury yield since the time of purchase. Yield spreads for commercial mortgage backed securities have narrowed but remain attractive.

Other asset backed securities: The unrealized losses in these securities are predominantly assigned to financial sector capital trust securities which have longer maturity dates and have declined in price due to prolonged stress in the financial sector. Only one security in an unrealized loss position is rated below investment grade.

Approximately 76% and 75% of the unrealized losses on fixed maturity securities shown in the above table for March 31, 2013 and December 31, 2012, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations. All of the securities with unrealized losses are current with respect to the payment of principal and interest.

Changes in net unrealized gains on investments for the three months ended March 31, 2013 and 2012 are as follows:

	Three months ended March 31, 2013	Three months ended March 31, 2012
	(Dollars in thousands)	
Fixed maturity securities held for investment carried at amortized cost	$ 611	$ 10,189
Investments carried at fair value:		
Fixed maturity securities, available for sale	$ (119,070)	$ (215,088)
Equity securities, available for sale	2,219	4,424
	(116,851)	(210,664)
Adjustment for effect on other balance sheet accounts:		
Deferred policy acquisition costs and deferred sales inducements	78,168	136,078
Deferred income tax asset/liability	13,539	26,104
	91,707	162,182
Change in net unrealized gains on investments carried at fair value	$ (25,144)	$ (48,482)

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Proceeds from sales of available for sale securities for the three months ended March 31, 2013 and 2012 were $380.4 million and $51.7 million, respectively. Scheduled principal repayments, calls and tenders for available for sale securities for the three months ended March 31, 2013 and 2012 were $556.9 million and $919.1 million, respectively.

Realized gains and losses on sales are determined on the basis of specific identification of investments based on the trade date. Net realized gains (losses) on investments, excluding net OTTI losses for the three months ended March 31, 2013 and 2012 are as follows:

	Three months ended March 31, 2013	Three months ended March 31, 2012
	(Dollars in thousands)	
Available for sale fixed maturity securities:		
Gross realized gains	$ 13,015	$ 1,018
Gross realized losses	(2,187)	(296)
	10,828	722
Equity securities:		
Gross realized gains		562
Other investments:		
Gain on sale of real estate	589	1,445
Loss on sale of real estate	(466)	
Impairment losses on real estate		(974)
	123	471
Mortgage loans on real estate:		
Increase in allowance for credit losses	(366)	(7,831)
	$ 10,585	$ (6,076)

We review and analyze all investments on an ongoing basis for changes in market interest rates and credit deterioration. This review process includes analyzing our ability to recover the amortized cost basis of each investment that has a fair value that is materially lower than its amortized cost and requires a high degree of management judgment and involves uncertainty. The evaluation of securities for other than temporary impairments is a quantitative and qualitative process, which is subject to risks and uncertainties.

We have a policy and process in place to identify securities that could potentially have impairments that are other than temporary. This process involves monitoring market events and other items that could impact issuers. The evaluation includes but is not limited to such factors as:

- the length of time and the extent to which the fair value has been less than amortized cost or cost;
- whether the issuer is current on all payments and all contractual payments have been made as agreed;
- the remaining payment terms and the financial condition and near-term prospects of the issuer;
- the lack of ability to refinance due to liquidity problems in the credit market;

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- the fair value of any underlying collateral;
- the existence of any credit protection available;
- our intent to sell and whether it is more likely than not we would be required to sell prior to recovery for debt securities;
- our assessment in the case of equity securities including perpetual preferred stocks with credit deterioration that the security cannot recover to cost in a reasonable period of time;
- our intent and ability to retain equity securities for a period of time sufficient to allow for recovery;
- consideration of rating agency actions; and
- changes in estimated cash flows of mortgage and asset backed securities.

We determine whether other than temporary impairment losses should be recognized for debt and equity securities by assessing all facts and circumstances surrounding each security. Where the decline in market value of debt securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and we anticipate recovery of all contractual or expected cash flows, we do not consider these investments to be other than temporarily impaired because we do not intend to sell these investments and it is not more likely than not we will be required to sell these investments before a recovery of amortized cost, which may be maturity. For equity securities, we recognize an impairment charge in the period in which we do not have the intent and ability to hold the securities until recovery of cost or we determine that the security will not recover to book value within a reasonable period of time. We determine what constitutes a reasonable period of time on a security-by-security basis by considering all the evidence available to us, including the magnitude of any unrealized loss and its duration. In any event, this period does not exceed 18 months from the date of impairment for perpetual preferred securities for which there is evidence of deterioration in credit of the issuer and common equity securities. For perpetual preferred securities absent evidence of a deterioration in credit of the issuer we apply an impairment model, including an anticipated recovery period, similar to a debt security.

Other than temporary impairment losses on equity securities are recognized in operations. If we intend to sell a debt security or if it is more likely than not that we will be required to sell a debt security before recovery of its amortized cost basis, other than temporary impairment has occurred and the difference between amortized cost and fair value will be recognized as a loss in operations.

If we do not intend to sell and it is not more likely than not we will be required to sell the debt security but also do not expect to recover the entire amortized cost basis of the security, an impairment loss would be recognized in operations in the amount of the expected credit loss. We determine the amount of expected credit loss by calculating the present value of the cash flows expected to be collected discounted at each security's acquisition yield based on our consideration of whether the security was of high credit quality at the time of acquisition. The difference between the present value of expected future cash flows and the amortized cost basis of the security is the amount of credit loss recognized in operations. The remaining amount of the other than temporary impairment is recognized in other comprehensive income.

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The determination of the credit loss component of a mortgage backed security is based on a number of factors. The primary consideration in this evaluation process is the issuer's ability to meet current and future interest and principal payments as contractually stated at time of purchase. Our review of these securities includes an analysis of the cash flow modeling under various default scenarios considering independent third party benchmarks, the seniority of the specific tranche within the structure of the security, the composition of the collateral and the actual default, loss severity and prepayment experience exhibited. With the input of third party assumptions for default projections, loss severity and prepayment expectations, we evaluate the cash flow projections to determine whether the security is performing in accordance with its contractual obligation.

We utilize the models from a leading structured product software specialist serving institutional investors. These models incorporate each security's seniority and cash flow structure. In circumstances where the analysis implies a potential for principal loss at some point in the future, we use the "best estimate" cash flow projection discounted at the security's effective yield at acquisition to determine the amount of our potential credit loss associated with this security. The discounted expected future cash flows equates to our expected recovery value. Any shortfall of the expected recovery when compared to the amortized cost of the security will be recorded as the credit loss component of other than temporary impairment.

The cash flow modeling is performed on a security-by-security basis and incorporates actual cash flows on the residential mortgage backed securities through the current period, as well as the projection of remaining cash flows using a number of assumptions including default rates, prepayment rates and loss severity rates. The default curves we use are tailored to the Prime or Alt-A residential mortgage backed securities that we own, which assume lower default rates and loss severity for Prime securities versus Alt-A securities. These default curves are scaled higher or lower depending on factors such as current underlying mortgage loan performance, rating agency loss projections, loan to value ratios, geographic diversity, as well as other appropriate considerations.

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The following table presents the range of significant assumptions used to determine the credit loss component of other than temporary impairments we have recognized on residential mortgage backed securities for the three months ended March 31, 2013 and 2012, which are all senior level tranches within the structure of the securities:

		Discount rate		Default rate		Loss severity	
Sector	**Vintage**	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Three months ended March 31, 2013							
Prime	2003	5.1%	5.1%	2%	2%	30%	30%
	2005	6.5%	7.7%	8%	17%	50%	50%
	2006	6.0%	6.9%	9%	16%	50%	50%
	2007	6.5%	6.7%	14%	25%	40%	60%
	2008	6.6%	6.6%	16%	16%	45%	45%
Alt-A	2005	5.6%	8.7%	15%	25%	5%	65%
	2007	6.2%	6.9%	38%	52%	60%	65%
Three months ended March 31, 2012							
Prime	2005	7.5%	7.5%	13%	13%	50%	50%
	2006	6.9%	7.4%	19%	19%	50%	55%
	2007	6.4%	7.3%	15%	38%	50%	60%
Alt-A	2005	6.4%	7.4%	14%	27%	5%	50%
	2006	6.0%	6.0%	46%	46%	55%	55%
	2007	6.6%	7.0%	42%	55%	55%	60%

The determination of the credit loss component of a corporate bond (including redeemable preferred stocks) is based on the underlying financial performance of the issuer and their ability to meet their contractual obligations. Considerations in our evaluation include, but are not limited to, credit rating changes, financial statement and ratio analysis, changes in management, significant changes in credit spreads, breaches of financial covenants and a review of the economic outlook for the industry and markets in which they trade. In circumstances where an issuer appears unlikely to meet its future obligation, or the security's price decline is deemed other than temporary, an estimate of credit loss is determined. Credit loss is calculated using default probabilities as derived from the credit default swaps markets in conjunction with recovery rates derived from independent third party analysis or a best estimate of credit loss. This credit loss rate is then incorporated into a present value calculation based on an expected principal loss in the future discounted at the yield at the date of purchase and compared to amortized cost to determine the amount of credit loss associated with the security.

In addition, for debt securities which we do not intend to sell and it is not more likely than not we will be required to sell, but our intent changes due to changes or events that could not have been reasonably anticipated, an other than temporary impairment charge is recognized. Once an impairment charge has been recorded, we then continue to review the other than temporarily impaired securities for appropriate valuation on an ongoing basis. Unrealized losses may be recognized in future periods through a charge to earnings, should we later conclude that the decline in fair value below amortized cost is other than temporary pursuant to our accounting policy described above. The use of different methodologies and assumptions to

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determine the fair value of investments and the timing and amount of impairments may have a material effect on the amounts presented in our consolidated financial statements.

The following table summarizes other than temporary impairments for the three months ended March 31, 2013 and 2012, by asset type:

	Number of securities	Total OTTI losses	Portion of OTTI losses recognized from other comprehensive income	Net OTTI losses recognized in operations
		(Dollars in thousands)		
Three months ended March 31, 2013				
Fixed maturity securities, available for sale:				
Corporate securities:				
Industrial	1	$ (1,761)	$	$ (1,761)
Residential mortgage backed securities	5		(1,048)	(1,048)
Equity security, available for sale:				
Industrial	1	(428)		(428)
	7	$ (2,189)	$ (1,048)	$ (3,237)
Three months ended March 31, 2012				
Fixed maturity securities, available for sale:				
Residential mortgage backed securities	20	$ (1,781)	$ (1,100)	$ (2,881)

The cumulative portion of other than temporary impairments determined to be credit losses which have been recognized in operations for debt securities are summarized as follows:

	Three months ended March 31, 2013	2012
	(Dollars in thousands)	
Cumulative credit loss at beginning of period	$ (134,027)	$ (119,095)
Credit losses on securities for which OTTI has not previously been recognized	(1,761)	
Additional credit losses on securities for which OTTI has previously been recognized	(1,048)	(2,881)
Accumulated losses on securities that were disposed of during the period	7,023	
Cumulative credit loss at end of period	$ (129,813)	$ (121,976)

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The following table summarizes the cumulative noncredit portion of OTTI and the change in fair value since recognition of OTTI, both of which were recognized in other comprehensive income, by major type of security, for securities that are part of our investment portfolio at March 31, 2013 and December 31, 2012:

	Amortized cost	OTTI recognized in other comprehensive income	Change in fair value since OTTI was recognized	Fair value
	(Dollars in thousands)			
March 31, 2013				
Fixed maturity securities, available for sale:				
Corporate securities	$ 19,092	$ (2,151)	$ 3,780	$ 20,721
Residential mortgage backed securities	812,735	(176,557)	219,822	856,000
Equity securities, available for sale:				
Finance, insurance and real estate and services	19,673		10,167	29,840
	$ 851,500	$ (178,708)	$ 233,769	$ 906,561
December 31, 2012				
Fixed maturity securities, available for sale:				
Corporate securities	$ 10,599	$ (2,151)	$ 5,676	$ 14,124
Residential mortgage backed securities	855,915	(177,604)	171,514	849,825
Equity securities, available for sale:				
Finance, insurance and real estate	9,976		9,668	19,644
	$ 876,490	$ (179,755)	$ 186,858	$ 883,593

4. Mortgage loans on real estate

Our mortgage loan portfolio, summarized in the following table, totaled $2.6 billion at March 31, 2013 and December 31, 2012, with commitments outstanding of $73.0 million at March 31, 2013.

	March 31, 2013	December 31, 2012
	(Dollars in thousands)	
Principal outstanding	$ 2,625,737	$ 2,658,883
Loan loss allowance	(33,031)	(34,234)
Deferred prepayment fees	(809)	(709)
Carrying value	$ 2,591,897	$ 2,623,940

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The portfolio consists of commercial mortgage loans collateralized by the related properties and diversified as to property type, location and loan size. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. The mortgage loan portfolio is summarized by geographic region and property type as follows:

	March 31, 2013		December 31, 2012	
	Principal outstanding	Percent	Principal outstanding	Percent
	(Dollars in thousands)			
Geographic distribution				
East	$ 744,863	28.4%	$ 732,762	27.5%
Middle Atlantic	163,497	6.2%	155,094	5.8%
Mountain	371,550	14.2%	387,599	14.6%
New England	24,675	0.9%	26,385	1.0%
Pacific	317,017	12.1%	320,982	12.1%
South Atlantic	459,579	17.5%	458,802	17.3%
West North Central	354,299	13.5%	370,168	13.9%
West South Central	190,257	7.2%	207,091	7.8%
	$ 2,625,737	100.0%	$ 2,658,883	100.0%
Property type distribution				
Office	$ 684,553	26.1%	$ 666,467	25.1%
Medical Office	130,874	5.0%	136,764	5.1%
Retail	656,187	25.0%	677,951	25.5%
Industrial/Warehouse	672,522	25.6%	692,637	26.1%
Hotel	89,376	3.4%	94,045	3.5%
Apartment	220,698	8.4%	219,335	8.2%
Mixed use/other	171,527	6.5%	171,684	6.5%
	$ 2,625,737	100.0%	$ 2,658,883	100.0%

We evaluate our mortgage loan portfolio for the establishment of a loan loss reserve by specific identification of impaired loans and the measurement of an estimated loss for each individual loan identified. A mortgage loan is impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. If we determine that the value of any specific mortgage loan is impaired, the carrying amount of the mortgage loan will be reduced to its fair value, based upon the present value of expected future cash flows from the loan discounted at the loan's effective interest rate, or the fair value of the underlying collateral less estimated costs to sell. In addition, we analyze the mortgage loan portfolio for the need of a general loan allowance for probable losses on all other loans. The amount of the general loan allowance is based upon management's evaluation of the collectability of the loan portfolio, historical loss experience, delinquencies, credit concentrations, underwriting standards and national and local economic conditions.

Our financing receivables currently consist of one portfolio segment which is our commercial mortgage loan portfolio. These are mortgage loans with collateral consisting of commercial real estate and borrowers consisting mostly of limited liability partnerships or limited liability corporations.

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We have a population of mortgage loans that we have been carrying with workout terms (e.g. interest only periods, period of suspended payments, etc.) and a population of mortgage loans that have been in a delinquent status (i.e. more than 60 days past due). It is from this population that we have been recognizing some impairment loss due to nonpayment and, in some cases, eventual satisfaction of the loan by taking ownership of the collateral real estate. In most cases the fair value of the collateral less estimated costs to sell such collateral has been less than the outstanding principal amount of the mortgage loan.

Our general loan loss allowance for the period ended March 31, 2012 was calculated utilizing a group of loans which had a debt service coverage ratio (DSCR) of less than 1.0. The DSCR is calculated by dividing the net operating income of the mortgaged property by the contractual principal and interest payment due for the corresponding period. We developed the loss rates to apply to this group of loans by dividing the specific impairment loss for the most recent 4 quarters by the principal outstanding of the loans with a DSCR of less than 1.0.

Currently, we complete a process of rating the mortgage loans in our portfolio based on factors such as historical operating performance, loan to value ratio and economic outlook, among others. We calculate a loss factor to apply to each rating based on historical losses we have recognized in our mortgage loan portfolio. We apply the loss factors to the total principal outstanding within each rating category to determine an appropriate estimate of general loan loss allowance at March 31, 2013.

The following tables present a rollforward of our specific and general valuation allowances for mortgage loans on real estate:

	Three months ended March 31, 2013		Three months ended March 31, 2012	
	Specific allowance	**General allowance**	**Specific allowance**	**General allowance**
	(Dollars in thousands)			
Beginning allowance balance	$ (23,134)	$ (11,100)	$ (23,664)	$ (9,300)
Charge-offs	1,569		900	
Recoveries				
Provision for credit losses	(1,066)	700	(6,831)	(1,000)
Ending allowance balance	$ (22,631)	$ (10,400)	$ (29,595)	$ (10,300)

The specific allowance is a total of credit loss allowances on loans which are individually evaluated for impairment. The general allowance is the group of loans discussed above which are collectively evaluated for impairment. The following table presents the total outstanding principal of loans evaluated for impairment by basis of impairment method:

	March 31, 2013	December 31, 2012
	(Dollars in thousands)	
Individually evaluated for impairment	$ 44,299	$ 53,110
Collectively evaluated for impairment	2,581,438	2,605,773
Total loans evaluated for impairment	$ 2,625,737	$ 2,658,883

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The amount of charge-offs include the amount of allowance that has been established for loans that were satisfied by taking ownership of the collateral. When the property is taken it is recorded at its fair value as a component of other investments and the mortgage loan is recorded as fully paid, with any allowance for credit loss that has been established charged off. Fair value of the real estate is determined by third party appraisal. There could be other situations that develop where we have established a larger specific loan loss allowance than is needed based on increases in the fair value of collateral supporting collateral dependent loans, or improvements in the financial position of a borrower so that a loan would become reliant on cash flows from debt service instead of dependent upon sale of the collateral. Charge-offs of the allowance would be recognized in those situations as well. We define collateral dependent loans as those mortgage loans for which we will depend on the value of the collateral real estate to satisfy the outstanding principal of the loan.

During the three months ended March 31, 2013, one mortgage loan was satisfied by taking ownership of the real estate serving as collateral compared to nine mortgage loans for the same period in 2012. The following table summarizes the activity in the real estate owned which was obtained in satisfaction of mortgage loans on real estate:

	Three months ended March 31,	
	2013	**2012**
	(Dollars in thousands)	
Real estate owned at beginning of period	$ 33,172	$ 36,821
Real estate acquired in satisfaction of mortgage loans	844	3,303
Sales	(5,080)	(3,083)
Impairments		(974)
Depreciation	(172)	(243)
Real estate owned at end of period	$ 28,764	$ 35,824

We analyze credit risk of our mortgage loans by analyzing all available evidence on loans that are delinquent and loans that are in a workout period.

	March 31, 2013	**December 31, 2012**
	(Dollars in thousands)	
Credit exposure by payment activity		
Performing	$ 2,578,031	$ 2,597,440
In workout	28,326	26,723
Collateral dependent	19,380	34,720
	$ 2,625,737	$ 2,658,883

Mortgage loans are considered delinquent when they become 60 days past due. When loans become 90 days past due, become collateral dependent or enter a period with no debt service payments required we place them on non-accrual status and discontinue recognizing interest income. If payments are received on a delinquent loan, interest income is recognized to the extent it would have been recognized if normal principal and interest would have been received timely. If payments are received to bring a delinquent loan back to current we will resume accruing interest income on that loan. Outstanding principal of loans in a non-accrual

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status at March 31, 2013 and December 31, 2012 totaled $19.4 million and $34.7 million, respectively.

All of our commercial mortgage loans depend on the cash flow of the borrower to be at a sufficient level to service the principal and interest payments as they come due. In general, cash inflows of the borrowers are generated by collecting monthly rent from tenants occupying space within the borrowers' properties. Our borrowers face collateral risks such as tenants going out of business, tenants struggling to make rent payments as they become due, and tenants canceling leases and moving to other locations. We have a number of loans where the real estate is occupied by a single tenant. Our borrowers sometimes face both a reduction in cash flow on their mortgage property as well as a reduction in the fair value of the real estate collateral. If borrowers are unable to replace lost rent revenue and increases in the fair value of their property do not materialize we could potentially incur more losses than what we have allowed for in our specific and general loan loss allowances.

Aging of financing receivables is summarized in the following table, with loans in a "workout" period as of the reporting date considered current if payments are current in accordance with agreed upon terms:

	30 - 59 days	60 - 89 days	90 days and over	Total past due	Current	Collateral dependent receivables	Total financing receivables
	(Dollars in thousands)						
Commercial mortgage loans							
March 31, 2013	$	$	$	$	$ 2,606,357	$ 19,380	$ 2,625,737
December 31, 2012	$	$	$	$	$ 2,624,163	$ 34,720	$ 2,658,883

Financing receivables summarized in the following table represent all loans that we are either not currently collecting or those we feel it is probable we will not collect all amounts due according to the contractual terms of the loan agreements (all loans that we have worked with the borrower to alleviate short-term cash flow issues, loans delinquent for more than 60 days

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at the reporting date, loans we have determined to be collateral dependent and loans that we have recorded specific impairments on that we feel may continue to have performance issues).

	Recorded investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized
	(Dollars in thousands)				
March 31, 2013					
Mortgage loans with an allowance	$ 23,887	$ 46,518	$ (22,631)	$ 28,384	$ 331
Mortgage loans with no related allowance	20,413	20,413		20,505	284
	$ 44,300	$ 66,931	$ (22,631)	$ 48,889	$ 615
December 31, 2012					
Mortgage loans with an allowance	$ 29,976	$ 53,110	$ (23,134)	$ 37,480	$ 1,946
Mortgage loans with no related allowance	27,765	27,765		27,696	1,664
	$ 57,741	$ 80,875	$ (23,134)	$ 65,176	$ 3,610

The loans that are categorized as "in workout" consist of loans that we have agreed to lower or no mortgage payments for a period of time while the borrowers address cash flow and/or operational issues. The key features of these workouts have been determined on a loan-by-loan basis. Most of these loans are in a period of low cash flow due to tenants vacating their space or tenants requesting rent relief during difficult economic periods. Generally, we have allowed the borrower a six month interest only period and in some cases a twelve month period of interest only. Interest only workout loans are expected to return to their regular debt service payments after the interest only period. Interest only loans that are not fully amortizing will have a larger balance at their balloon date than originally contracted. Fully amortizing loans that are in interest only periods will have larger debt service payments for their remaining term due to lost principal payments during the interest only period. In limited circumstances we have allowed borrowers to pay the principal portion of their loan payment into an escrow account that can be used for capital and tenant improvements for a period of not more than twelve months. In these situations new loan amortization schedules are calculated based on the principal not collected during this twelve month workout period and larger payments are collected for the remaining term of each loan. In all cases, original interest rate and maturity date have not been modified and we have not forgiven any principal amounts.

A Troubled Debt Restructuring ("TDR") is a situation where we have granted a concession to a borrower for economic or legal reasons related to the borrower's financial difficulties that we would not otherwise consider. A mortgage loan that has been granted new terms, including workout terms as described previously, would be considered a TDR if it meets conditions that would indicate a borrower experiencing financial difficulty and the new terms constituting a concession on our part. We analyze all loans that we agree to workout terms and all loans that we have refinanced to determine if they meet the definition of a TDR. We consider the following factors in determining whether or not a borrower is experiencing financial difficulty:

borrower is in default,

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- borrower has declared bankruptcy,
- there is growing concern about the borrower's ability to continue as a going concern,
- borrower has insufficient cash flows to service debt,
- borrower's inability to obtain funds from other sources, and
- there is a breach of financial covenants by the borrower.

If the borrower is determined to be in financial difficulty, we consider the following conditions to determine if the borrower was granted a concession:

- assets used to satisfy debt are less than our recorded investment,
- interest rate is modified,
- maturity date extension at an interest rate less than market rate,
- capitalization of interest,
- delaying principal and/or interest for a period of three months or more, and
- partial forgiveness of the balance or charge-off.

Mortgage loan workouts, refinances or restructures that are classified as TDR are individually evaluated and measured for impairment. A summary of mortgage loans on commercial real estate with outstanding principal at March 31, 2013 and December 31, 2012 that we determined to be TDR's are as follows:

Geographic region	Number of TDR's	Principal balance outstanding	Specific loan loss allowance	Net carrying amount
		(Dollars in thousands)		
March 31, 2013				
East	1	$ 4,208	$ (1,425)	$ 2,783
Mountain	9	25,533	(1,172)	24,361
South Atlantic	7	17,287	(5,898)	11,389
East North Central	1	2,219	(467)	1,752
West North Central	3	8,688	(2,136)	6,552
	21	$ 57,935	$ (11,098)	$ 46,837

December 31, 2012							
East	1	$	4,208	$	(1,425)	$	2,783
Mountain	10		28,786		(1,702)		27,084
South Atlantic	9		23,358		(5,047)		18,311
East North Central	1		2,232		(467)		1,765
West North Central	3		9,466		(2,328)		7,138
	24	$	68,050	$	(10,969)	$	57,081

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5. Derivative Instruments

We recognize all derivative instruments as assets or liabilities in the consolidated balance sheets at fair value. None of our derivatives qualify for hedge accounting, thus, any change in the fair value of the derivatives is recognized immediately in the consolidated statements of operations. The fair value of our derivative instruments, including derivative instruments embedded in fixed index annuity contracts, presented in the consolidated balance sheets are as follows:

	March 31, 2013	December 31, 2012
	(Dollars in thousands)	
Assets		
Derivative instruments		
Call options	$ 719,683	$ 415,258
Other assets		
2015 notes hedges	71,203	43,105
Interest rate caps	3,724	3,247
	$ 794,610	$ 461,610
Liabilities		
Policy benefit reserves annuity products		
Fixed index annuities embedded derivatives	$ 3,848,902	$ 3,337,556
Other liabilities		
2015 notes embedded derivatives	71,203	43,105
Interest rate swap	3,528	4,261
	$ 3,923,633	$ 3,384,922

The changes in fair value of derivatives included in the unaudited consolidated statements of operations are as follows:

	Three months ended March 31, 2013	2012
	(Dollars in thousands)	
Change in fair value of derivatives:		
Call options	$ 344,654	$ 241,520
2015 notes hedges	28,098	16,751
Interest rate swap	733	890
Interest rate caps	477	
	$ 373,962	$ 259,161
Change in fair value of embedded derivatives:		
2015 notes embedded derivatives	$ 28,098	$ 16,751
Fixed index annuities	335,174	342,315
	$ 363,272	$ 359,066

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We have fixed index annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index. When fixed index annuity deposits are received, a portion of the deposit is used to purchase derivatives consisting of call options on the applicable market indices to fund the index credits due to fixed index annuity policyholders. Substantially all such call options are one year options purchased to match the funding requirements of the underlying policies. The call options are marked to fair value with the change in fair value included as a component of revenues. The change in fair value of derivatives includes the gains or losses recognized at the expiration of the option term or upon early termination and the changes in fair value for open positions. On the respective anniversary dates of the index policies, the index used to compute the annual index credit is reset and we purchase new one-year call options to fund the next annual index credit. We manage the cost of these purchases through the terms of our fixed index annuities, which permit us to change caps, participation rates, and/or asset fees, subject to guaranteed minimums on each policy's anniversary date. By adjusting caps, participation rates, or asset fees, we can generally manage option costs except in cases where the contractual features would prevent further modifications.

Our strategy attempts to mitigate any potential risk of loss under these agreements through a regular monitoring process which evaluates the program's effectiveness. We do not purchase call options that would require payment or collateral to another institution and our call options do not contain counterparty credit-risk-related contingent features. We are exposed to risk of loss in the event of nonperformance by the counterparties and, accordingly, we purchase our option contracts from multiple counterparties and evaluate the creditworthiness of all counterparties prior to purchase of the contracts. All of these options have been purchased from nationally recognized financial institutions with a Standard and Poor's credit rating of A- or higher at the time of purchase and the maximum credit exposure to any single counterparty is subject to concentration limits. We also have credit support agreements that allow us to request the counterparty to provide collateral to us when the fair value of our exposure to the counterparty exceeds specified amounts.

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The notional amount and fair value of our call options by counterparty and each counterparty's current credit rating are as follows:

Counterparty	Credit rating (S&P)	Credit rating (Moody's)	March 31, 2013 Notional amount	March 31, 2013 Fair value	December 31, 2012 Notional amount	December 31, 2012 Fair Value
			(Dollars in thousands)			
Bank of America	A	A3	$ 813,718	$ 33,168	$ 568,786	$ 16,533
Barclays	A+	A2	3,604,972	140,646	3,463,777	103,929
BNP Paribas	A+	A2	2,272,043	90,994	2,207,097	60,301
Citibank, N.A.	A	A3	2,804,662	154,838	2,878,588	67,592
Credit Suisse	A+	A1	1,386,267	51,175	936,625	21,518
Deutsche Bank	A+	A2	783,364	40,958	886,688	20,787
HSBC	AA-	Aa3	299,965	13,583	295,520	6,539
J.P. Morgan	A+	Aa3	589,888	28,279	735,016	21,940
Morgan Stanley	A	Baa1	1,632,282	73,496	1,590,505	40,113
Wells Fargo	AA-	Aa3	2,105,038	92,546	2,060,903	56,006
			$ 16,292,199	$ 719,683	$ 15,623,505	$ 415,258

As of March 31, 2013 and December 31, 2012, we held $649.8 million and $328.7 million, respectively, of cash and cash equivalents and other securities from counterparties for derivative collateral, which is included in other liabilities on our consolidated balance sheets. This derivative collateral limits the maximum amount of economic loss due to credit risk that we would incur if parties to the call options failed completely to perform according to the terms of the contracts to $82.2 million and $93.7 million at March 31, 2013 and December 31, 2012, respectively.

The future annual index credits on our fixed index annuities are treated as a "series of embedded derivatives" over the expected life of the applicable contract. We do not purchase call options to fund the index liabilities which may arise after the next policy anniversary date. We must value both the call options and the related forward embedded options in the policies at fair value.

We entered into an interest rate swap and interest rate caps to manage interest rate risk associated with the floating rate component on certain of our subordinated debentures. See note 10 in our Annual Report on Form 10-K for the year ended December 31, 2012 for more information on our subordinated debentures. The terms of the interest rate swap provide that we pay a fixed rate of interest and receive a floating rate of interest. The terms of the interest rate caps limit the three month London Interbank Offered Rate to 2.50%. The interest rate swap and caps are not effective hedges under accounting guidance for derivative instruments and hedging activities. Therefore, we record the interest rate swap and caps at fair value and any net cash payments received or paid are included in the change in fair value of derivatives in the unaudited consolidated statements of operations.

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Details regarding the interest rate swap are as follows:

Maturity date	Notional amount	Receive rate	Pay rate	Counterparty	March 31, 2013 Fair value	December 31, 2012 Fair value
					(Dollars in thousands)	
March 15, 2021	$ 85,500	*LIBOR	2.415%	SunTrust	$ (3,528)	$ (4,261)

* three month London Interbank Offered Rate

Details regarding the interest rate caps are as follows:

Maturity date	Notional amount	Floating rate	Cap rate	Counterparty	March 31, 2013 Fair value	December 31, 2012 Fair value
			(Dollars in thousands)			
July 7, 2021	$ 40,000	*LIBOR	2.50%	SunTrust	$1,874	$1,634
July 8, 2021	12,000	*LIBOR	2.50%	SunTrust	563	490
July 29, 2021	27,000	*LIBOR	2.50%	SunTrust	1,287	1,123
	$ 79,000				$3,724	$3,247

* three month London Interbank Offered Rate

The interest rate swap has a forward starting date beginning in March 2014 and converts floating rates to fixed rates for seven years. The interest rate caps have a forward starting date beginning in July 2014 and cap our interest rates for seven years. As of March 31, 2013 we held $0.5 million of cash and cash equivalents to the counterparty for derivative collateral related to the swap and caps, which is included in other liabilities on our consolidated balance sheets.

6. Notes payable

The contingent convertible senior notes included in notes payable are accounted for separately as a liability component and an equity component in the consolidated balance sheets. The liability component and equity component are as follows:

	March 31, 2013			December 31, 2012		
	September 2015 notes	December 2029 notes	December 2024 notes	September 2015 notes	December 2029 notes	December 2024 notes
			(Dollars in thousands)			
Notes payable:						
Principal amount of liability component	$ 200,000	$ 115,839	$ 28,243	$ 200,000	$ 115,839	$ 28,243
Unamortized discount	(20,151)	(10,888)		(21,944)	(12,269)	

Net carrying amount of liability component	$	179,849	$	104,951	$	28,243	$	178,056	$	103,570	$	28,243
Additional paid-in capital:												
Carrying amount of equity component			$	15,586	$	22,637			$	15,586	$	22,637
Amount by which the if-converted value exceeds principal	$	41,065	$	64,395	$	2,364	$		$	30,382	$	

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The discount is being amortized over the expected lives of the notes, which is December 15, 2014 for the 2029 notes and September 15, 2015 for the 2015 notes, and was December 15, 2011 for the 2024 notes. The effective interest rates during the discount amortization periods are 8.9%, 8.5% and 11.9% on the 2015 notes, the 2024 notes and the 2029 notes, respectively. The interest cost recognized in operations for the convertible notes, inclusive of the coupon and amortization of the discount and debt issue costs, was $7.2 million and $7.0 million for the three months ended March 31, 2013 and 2012, respectively.

We are required to include the dilutive effect of the 2024 and 2029 notes in our diluted earnings per share calculation. Because these notes include a mandatory cash settlement feature for the principal amount, incremental dilutive shares will only exist when the fair value of our common stock at the end of the reporting period exceeds the conversion price per share of $13.74 for the 2024 notes and $9.57 for the 2029 notes. At March 31, 2013 and 2012, the conversion premium of the 2029 notes was dilutive and the effect has been included in diluted earnings per share for the three months ended March 31, 2013 and 2012. At March 31, 2013, the conversion premium of the 2024 notes was dilutive and the effect has been included in diluted earnings per share for the three months ended March 31, 2013. The 2015 notes and the 2015 notes hedges are excluded from the dilutive effect in our diluted earnings per share calculation as they are currently to be settled only in cash. The 2015 warrants could have a dilutive effect on our earnings per share to the extent that the price of our common stock exceeds the strike price of the 2015 warrants.

On March 25, 2013, notice of mandatory redemption was issued for our 2024 notes. $25.8 million principal amount of the convertible notes exercised their conversion rights prior to the April 30, 2013 mandatory redemption date. The holders of these notes will receive the principal amount of their notes in cash and the conversion premium in shares of our common stock. The final number of shares to be issued will be determined based upon the "ten day average closing price" for our common stock on the ten consecutive trading days beginning on the second trading day following the day the notes were submitted for conversion. The balance of the convertible notes ($2.5 million principal amount) will be redeemed for cash.

In 2011, we entered into a three year $160 million revolving line of credit agreement with seven banks. The interest rate is floating at a rate based on our election that will be equal to the alternate base rate (as defined in the credit agreement) plus the applicable margin or the adjusted LIBOR rate (as defined in the credit agreement) plus the applicable margin. We also pay a commitment fee on the available unused portion of the credit facility. The applicable margin and commitment fee rate are based on our credit rating and can change throughout the period of the credit facility. Based upon our current credit rating, the applicable margin is 2.00% for alternate base rate borrowings and 3.00% for adjusted LIBOR rate borrowings and the commitment fee is 0.50%. Under this agreement, we are required to maintain a minimum risk-based capital ratio at American Equity Life, a maximum ratio of debt to total capital, a minimum cash coverage ratio, and a minimum level of statutory surplus at American Equity Life. No amounts were outstanding at March 31, 2013 and December 31, 2012.

7. Contingencies

We are occasionally involved in litigation, both as a defendant and as a plaintiff. In addition, state regulatory bodies, such as state insurance departments, the SEC, FINRA, the Department of Labor, and other regulatory bodies regularly make inquiries and conduct examinations or

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investigations concerning our compliance with, among other things, insurance laws, securities laws, the Employee Retirement Income Security Act of 1974, as amended, and laws governing the activities of broker-dealers.

In accordance with applicable accounting guidelines, we establish an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. As a litigation or regulatory matter is developing we, in conjunction with outside counsel, evaluate on an ongoing basis whether the matter presents a loss contingency that meets conditions indicating the need for accrual and/or disclosure, and if not the matter will continue to be monitored for further developments. If and when the loss contingency related to litigation or regulatory matters is deemed to be both probable and estimable, we will establish an accrued liability with respect to that matter and will continue to monitor the matter for further developments that may affect the amount of the accrued liability. We recorded an estimated litigation liability of $17.5 million during the third quarter of 2012 based on developments in the mediation of the matter discussed below.

In recent years, companies in the life insurance and annuity business have faced litigation, including class action lawsuits, alleging improper product design, improper sales practices and similar claims. We are currently a defendant in a purported class action, *McCormack, et al. v. American Equity Investment Life Insurance Company, et al.*, in the United States District Court for the Central District of California, Western Division and *Anagnostis v. American Equity, et al.*, coordinated in the Central District, entitled, *In Re: American Equity Annuity Practices and Sales Litigation*, in the United States District Court for the Central District of California, Western Division (complaint filed September 7, 2005) (the "Los Angeles Case"), involving allegations of improper sales practices and similar claims as described below.

The Los Angeles Case is a consolidated action involving several lawsuits filed by individuals, and the individuals are seeking class action status for a national class of purchasers of annuities issued by us; however, no class has yet been certified. The named plaintiffs in this consolidated case are Bernard McCormack, Gust Anagnostis by and through Gary S. Anagnostis and Robert C. Anagnostis, Regina Bush by and through Sharon Schipiour, Lenice Mathews by and through Mary Ann Maclean and George Miller. The allegations generally attack the suitability of sales of deferred annuity products to persons over the age of 65. The plaintiffs seek rescission and injunctive relief including restitution and disgorgement of profits on behalf of all class members under California Business & Professions Code section 17200 et seq. and Racketeer Influenced and Corrupt Organizations Act; compensatory damages for breach of fiduciary duty and aiding and abetting of breach of fiduciary duty; unjust enrichment and constructive trust; and other pecuniary damages under California Civil Code section 1750 and California Welfare & Institutions Codes section 15600 et seq. We have participated in mediation sessions with plaintiffs' counsel since 2011 where potential settlement terms have been discussed. Based upon the current status of those discussions, the $17.5 million litigation liability referred to above represents our best estimate of probable loss with respect to this litigation. However, a formal settlement has not been reached, the potential settlement has not been reviewed by the court and other factors could potentially result in a change in this estimate as further developments take place. In light of the inherent uncertainties involved in the pending purported class action lawsuit, there can be no assurance that such litigation, or any other pending or future litigation, will not have a material adverse effect on our business, financial condition, or results of operations.

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8. Earnings per share

The following table sets forth the computation of earnings per common share and earnings per common share assuming dilution:

	Three months ended March 31, 2013		Three months ended March 31, 2012	
	(Dollars in thousands, except per share data)			
Numerator:				
Net income numerator for earnings per common share	$	26,031	$	10,471
Interest on convertible subordinated debentures (net of income tax benefit)				258
Numerator for earnings per common share assuming dilution	$	26,031	$	10,729
Denominator:				
Weighted average common shares outstanding(1)		63,313,568		59,700,537
Effect of dilutive securities:				
Convertible subordinated debentures				2,883,310
Convertible senior notes		4,483,492		2,719,840
Stock options and deferred compensation agreements		908,853		626,622
Denominator for earnings per common share assuming dilution		68,705,913		65,930,309
Earnings per common share	$	0.41	$	0.18
Earnings per common share assuming dilution	$	0.38	$	0.16

(1) Weighted average common shares outstanding include shares vested under the NMO Deferred Compensation Plan and exclude unallocated shares held by the ESOP.

Options to purchase shares of our common stock that were outstanding during the respective periods indicated but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares are as follows:

Period	Number of shares	Range of exercise prices Minimum		Maximum	
Three months ended March 31, 2013	3,200	$	14.34	$	14.62
Three months ended March 31, 2012	1,499,900	$	11.88	$	14.34

In November 2011, our board of directors approved a share repurchase program authorizing us to repurchase up to 10,000,000 shares of our common stock. As of March 31, 2013, no shares had been repurchased under this program.

PROSPECTUS

American Equity
Investment Life Holding Company

Debt Securities
Preferred Stock
Common Stock
Depositary Shares
Warrants
Stock Purchase Contracts
Stock Purchase Units

American Equity Capital Trust V
American Equity Capital Trust VI

Trust Preferred Securities Fully and Unconditionally
Guaranteed by American Equity Investment Life Holding Company

We may offer, issue and sell, together or separately, from time to time:

- debt securities, which may be senior debt securities or subordinated debt securities;
- shares of our preferred stock;
- shares of our common stock;
- depositary shares representing an interest in our preferred stock;
- warrants to purchase our debt securities, shares of our common stock, shares of our preferred stock, depositary shares or securities of third parties or other rights;
- stock purchase contracts to purchase our debt securities, shares of our common stock, shares of our preferred stock, depositary shares, warrants, trust preferred securities, other property of American Equity Investment Life Holding Company or securities of an entity unaffiliated with American Equity Investment Life Holding Company, a basket of such securities or any combination of the above; and
- stock purchase units, each representing ownership of a stock purchase contract and debt securities, trust preferred securities of American Equity Capital Trust V and American Equity Capital Trust VI, or our debt obligations of third-parties, including U.S. treasury securities or any combination of the foregoing, securing the holder's obligation to purchase our common stock or other securities under the stock purchase contracts.

American Equity Capital Trust V and American Equity Capital Trust VI are Delaware statutory trusts. The trusts may offer, issue and sell, from time to time, trust preferred securities. We will guarantee the payment of dividends and payments on liquidation or redemption of the trust preferred securities, as described in this prospectus and in an applicable prospectus supplement. We will own the trust interests represented by the common securities to be issued by each trust. Each trust exists for the sole purpose of issuing its trust interests and investing the proceeds in debt securities, unless an applicable prospectus supplement indicates otherwise.

Specific terms of these securities will be provided in one or more supplements to this prospectus. You should read this prospectus and any applicable prospectus supplement carefully before you make your investment decision.

We and the trusts may offer securities through underwriting syndicates managed or co-managed by one or more underwriters or directly to purchasers. The prospectus supplement for each offering of securities will describe in detail the plan of distribution for that offering. For general information about the distribution of securities offered, please see "Plan of Distribution" in this prospectus.

Our common stock is listed on the New York Stock Exchange under the trading symbol "AEL." Unless we state otherwise in a prospectus supplement, we will not list any other securities offered on an exchange.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement or a free writing prospectus.

Investing in our securities involves risks. You should carefully read and consider the risk factors included in our periodic reports, in any prospectus supplements relating to specific offerings of securities and in other documents that we file with the Securities and Exchange Commission. See "Risk Factors" on page 2.

None of the Securities and Exchange Commission, any state securities commission, the Iowa Commissioner of Insurance or any other regulatory body has approved or disapproved of any of these securities or determined if this prospectus or any accompanying prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 28, 2012

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ABOUT THIS PROSPECTUS

This prospectus is part of a joint registration statement filed by American Equity Investment Life Holding Company, American Equity Capital Trust V and American Equity Capital Trust VI with the Securities and Exchange Commission, or SEC, using a "shelf" registration process. Under this shelf process, we may sell, from time to time, any combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we and the trusts may offer, which is not meant to be a complete description of each security. Each time that securities are sold, a prospectus supplement containing specific information about the terms of that offering will be provided, including the specific amounts, prices and terms of the securities offered. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any applicable prospectus supplement, you should rely on the information in the applicable prospectus supplement. You should read this prospectus, any applicable prospectus supplement and any applicable free writing prospectus prepared by or on behalf of us, together with additional information described under the heading "Where You Can Find More Information."

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us, the trusts and the securities to be offered. The registration statement, including the exhibits, can be read at the SEC web site or at the SEC offices mentioned under the heading "Where You Can Find More Information."

You should rely only on the information contained or incorporated by reference in this prospectus and any applicable prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer to sell or soliciting an offer to purchase these securities in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information contained in this prospectus or any prospectus supplement is accurate on any date other than the date on the front cover of such documents or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus or any prospectus supplement is delivered or securities are sold on a later date. Neither the delivery of this prospectus or any applicable prospectus supplement nor any distribution of securities pursuant to such documents shall, under any circumstances, create any implication that there has been no change in the information set forth in this prospectus supplement or any applicable prospectus supplement or in our affairs since the date of this prospectus or any applicable prospectus supplement.

All references to "we," "us," "our," the "company" or "American Equity" in this prospectus are to American Equity Investment Life Holding Company. References in this prospectus to the "trusts" refer to American Equity Capital Trust V and American Equity Capital Trust VI.

FORWARD-LOOKING STATEMENTS

This prospectus (including the information incorporated by reference) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, trend analyses and other information contained in this prospectus and elsewhere (such as in filings by us with the SEC, press releases, presentations by us or our management or oral statements) relative to markets for our products and trends in our operations or financial results, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend" and other similar expressions, constitute forward-looking statements. We caution that these statements may and often do vary from actual results and the differences between these statements and actual results can be material. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements.

Factors that could contribute to these differences include, among other things:

- general economic conditions and other factors, including prevailing interest rate levels and stock and credit market performance which may affect (among other things) our ability to sell our products, our ability to access capital resources and the costs associated therewith, the fair value of our investments, which could result in impairments and other than temporary impairments, and certain liabilities, and the lapse rate and profitability of policies;
- customer response to new products and marketing initiatives;
- changes in the Federal income tax laws and regulations which may affect the relative income tax advantages of our products;
- increasing competition in the sale of annuities;
- regulatory changes or actions, including those relating to regulation of financial services affecting (among other things) bank sales and underwriting of insurance products and regulation of the sale, underwriting and pricing of products; and
- the risk factors or uncertainties listed from time to time in our filings with the SEC that are incorporated by reference in this prospectus.

You should not place undue reliance on any forward-looking statements. Forward-looking information is intended to reflect opinions as of the date of this prospectus. Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements described in this prospectus, whether as a result of new information, future events, changed circumstances or any other reason after the date of this prospectus.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

We are a full service underwriter of fixed annuity and life insurance products through our wholly-owned life insurance subsidiaries, American Equity Investment Life Insurance Company, American Equity Investment Life Insurance Company of New York, and Eagle Life Insurance Company. Our business consists primarily of the sale of fixed index and fixed rate annuities and, accordingly, we have only one business segment. Our business strategy is to focus on our annuity business and earn predictable returns by managing investment spreads and investment risk. We are currently licensed to sell our products in 50 states and the District of Columbia.

Our executive offices are located at 6000 Westown Parkway, West Des Moines, IA 50266, and our telephone number is (515) 221-0002. Our web site address is *www.american-equity.com* . Information contained on our website is not incorporated by reference in and does not constitute a part of this prospectus.

THE TRUSTS

We created two Delaware statutory trusts, each pursuant to a declaration of trust executed by us as sponsor for each trust and its trustees. The trusts are named American Equity Capital Trust V and American Equity Capital Trust VI.

We have filed, as an exhibit to the registration statement of which this prospectus is a part, a form of Amended and Restated Declaration of Trust for each trust which contains the terms and conditions under which the trusts will issue and sell their preferred securities and common securities. We refer to each Amended and Restated Declaration of Trust as a declaration with respect to that trust.

Unless an applicable prospectus supplement provides otherwise, each trust exists solely to:

- issue and sell preferred securities, which we refer to as trust preferred securities. The proceeds of the trust preferred securities will be invested in a specified series of our debt securities;
- issue and sell common securities, which we refer to as trust common securities. The trust common securities will be issued and sold to us in exchange for cash. The proceeds from the sale will be invested in a specified series of our debt securities; and
- engage in other activities only as are necessary, convenient or incidental to the above two purposes.

Neither trust will borrow money, issue debt, reinvest proceeds derived from investments, pledge any of its assets nor otherwise undertake or permit to be undertaken any activity that would cause it to not be classified as a grantor trust for United States federal income tax purposes.

We will own all of the trust common securities. The holder of the trust common securities will receive payments that will be made on a ratable basis with the trust preferred securities. However, the right of the holder of the trust common securities to payment in respect of distributions and payments upon liquidation, redemption or otherwise will be subordinated to the right of the trust preferred securities holders if there is a continuing event of default under the declaration.

We will acquire trust common securities having an aggregate liquidation amount equal to the percentage set forth in the applicable prospectus supplement of the total capital of the trust.

Each trust will have a term of 55 years but may end earlier if its declaration so provides.

We will pay all fees and expenses related to each trust and the offering of the trust preferred securities by each trust.

The principal place of business of each trust is c/o American Equity Investment Life Holding Company, 6000 Westown Parkway, West Des Moines, IA 50266. The telephone number is (515) 221-0002.

The trustees of each trust will conduct the business and affairs of their respective trusts. The trustees' duties and obligations will be governed by the declaration of their respective trust. Each trust's trust common securities holders will be entitled to appoint, remove, replace or change the number of trustees for their respective trust.

Each trust will include the following trustees:

- at least one regular trustee, which is a person who is an employee or officer of or who is affiliated with us;

- at least one property trustee, which is a financial institution that is not affiliated with us and which will act as property trustee and indenture trustee for the purposes of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), pursuant to the terms described in an applicable prospectus supplement; and

- at least one Delaware trustee, which is an individual resident of, or a legal entity with a principal place of business in, the State of Delaware, unless the trust's property trustee maintains a principal place of business in the State of Delaware and otherwise meets the requirements of applicable law.

The trustees of each trust are collectively referred to as the trustees. Unless otherwise indicated in an applicable prospectus supplement, the property trustee will be U.S. Bank National Association and the Delaware trustee will be U.S. Bank Trust National Association, with its Delaware office located at 300 Delaware Avenue, Suite 812, Wilmington, DE 19809.

RISK FACTORS

Investing in our securities involves risk. Before you decide whether to purchase any of our securities, in addition to the other information, documents or reports included or incorporated by reference into this prospectus and any prospectus supplement or other offering materials, you should carefully consider the risk factors in the section entitled "Risk Factors" in any prospectus supplement as well as our most recent Annual Report on Form 10-K and in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed subsequent to the Annual Report on Form 10-K, which are incorporated by reference into this prospectus and any prospectus supplement in their entirety, as the same may be amended, supplemented or superseded from time to time by our filings under the Exchange Act. For more information, see the section entitled "Where You Can Find More Information." These risks could materially and adversely affect our business, results of operations and financial condition and could result in a partial or complete loss of your investment.

USE OF PROCEEDS

Unless otherwise indicated in an applicable prospectus supplement, we intend to use the net proceeds from the sale of the offered securities for general corporate purposes. The trusts will use all proceeds from the sale of trust preferred securities to purchase our debt securities. We may provide additional information on the use of the net proceeds from the sale of the offered securities in an applicable prospectus supplement or other offering materials relating to the offered securities.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges on a historical basis for the periods indicated. The ratios are calculated by dividing earnings by fixed charges. Earnings consist of income before income taxes and minority interests plus fixed charges. Fixed charges consist of interest expense and the portion of operating leases that are representative of the interest factor. Interest expense includes interest sensitive and index product benefits and amortization of deferred sales inducements, interest expense on notes payable, interest expense on subordinated debentures, interest expense on amounts due under repurchase agreements and other interest expense.

We did not have any preferred stock outstanding for the periods presented, and therefore the ratio of earnings to combined fixed charges and preferred stock dividends would be the same as the ratios of earnings to fixed charges presented below.

Ratio of Earnings to Fixed Charges Including Interest Sensitive and Index Product Benefits and Amortization of Deferred Sales Inducements

	Six Months Ended	Year Ended December 31,				
	June 30, 2012	2011	2010	2009	2008	2007
Ratio of earnings to fixed charges	1.1x	1.1x	1.1x	1.2x	1.3x	1.1x

Ratio of Earnings to Fixed Charges Excluding Interest Sensitive and Index Product Benefits and Amortization of Deferred Sales Inducements

The following table sets forth our ratio of earnings to fixed charges excluding interest sensitive and index product benefits and amortization of deferred sales inducements. This ratio is presented here to reflect the effect of excluding interest sensitive and index product benefits and amortization of deferred sales inducements, which we believe are not indicative of interest expense related to amounts borrowed. Interest sensitive and index product benefits and amortization of deferred sales inducements do not require cash outlays unless and until annuity holders elect to withdraw their annuity account balances, subject to applicable surrender charges. Therefore, we view such expenses as operating expenses and treat them as such in our consolidated statements of operations.

	Six Months Ended	Year Ended December 31,				
	June 30, 2012	2011	2010	2009	2008	2007
Ratio of earnings to fixed charges	3.1x	3.9x	2.7x	3.7x	2.6x	1.6x

DESCRIPTION OF SECURITIES

This prospectus contains summary descriptions of the debt securities, preferred stock, common stock, depositary shares, warrants, stock purchase contracts, stock purchase units, trust preferred securities and trust guarantees that we and/or the trusts may sell from time to time. These summary descriptions are not meant to be complete descriptions of each security. However, at the time of an offering and sale, this prospectus, together with the applicable prospectus supplements, will contain the material terms of the securities being offered.

DESCRIPTION OF DEBT SECURITIES

As used in this prospectus, debt securities means the debentures, notes, bonds and other evidences of indebtedness that we may issue from time to time in one or more series. The debt securities will either be senior debt securities or subordinated debt securities. Senior debt securities will be issued under a "senior indenture" and subordinated debt securities will be issued under a "subordinated indenture." This prospectus sometimes refers to the senior indenture and the subordinated indenture collectively as the "indentures." Unless the applicable prospectus supplement states otherwise, the trustee under the indentures will be U.S. Bank National Association. The trustee will be a financial institution that is not affiliated with us.

The indentures are filed as exhibits to the registration statement of which this prospectus forms a part. The statements and descriptions in this prospectus or in any prospectus supplement regarding provisions of the indentures and debt securities are summaries thereof, do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the indentures and the debt securities, including the definitions therein of certain terms. Accordingly, we strongly encourage you to refer to the indentures and the debt securities for a complete understanding of the terms and conditions applicable to the indentures and the debt securities. You should read this description of the debt securities and the indentures and the prospectus supplement relating to the applicable series of debt securities before you buy any debt securities.

General

The debt securities will be our unsecured senior or subordinated obligations. The term "senior" is generally used to describe debt obligations which entitle the holder to receive payment of principal and interest upon the happening of certain events prior to the holders of "subordinated" debt. Events which can trigger the right of holders of senior indebtedness to receive payment of principal and interest prior to payments to the holders of subordinated indebtedness include insolvency, bankruptcy, liquidation, dissolution, receivership, reorganization or an event of default under the senior indebtedness.

We may issue the senior debt securities, pursuant to the senior indenture, in one or more series. All series of senior debt securities issued under the senior indenture will be equal in ranking. The senior debt securities also will rank equally with all our other unsecured indebtedness, other than unsecured indebtedness expressly designated by the holders thereof to be subordinate to our senior debt securities.

The senior indebtedness issued pursuant to the senior indenture will rank junior and be subordinate to any of our secured indebtedness. In the event of a bankruptcy or other liquidation event involving a distribution of assets to satisfy our outstanding indebtedness or an event of default under a loan agreement relating to the secured indebtedness, the holders of our secured indebtedness would be entitled to receive payment of principal and interest prior to payments on the senior indebtedness issued under the senior indenture.

Additionally , the senior indebtedness issued pursuant to the senior indenture will rank junior and be subordinate to any indebtedness of our subsidiaries. In the event of a bankruptcy, receivership, liquidation or similar event involving a subsidiary, the assets of that subsidiary would be used to satisfy claims of creditors of the subsidiary, including liabilities under contracts of insurance and annuities written by our insurance subsidiaries, rather than our creditors. As a result of the application of the subsidiary's assets to satisfy claims of policyholders and creditors, the value of the stock of the subsidiary would be diminished and perhaps rendered worthless. Any such diminution in the value of the shares of our subsidiaries would adversely impact our financial condition and possibly impair our ability to meet our obligations on the debt securities. In addition, any liquidation of the assets of a subsidiary to satisfy claims of the subsidiary's creditors might make it impossible for such subsidiary to pay dividends to us. This inability to pay dividends would further impair our ability to satisfy our obligations under the debt securities.

The debt securities issued under the subordinated indenture will be subordinate in right of payment in respect of principal of (and premium, if any) and interest owing under the subordinated debt securities to all our senior indebtedness in the manner described below under the caption "Subordination."

The indentures do not limit the aggregate principal amount of debt securities that we may issue and provide that we may issue debt securities from time to time in one or more series, in each case with the same or various maturities, at par or at a discount. We may issue additional debt securities of a particular series without the consent of the holders of the debt securities of such series outstanding at the time of the issuance. Any such additional debt securities, together with all other outstanding debt securities of that series, will constitute a single series of debt securities under the applicable indenture. The indentures also do not limit our ability to incur other debt.

We will provide a prospectus supplement to accompany this prospectus for each series of debt securities we offer. Each prospectus supplement will describe the terms relating to the specific series of debt securities being offered. These terms will include some or all of the following:

- the title of debt securities and whether they are subordinated debt securities or senior debt securities;
- any limit on the aggregate principal amount of the debt securities;
- the price or prices at which we will sell the debt securities;
- the maturity date or dates of the debt securities;
- the rate or rates of interest, if any, which may be fixed or variable, per annum at which the debt securities will bear interest, or the method of determining such rate or rates, if any;
- the date or dates from which any interest will accrue or the method by which such date or dates will be determined;
- the dates on which we will pay interest on the debt securities and the regular record date for determining who is entitled to the interest payable on any interest payment date;
- the right, if any, to extend the interest payment periods and the duration of any such deferral period, including the maximum consecutive period during which interest payment periods may be extended;
- whether the amount of payments of principal of (and premium, if any) or interest on the debt securities may be determined with reference to any index, formula or other method, such as one or more currencies, commodities, equity indices or other indices, and the manner of determining the amount of such payments;

- the place or places where the principal of (and premium, if any) and interest on the debt securities will be payable;

- if we possess the option to do so, the periods within which and the prices at which we may redeem the debt securities, in whole or in part, pursuant to optional redemption provisions, and the other terms and conditions of any such provisions;

- our obligation, if any, to redeem, repay or purchase debt securities by making periodic payments to a sinking fund or through an analogous provision or at the option of holders of the debt securities, and the period or periods within which and the price or prices at which we will redeem, repay or purchase the debt securities, in whole or in part, pursuant to such obligation, and the other terms and conditions of such obligation;

- the denominations in which the debt securities will be issued, if other than denominations of $1,000 and integral multiples of $1,000;

- the currency, currencies or currency unit in which we will pay the principal of (and premium, if any) or interest on the debt securities, if not United States dollars;

- provisions, if any, granting special rights to holders of the debt securities upon the occurrence of specified events;

- any additions to the events of default or our covenants with respect to the applicable series of debt securities;

- the terms, if any, upon which the holders may convert or exchange such debt securities into other securities or property;

- whether any of the debt securities will be issued in global form and, if so, the terms and conditions upon which global debt securities may be exchanged for certificated debt securities;

- the depositary for global or certificated debt securities;

- any special tax implications of the debt securities;

- any trustees, authenticating or paying agents, transfer agents or registrars or other agents with respect to the debt securities; and

- any other terms of the debt securities not inconsistent with the provisions of the indentures, as amended or supplemented, and any other terms which may be required by or advisable under applicable laws or regulations.

Unless otherwise specified in the applicable prospectus supplement, the debt securities will not be listed on any securities exchange.

Unless otherwise specified in the applicable prospectus supplement, debt securities will be issued in fully-registered form without coupons.

Debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. The applicable prospectus supplement will describe the federal income tax consequences and special considerations applicable to any such debt securities. The debt securities may also be issued as indexed securities or securities denominated in foreign currencies or currency units, as described in more detail in the prospectus supplement relating to any of the particular debt securities. The prospectus supplement relating to specific debt securities will also describe any special considerations and certain additional tax considerations applicable to such debt securities.

Subordination

Subordinated debt securities will be subordinate and junior in right of payment to all of our senior indebtedness.

Under the subordinated indenture, "senior indebtedness" means all amounts due on obligations in connection with any of the following, whether outstanding at the date of execution of the subordinated indenture or thereafter incurred or created:

- the principal of (and premium, if any) and interest in respect of our indebtedness for borrowed money and indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by us;
- all our capital lease obligations;
- all our obligations issued or assumed as the deferred purchase price of property, all our conditional sale obligations and all our obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);
- all our obligations for the reimbursement on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction;
- all our obligations in respect of interest rate swap, cap or other agreements, interest rate future or options contracts, currency swap agreements, currency future or option contracts and other similar agreements;
- all obligations of the types referred to above of other persons for the payment of which we are responsible or liable as obligor, guarantor or otherwise; and
- all obligations of the types referred to above of other persons secured by any lien on any property or asset of ours whether or not such obligation is assumed by us.

Senior indebtedness does not include:

- indebtedness or monetary obligations to trade creditors created or assumed by us or any of our subsidiaries in the ordinary course of business in connection with the obtaining of materials or services;
- indebtedness that is by its terms subordinated to or ranks equal with the subordinated debt securities; and
- any indebtedness of us to our affiliates (including all debt securities and guarantees in respect of those debt securities issued to any trust, partnership or other entity affiliated with us that is a financing vehicle of us in connection with the issuance by such financing entity of preferred securities or other securities guaranteed by us) unless otherwise expressly provided in the terms of any such indebtedness.

Senior indebtedness shall continue to be senior indebtedness and be entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of such senior indebtedness.

In the event and during the continuation of any default by us in the payment of principal, premium, interest or any other payment due on any of our senior indebtedness, or in the event that the maturity of any of our senior indebtedness has been accelerated because of a default, then no payment will be made by us with respect to the principal (including redemption and sinking fund payments) of (or premium, if any) or interest on the subordinated debt securities.

In the event of the acceleration of the maturity of any subordinated debt securities, the holders of all senior indebtedness outstanding at the time of such acceleration will first be entitled to receive payment in full of all amounts due on the senior indebtedness before the holders of the subordinated debt securities will be entitled to receive any payment of principal of (and premium, if any) or interest on the subordinated debt securities.

In addition, if any of the following events occurs, we will pay in full all senior indebtedness before we make any payment on account of the principal of (and premium, if any) or interest on the subordinated debt securities to any holder of subordinated debt securities:

- any dissolution or winding-up or liquidation or reorganization of us, whether voluntary or involuntary or in bankruptcy, insolvency or receivership;

- any general assignment by us for the benefit of creditors; or

- any other marshaling of our assets or liabilities.

In such event, any payment or distribution under the subordinated debt securities, whether in cash, securities or other property, which would otherwise (but for the subordination provisions) be payable or deliverable in respect of the subordinated debt securities, will be paid or delivered directly to the holders of senior indebtedness in accordance with the priorities then existing among such holders until all senior indebtedness has been paid in full. If any payment or distribution under the subordinated debt securities is received by the trustee of any subordinated debt securities in contravention of any of the terms of the subordinated indenture and before all the senior indebtedness has been paid in full, such payment or distribution or security will be received in trust for the benefit of, and paid over or delivered and transferred to, the holders of the senior indebtedness at the time outstanding in accordance with the priorities then existing among such holders for application to the payment of all senior indebtedness remaining unpaid to the extent necessary to pay all such senior indebtedness in full.

The subordinated indenture does not limit the amount of senior indebtedness that we can incur.

If debt securities are issued to a trust in connection with the issuance of trust preferred securities, such debt securities may thereafter be distributed pro rata to the holders of such trust securities in connection with the dissolution of such trust upon the occurrence of certain events described in the applicable prospectus supplement.

Restrictive Covenant

The following restrictive covenant shall apply to each series of senior debt securities:

Limitations on Dispositions of Stock of Certain Subsidiaries. So long as any senior debt securities are outstanding and subject to the provisions of the senior indenture regarding mergers, consolidations and sales of assets, neither we nor any of our subsidiaries will sell or otherwise dispose of any shares of capital stock (other than preferred stock having no voting rights of any kind) of:

- American Equity Investment Life Insurance Company;

- American Equity Investment Life Insurance Company of New York;

- any successor to substantially all of the business of American Equity Investment Life Insurance Company or American Equity Investment Life Insurance Company of New York which is also a subsidiary of us; or

- any corporation (other than us) having direct or indirect control of American Equity Investment Life Insurance Company, American Equity Investment Life Insurance Company of New York or any such successor.

Except for, in each case:

- a sale or other disposition of any of such stock to a direct or indirect wholly-owned subsidiary of us;
- a sale or other disposition of shares which are "directors' qualifying shares;"
- a sale or other disposition of all of such stock for at least fair value (as determined by our board of directors acting in good faith); or
- a sale or other disposition required to comply with an order of a court or regulatory authority of competent jurisdiction, other than an order issued at our request or the request of any of our subsidiaries.

Consolidation, Merger, Sale of Assets and Other Transactions

We may not (i) merge with or into or consolidate with another corporation or sell, assign, transfer, lease or convey all or substantially all of our properties and assets to, any other corporation other than a direct or indirect wholly-owned subsidiary of us, and (ii) no corporation may merge with or into or consolidate with us or, except for any direct or indirect wholly-owned subsidiary of us, sell, assign, transfer, lease or convey all or substantially all of its properties and assets to us, unless:

- we are the surviving corporation or the corporation formed by or surviving such merger or consolidation or to which such sale, assignment, transfer, lease or conveyance has been made, if other than us, has
- expressly assumed by supplemental indenture all the obligations of us under the debt securities, the indentures, and any guarantees of preferred securities or common securities issued by the trusts;
- immediately after giving effect to such transaction, no default or event of default has occurred and is continuing;
- if at the time any preferred securities of the trusts are outstanding, such transaction is not prohibited under the applicable declaration of trust and the applicable preferred securities guarantee of each trust; and
- we deliver to the trustee an officer's certificate and an opinion of counsel, each stating that the supplemental indenture complies with the applicable indenture.

Events of Default, Notice and Waiver

The following shall constitute "events of default" under the indentures with respect to each series of debt securities:

- our failure to pay any interest on any debt security of such series when due and payable, continued for 30 days;
- our failure to pay principal of (or premium, if any) any debt security of such series when due, regardless of whether such payment became due because of maturity, redemption, acceleration or otherwise, or is required by any sinking fund established with respect to such series;
- our failure to observe or perform any other of our covenants or agreements with respect to such debt securities for 90 days after we receive notice of such failure;

certain defaults with respect to our debt (other than the debt securities or non-recourse debt) in any aggregate principal amount in excess of $50,000,000 consisting of the failure to make any payment at maturity or that results in acceleration of the maturity of such debt; and certain events of bankruptcy, insolvency or reorganization of us.

If an event of default with respect to any debt securities of any series outstanding under either of the indentures shall occur and be continuing, the trustee under such indenture or the holders of at least 25% in aggregate principal amount of the debt securities of that series outstanding may declare, by notice as provided in the applicable indenture, the principal amount (or such lesser amount as may be provided for in the debt securities of that series) of all the debt securities of that series outstanding to be due and payable immediately; provided that, in the case of an event of default involving certain events in bankruptcy, insolvency or reorganization, acceleration is automatic; and, provided further, that after such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of the outstanding debt securities of that series may, under certain circumstances, rescind and annul such acceleration if all events of default, other than the nonpayment of accelerated principal, have been cured or waived. Upon the acceleration of the maturity of original issue discount securities, an amount less than the principal amount thereof will become due and payable. Reference is made to the prospectus supplement relating to any original issue discount securities for the particular provisions relating to acceleration of maturity thereof.

Any past default under either indenture with respect to debt securities of any series, and any event of default arising therefrom, may be waived by the holders of a majority in aggregate principal amount of all debt securities of such series outstanding under such indenture, except in the case of (i) default in the payment of the principal of (or premium, if any) or interest on any debt securities of such series or (ii) default in respect of a covenant or provision which may not be amended or modified without the consent of the holder of each outstanding debt security of such series affected.

The trustee is required, within 90 days after the occurrence of a default (which is known to the trustee and is continuing), with respect to the debt securities of any series (without regard to any grace period or notice requirements), to give to the holders of the debt securities of such series notice of such default; provided, however, that, except in the case of a default in the payment of the principal of (and premium, if any) or interest, or in the payment of any sinking fund installment, on any debt securities of such series, the trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of the holders of the debt securities of such series.

The trustee, subject to its duties during default to act with the required standard of care, may require indemnification by the holders of the debt securities of any series with respect to which a default has occurred before proceeding to exercise any right or power under the indentures at the request of the holders of the debt securities of such series. Subject to such right of indemnification and to certain other limitations, the holders of a majority in principal amount of the outstanding debt securities of any series under either indenture may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee with respect to the debt securities of such series.

No holder of a debt security of any series may institute any action against us under either of the indentures (except actions for payment of overdue principal of (and premium, if any) or interest on such debt security) unless (i) the holder has given to the trustee written notice of an event of default and of the continuance thereof with respect to the debt securities of such series specifying an event of default, as required under the applicable indenture, (ii) the holders of at least 25% in aggregate principal amount of the debt securities of that series then outstanding under such indenture shall have requested the trustee to institute such action, (iii) the holder or holders have offered the trustee reasonable indemnity for its costs, expenses and liabilities, (iv) the trustee shall not have instituted such action within 60 days of such request and (v) the holders of a majority in principal amount of the outstanding debt securities of each affected series did not direct the trustee to refrain from instituting the action.

We are required to furnish annually to the trustee statements either stating that no default exists or specifying any default that does exist.

Discharge, Defeasance and Covenant Defeasance

We may discharge or defease our obligations under each indenture as set forth below. For purposes of the indentures, obligations with respect to debt securities are discharged and defeased when, through the fulfillment of the conditions summarized below, we are released and discharged from performing any further obligations under the relevant indenture with respect to the debt securities. Covenant defeasance occurs when we are released from performing any further obligations under specific covenants in the indenture relating to the debt securities.

We may discharge certain obligations to holders of any series of debt securities issued under either the senior indenture or the subordinated indenture which have not already been delivered to the trustee for cancellation and which have either become due and payable or are by their terms due and payable within one year (or scheduled for redemption within one year) by irrevocably depositing with the trustee cash or U.S. government obligations (as defined in either indenture), as trust funds in an amount certified to be sufficient to pay when due, whether at maturity or upon redemption, the principal of (and premium, if any) and interest on such debt securities.

We may elect either (i) to defease and be discharged from any and all obligations with respect to the debt securities of or within any series (except as otherwise provided in the relevant indenture) ("defeasance") or (ii) to be released from our obligations with respect to certain covenants applicable to the debt securities of or within any series ("covenant defeasance"), upon the irrevocable deposit with the relevant indenture trustee, in trust for such purpose, of money and/or U.S. government obligations which through the payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest on such debt securities to maturity or redemption, as the case may be, and any mandatory sinking fund or analogous payments thereon. As a condition to defeasance or covenant defeasance, we must deliver to the trustee an opinion of counsel to the effect that the holders of such debt securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred. Such opinion of counsel, in the case of defeasance under clause (i) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable federal income tax law occurring after the date of the relevant indenture. In addition, in the case of either defeasance or covenant defeasance, we shall have delivered to the trustee (i) an officers' certificate to the effect that the relevant debt securities exchange(s) have informed us that neither such debt securities nor any other debt securities of the same series, if then listed on any securities exchange, will be delisted as a result of such deposit and (ii) an officers' certificate and an opinion of counsel, each stating that all conditions precedent with respect to such defeasance or covenant defeasance have been complied with.

We may exercise our defeasance option with respect to such debt securities notwithstanding our prior exercise of our covenant defeasance option.

Modification and Waiver

We are restricted in our ability to modify the indentures. However, we may in certain circumstances modify the indentures either before or after the debt securities are issued. The following is a summary of the applicable provisions under the indentures.

With the Consent of Securityholders. We and the applicable trustee may also modify the indentures or any supplemental indenture in a manner that affects the interests or rights of the holders of debt securities with the consent of the holders of a least a majority in aggregate principal amount of the outstanding debt securities of each affected series issued under the indenture.

However, the indentures require the consent of each holder of debt securities that would be affected by any modification which would:

- extend the fixed maturity of any debt securities of any series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof;
- reduce the amount of principal of an original issue discount debt security or any other debt security payable upon acceleration of the maturity thereof;
- change the currency in which any debt security or any premium or interest is payable;
- impair the right to enforce any payment on or with respect to any debt security;
- adversely change the right to convert or exchange, including decreasing the conversion rate or increasing the conversion price of, any debt security (if applicable);
- reduce the percentage in principal amount of outstanding debt securities of any series, the consent of the holders of which is required for modification or amendment of the indentures or for waiver of compliance with certain provisions of the indentures or for waiver of certain defaults;
- reduce the requirements contained in the indentures for quorum or voting; or
- modify any of the above provisions.

If debt securities are held by a trust or a trustee of a trust, a supplemental indenture that affects the interests or rights of the holders of debt securities will not be effective until the holders of not less than a majority in liquidation preference of the preferred securities of the applicable trust have consented to the supplemental indenture; provided, further, that if the consent of the holder of each outstanding debt security is required, the supplemental indenture will not be effective until each holder of the preferred securities of the applicable trust has consented to the supplemental indenture.

The indentures permit the holders of at least a majority in aggregate principal amount of the outstanding debt securities of any series issued under the indenture which is affected by the modification or amendment to waive our compliance with certain covenants contained in the indentures.

Without the Consent of Securityholders. In addition, we and the applicable trustee may supplement the indentures for certain purposes which would not materially adversely affect the interests or rights of the holders of debt securities of a series without the consent of those holders for one or more of the following purposes:

- to cure any ambiguity, defect, or inconsistency in the indentures, in any supplemental indenture or in the debt securities issued under the indentures;
- to provide for uncertificated debt securities in addition to or in place of certificated debt securities;
- to add to the covenants of us for the benefit of the holders of all or any series of debt securities or to surrender any right or power conferred upon us under the indentures;

to add to, delete from or revise the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of debt securities, as set forth in the indentures;

to make any change that does not adversely affect the rights of any securityholder in any material respect;

to provide for the issuance of and establish the form and terms and conditions of the debt securities of any series, to establish the form of any certifications required to be furnished pursuant to the terms of the indentures or any series of debt securities or to add to the rights of the holders of any series of debt securities;

to add any additional events of default for the benefit of the holders of all or any series of debt securities;

to secure the debt securities;

to evidence and provide for the acceptance of appointment under the indentures by a successor trustee with respect to the debt securities of one or more series and to add to or change any of the provisions of the indentures; or

to evidence the succession of another corporation to us, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligation of us under the indentures.

Payment and Paying Agents

Payment of interest on a debt security on any interest payment date will be made to the person in whose name a debt security is registered at the close of business on the record date for the interest.

Principal of (and premium, if any) and interest on the debt securities of a particular series will be payable at the office of such paying agent or paying agents as we may designate for such purpose from time to time. Notwithstanding the foregoing, at our option, payment of any interest may be made by check mailed to the address of the person entitled thereto as such address appears in the security register.

We may act as our own paying agent or appoint one or more paying agents for payments with respect to debt securities of each series. All paying agents initially designated by us for the debt securities of a particular series will be named in the applicable prospectus supplement. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we will be required to maintain a paying agent in each place of payment for the debt securities of a particular series.

All moneys paid by us to a paying agent for the payment of the principal, interest or premium, if any, on any debt security which remain unclaimed at the end of two years after such principal, interest or premium, if any, has become due and payable will be repaid to us upon request, and the holder of such debt security thereafter may look only to us for payment thereof.

Denominations, Registrations and Transfer

Unless an accompanying prospectus supplement states otherwise, debt securities will be represented by one or more global certificates registered in the name of a nominee for The Depository Trust Company, or DTC. In such case, each holder's beneficial interest in the global securities will be shown on the records of DTC and transfers of beneficial interests will only be effected through DTC's records. We will describe the specific terms of the depositary arrangement with respect to any series of debt securities represented by a registered global security in the prospectus supplement relating to that series.

A holder of debt securities may only exchange a beneficial interest in a global security for certificated securities registered in the holder's name if:

- DTC notifies us that it is unwilling or unable to continue serving as the depositary for the relevant global securities or DTC ceases to maintain certain qualifications under the Exchange Act and no successor depositary has been appointed for 90 days; or

- we determine, in our sole discretion, that the global security shall be exchangeable.

If debt securities are issued in certificated form, they will only be issued in the minimum denomination specified in the accompanying prospectus supplement and integral multiples of such denomination. Transfers and exchanges of such debt securities will only be permitted in such minimum denomination. Transfers of debt securities in certificated form may be registered at the offices of an agent appointed by us under the indentures. Exchanges of debt securities for an equal aggregate principal amount of debt securities in different denominations may also be made at such locations.

Governing Law

The indentures and debt securities will be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to its principles of conflicts of laws, except to the extent that the Trust Indenture Act is applicable, in which case the Trust Indenture Act will govern.

Relationship With the Trustees

The trustee under the indentures is U.S. Bank National Association. We and our subsidiaries maintain ordinary banking and trust relationships with a number of banks and trust companies, including the trustee under the indentures.

Conversion or Exchange Rights

The prospectus supplement will describe the terms, if any, on which a series of debt securities may be convertible into or exchangeable for other debt securities. These terms will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option. These provisions may allow or require the number of other securities to be received by the holders of such series of debt securities to be adjusted.

DESCRIPTION OF CAPITAL STOCK

The following description briefly summarizes certain information regarding our capital stock. This information does not purport to be complete and is subject in all respects to the applicable provisions of the Iowa Business Corporation Act (the "IBCA"), our articles of incorporation, as amended (our "amended articles of incorporation"), and our amended and restated bylaws (our "bylaws").

Our authorized capital stock consists of 202,000,000 shares, of which 200,000,000 shares are common stock, par value $1 per share, and 2,000,000 shares are preferred stock, par value $1 per share. As of September 21, 2012, we had issued and outstanding 62,799,591 shares of common stock and no shares of preferred stock.

Common Stock

Each outstanding share of our common stock is entitled to one vote per share on each matter submitted to the vote of shareholders. Cumulative voting for the election of directors is not permitted, and the holders of a majority of shares voting for the election of directors can elect all members of the board of directors. Subject to the rights of holders of preferred stock, holders of our common stock have equal ratable rights to dividends from funds legally available therefor, when, as and if declared by the board of directors. Holders of our common stock are entitled to share ratably in all of our assets available for distribution upon our liquidation, dissolution or winding up. Holders of our common stock have no preemptive, conversion, redemption or subscription rights.

In 2011 and 2010, we paid an annual cash dividend of $0.12 and $0.10, respectively, per share on our common stock. We intend to continue to pay an annual cash dividend on such shares so long as we have sufficient capital and/or future earnings to do so. However, we anticipate retaining most of our future earnings, if any, for use in our operations and the expansion of our business. Any further determination as to dividend policy will be made by our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition and future prospects and such other factors as our board of directors may deem relevant.

Since we are a holding company, our ability to pay cash dividends depends in large measure on our subsidiaries' ability to make distributions of cash or property to us. Financial covenants under our existing or future loan agreements and reinsurance agreements, or provisions of the laws of the states where we or our subsidiaries are organized, may limit our subsidiaries' ability to make sufficient distributions to us to permit us to pay cash dividends on our common stock.

As of September 21, 2012, there were approximately 9,800 holders of our common stock.

Preferred Stock

We are authorized to issue up to 2,000,000 shares of preferred stock. Our amended articles of incorporation authorize our board, without any further stockholder action or approval, to issue these shares from time to time in one or more series with such rights and preferences as may be determined by our board of directors. Our board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock.

Options

As of September 21, 2012, (a) options to purchase a total of 5,906,950 shares of common stock were outstanding and (b) up to 4,896,893 additional shares of common stock may be subject to options granted in the future. All of the options contain standard anti-dilution provisions.

Trust Preferred Securities

Our subsidiary trusts have issued fixed rate and floating rate trust preferred securities and the trusts have used the proceeds from these offerings to purchase subordinated debentures from us. We also issued subordinated debentures to the trusts in exchange for all of the common securities of each trust. The sole assets of the trusts are the subordinated debentures and any interest accrued thereon. The terms of the preferred securities issued by each trust parallel the terms of the subordinated debentures. Our obligations under the subordinated debentures and related agreements provide a full and unconditional guarantee of payments due under the trust preferred securities.

Following is a summary of subordinated debt obligations to the trusts at December 31, 2011 and 2010:

	2011	2010	Interest Rate	Due Date
	(Dollars in thousands)			
American Equity Capital Trust I*	$ 22,893	$ 22,893	8%	September 30, 2029
American Equity Capital Trust II	$ 76,090	$ 75,932	5%	June 1, 2047
American Equity Capital Trust III	$ 27,840	$ 27,840	**LIBOR + 3.90%	April 29, 2034
American Equity Capital Trust IV	$ 12,372	$ 12,372	**LIBOR + 4.00%	January 8, 2034
American Equity Capital Trust VII	$ 10,830	$ 10,830	**LIBOR + 3.75%	December 14, 2034
American Equity Capital Trust VIII	$ 20,620	$ 20,620	**LIBOR + 3.75%	December 15, 2034
American Equity Capital Trust IX	$ 15,470	$ 15,470	**LIBOR + 3.65%	June 15, 2035
American Equity Capital Trust X	$ 20,620	$ 20,620	**LIBOR + 3.65%	September 15, 2035
American Equity Capital Trust XI	$ 20,620	$ 20,620	**LIBOR + 3.65%	December 15, 2035
American Equity Capital Trust XII	$ 41,238	$ 41,238	**LIBOR + 3.50%	April 7, 2036
	$ 268,593	$ 268,435		

* All outstanding trust preferred securities and trust common securities were either converted into shares of our common stock at the election of the holder or redeemed by American Equity Capital Trust I on July 10, 2012.

** three month London Interbank Offered Rate

American Equity Capital Trust I issued 865,671 shares of 8% trust preferred securities, of which 2,000 shares were held by one of our subsidiaries. All outstanding trust preferred securities and trust common securities were either converted into shares of our common stock at the election of the holder or redeemed by American Equity Capital Trust I on July 10, 2012.

The principal amount of the subordinated debentures issued by us to American Equity Capital Trust II ("Trust II") is $100.0 million. These debentures were assigned a fair value of $74.7 million at the date of issue (based upon an effective yield-to-maturity of 6.8%). The difference between the fair value at the date of issue and the principal amount is being accreted over the life of the debentures.

Indemnification of Directors and Executive Officers and Limitation of Liability

Section 490.202 of the IBCA permits a corporation to include a provision in its articles of incorporation permitting or making obligatory the indemnification of a director for liability to any person for any action taken, or any failure to take any action, as a director, except liability for (i) the receipt of a financial benefit to which the person is not entitled, (ii) an intentional infliction of harm on the corporation or its shareholders, (iii) unlawful distributions to shareholders, or (iv) an intentional violation of criminal law.

Our amended articles of incorporation provide that our directors will not be liable to us or our shareholders for money damages for any action taken, or any failure to take any action, as a director,

except liability for (1) the amount of a financial benefit received by a director to which the director is not entitled; (2) intentional infliction of harm on us or our shareholders; (3) a violation of Section 490.833 of the IBCA, which relates to liability for unlawful distributions; and (4) an intentional violation of criminal law.

Our amended articles of incorporation also provide that each individual who was or is a director of the company who was or is made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director of the company, or is or was serving at the request of the company as a director, officer, partner, trustee, employee or agent of another corporation shall be indemnified and held harmless by the company to the fullest extent permitted by applicable law, except liability for:

- the amount of a financial benefit received by a director to which the director is not entitled;
- an intentional infliction of harm on the company or its shareholders;
- an unlawful distribution to shareholders; and
- an intentional violation of criminal law.

Our bylaws also provide that each person who was or is a party or is threatened to be made a party to any threatened, pending or completed civil or criminal action or proceeding by reason of the fact that such person is or was a director of the company or is or was serving at our request as a director of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by us to the fullest extent permitted by Iowa law. This right to indemnification shall also include the right to be paid by us the expenses incurred in connection with any such proceeding in advance of its final disposition to the fullest extent authorized by Iowa law. This right to indemnification shall be a contract right. We may, by action of our board of directors, provide indemnification to our officers, employees and agents to the extent and to the effect as the board of directors determines to be appropriate and authorized by Iowa law.

Our bylaws also authorize us to purchase insurance for our directors, officers and employees and persons who serve at our request as directors, officers, members, employees, fiduciaries or agents of other enterprises, against any expense, liability or loss incurred in such capacity, whether or not we would have the power to indemnify such persons against such expense or liability under the bylaws. We maintain insurance coverage for our officers and directors as well as insurance coverage to reimburse us for potential costs for indemnification of directors and officers.

Selected Amended Articles of Incorporation and Bylaws Provisions

Our amended articles of incorporation and bylaws include provisions that may have the effect of discouraging, delaying or preventing (a) a change in control of us or (b) an unsolicited acquisition proposal that a shareholder might consider favorable, including a proposal that might result in the payment of a premium over the market price for the shares held by shareholders. These provisions are summarized in the following paragraphs.

Classified Board of Directors. Our amended articles of incorporation and bylaws provide for our board of directors to be divided into three classes of directors serving staggered, three year terms. The classification of the board of directors has the effect of requiring at least two annual shareholder meetings to replace a majority of the members of the board of directors.

Notice Procedures. Our bylaws establish advance notice procedures with regard to all shareholder proposals to be brought before meetings of our shareholders, including proposals relating to the nomination of candidates for election as directors, the removal of directors and amendments to our amended articles of incorporation and bylaws.

Shareholder Meetings. Our bylaws provide that special meetings may be called only by the board of directors or shareholders owning at least 50% of all the votes entitled to be cast on any issue proposed at the special meeting.

Authorized but Unissued or Undesignated Capital Stock. Our amended articles of incorporation grant the board of directors broad power to establish the rights and preferences of authorized and unissued preferred stock. The issuance of shares of preferred stock pursuant to the board of directors' authority could (a) decrease the amount of earnings and assets available for distribution to holders of common stock, (b) adversely affect the rights and powers, including voting rights, of such holders and (c) have the of effect delaying, deferring or preventing a change in control of us. The board of directors does not currently intend to seek shareholder approval prior to any issuance of preferred stock, unless otherwise required by law or the rules of any exchange on which the securities are then traded.

Iowa Takeover Statute

We are subject to Section 490.1110 of the IBCA which prohibits certain "business combination" transactions between an Iowa corporation and any "interested shareholder" for a period of three years after the date on which such shareholder became an interested shareholder, unless:

- the board of directors approves, prior to such date, either the proposed business combination or the proposed acquisition of stock which resulted in the shareholder becoming an interested shareholder;

- upon consummation of the transaction in which the shareholder becomes an interested shareholder, the interested shareholder acquires at least 85% of those shares of the voting stock of the corporation which are not held by the directors, officers or certain employee stock plans; or

- on or subsequent to the consummation date, the business combination with the interested shareholder is approved by the board of directors and also approved at a shareholders' meeting by the affirmative vote of the holders of at least two-thirds of the outstanding shares of the corporation's voting stock other than shares held by the interested shareholder.

Section 490.1110 defines "business combination" to include:

- a merger or consolidation involving the corporation and any interested shareholder;

- any sale, lease, exchange, mortgage, pledge, transfer, or other disposition of 10% or more of the assets of the corporation involving the interested shareholder;

- any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested shareholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested shareholder; or

- any other transaction resulting in a financial benefit to the interested shareholder under Iowa law.

In general, an "interested shareholder" is any person beneficially owning 10% or more of the outstanding voting stock of the corporation and any person affiliated with or controlled by such person. "Person" means any individual, corporation, partnership, unincorporated association or other entity.

State Statutory Provisions

Section 490.1108A of the IBCA provides that in considering acquisition proposals, our directors may consider, in addition to the consideration of the effects of any action on stockholders, the effects on our employees, suppliers, creditors, customers and the communities in which we operate, as well as our long-term and short-term interests. Consideration of any or all community interest factors is not a violation of the business judgment rule, even if our directors reasonably determine that effects on a community or other factors outweigh the financial or other benefits to us or a stockholder or group of stockholders. Section 490.624A of the IBCA also includes authorization of "poison pills" which include, without limitation, terms and conditions of stock rights or options issued by a corporation that preclude or limit the exercise, transfer or receipt of stock rights by persons owning or offering to acquire a specified number or percentage of a corporation's outstanding shares.

The provisions of state law that we describe above could have the effect of delaying, deferring or preventing a change in control of the company if our board of directors determines that a change of control is not in our best interests, those of our stockholders and other constituencies. In addition, the regulatory restrictions on the acquisition of our securities may also deter attempts to effect, or prevent the consummation of, a change in control of the company.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

DESCRIPTION OF DEPOSITARY SHARES

General Terms

We may elect to offer depositary shares representing receipts for fractional interests in preferred stock. In this case, we will issue receipts for depositary shares, each of which will represent a fraction of a share of a particular series of preferred stock, as the case may be.

We will deposit the shares of any series of preferred stock represented by depositary shares under a deposit agreement between us and a depositary which we will name in the applicable prospectus supplement. Subject to the terms of the deposit agreement, an owner of a depositary share will be entitled, in proportion to the applicable fraction of a share of preferred stock represented by the depositary share, to all the rights and preferences of the preferred stock represented by the depositary share, including, as the case may be, interest, dividend, voting, conversion, redemption, sinking fund, repayment at maturity, subscription and liquidation rights.

The following description of the terms of the deposit agreement is a summary. It summarizes only those terms of the deposit agreement that we believe will be most important to a decision to invest in our depositary shares. You should keep in mind, however, that it is the deposit agreement, and not this summary, which defines the rights of a holder of depositary shares. There may be other provisions in the deposit agreement that are also important to you. You should read the deposit agreement for a full description of the terms of the depositary shares. We will file a copy of the deposit agreement with the SEC at or before the time of the offering of the applicable series of depositary shares. This summary is subject to and qualified by reference to the description of the particular terms of your series of depositary shares described in the applicable prospectus supplement.

Interest, Dividends, and Other Distributions

The depositary will distribute all payments of interest, cash dividends or other cash distributions received on the preferred stock to record holders of depositary shares relating to the preferred stock in proportion to the number of depositary shares that they own.

In the event of a distribution other than in cash, the depositary will distribute property received by it to the appropriate record holders of depositary shares in an equitable manner, unless the depositary determines that it is not feasible to make a distribution. In that case the depositary may sell the property and distribute the net proceeds from the sale to such record holders.

Redemption of Depositary Shares

If we redeem a series of preferred stock represented by depositary shares, the depositary will redeem the depositary shares from the proceeds received by the depositary resulting from the redemption. The redemption price per depositary share will be equal to the applicable fraction of the redemption price per share of preferred stock payable in relation to the redeemed series of preferred stock. Whenever we redeem shares of preferred stock held by the depositary, the depositary will redeem as of the same redemption date the number of depositary shares representing the shares of preferred stock redeemed. If fewer than all the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected by lot, proportionately or by any other equitable method as the depositary may determine.

Voting the Preferred Stock

Upon receipt of notice of any meeting at which the holders of any series of deposited preference shares are entitled to vote, the depositary will mail the information contained in the notice of meeting to the record holders of the depositary shares relating to such preferred stock. Each record holder of the depositary shares on the record date will be entitled to instruct the depositary how to vote the amount of the preferred stock represented by that holder's depositary shares. The record date for the depositary shares will be the same date as the record date for preferred stock. The depositary will endeavor, to the extent practicable, to vote the amount of the preferred stock represented by the depositary shares in accordance with those instructions. We will agree to take all reasonable action which the depositary may deem necessary to enable the depositary to do so. The depositary will abstain from giving instructions or directions with respect to the voting shares of the preferred stock if it does not receive specific instructions from the holder of depositary shares representing the preferred stock.

Amendment and Termination of the Deposit Agreement

We and the depositary may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement at any time. However, any amendment which materially and adversely alters the rights of the holders of the depositary shares will not be effective unless the amendment has been approved by the holders of at least a majority of the depositary shares then outstanding. Every holder of an outstanding depositary receipt at the time any amendment becomes effective, or any transferee of the holder, will be deemed, by continuing to hold the depositary receipt, or by reason of the acquisition thereof, to consent and agree to the amendment and to be bound by the deposit agreement as amended thereby.

The deposit agreement will automatically terminate if:

- all outstanding depositary shares have been redeemed,
- each share of preferred stock has been converted into other preference shares or has been exchanged for debt securities, or
- there has been a final distribution in respect of the preferred stock, including in connection with our liquidation, dissolution or winding-up, and the repayment, redemption or distribution proceeds, as the case may be, have been distributed.

Resignation and Removal of Depositary

The depositary may resign at any time by delivering to us notice of its election to do so. We also may, at any time, remove the depositary. Any resignation or removal will take effect upon the appointment of a successor depositary and its acceptance of such appointment. We must appoint the successor depositary within 60 days after delivery of the notice of resignation or removal. The successor depositary must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $50,000,000.

Charges of Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay all charges of the depositary in connection with the initial deposit of the preferred stock and issuance of depositary receipts, all withdrawals of shares of preferred stock by holders of depositary shares and any redemption of the preferred stock. Holders of depositary shares will pay other transfer and other taxes and governmental charges, as well as the other charges that are expressly provided in the deposit agreement to be for their account.

Miscellaneous

The depositary will forward all reports and communications from us which are delivered to the depositary and which we are required or otherwise determine to furnish to holders of preferred stock.

Neither we nor the depositary will be liable if we are or it is prevented or delayed by law or any circumstances beyond our or its control in performing any obligations under the deposit agreement.

Our and its obligations under the deposit agreement will be limited to performance in good faith of our and its duties under the deposit agreement and neither we nor it will be obligated to prosecute or defend any legal proceeding in respect of any depositary shares, depositary receipts or preference shares unless satisfactory indemnity is furnished. We and the depositary may rely upon written advice of counsel or accountants, or upon information provided by holders of depositary receipts or other persons believed to be competent and on documents believed to be genuine.

DESCRIPTION OF WARRANTS

We may issue warrants for the purchase of our debt securities, common stock, preferred stock, depositary shares or securities of third parties or other rights, including rights to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices, or any combination of the foregoing. We may issue warrants independently or together with other securities, and they may be attached to or separate from the other securities. Each series of warrants will be issued under a separate warrant agreement that we will enter into with a bank or trust company, as warrant agent, as detailed in the applicable prospectus supplement. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation, or agency or trust relationship, with the holders of the warrants. We will file a copy of the warrant and warrant agreement with the SEC each time we issue a series of warrants, and these warrants and warrant agreements will be incorporated by reference into the registration statement of which this prospectus is a part. A holder of our warrants should refer to the provisions of the applicable warrant agreement and prospectus supplement for more specific information.

The following description of the terms of the warrants is a summary. It summarizes only those terms of the warrants and the warrant agreement which we believe will be most important to your decision to invest in our warrants. You should keep in mind, however, that it is the warrant agreement and the warrant certificate relating to the warrants, and not this summary, which defines the rights of a warrantholder. There may be other provisions in the warrant agreement and the warrant certificate relating to the warrants which are also important to you. You should read these documents for a full description of the terms of the warrants. This summary is subject to and qualified by reference to the description of the particular terms of your series of warrants described in the applicable prospectus supplement.

Debt Warrants

We will describe in the applicable prospectus supplement the terms of warrants to purchase debt securities that we may offer, the warrant agreement relating to the debt warrants and the warrant certificates representing the debt warrants. These terms will include the following:

- the title of the debt warrants,
- the debt securities for which the debt warrants are exercisable,
- the aggregate number of the debt warrants,
- the principal amount of debt securities that may be purchased upon exercise of each debt warrant, and the price or prices at which we will issue the debt warrants,
- the procedures and conditions relating to the exercise of the debt warrants,
- the designation and terms of any related debt securities issued with the debt warrants, and the number of debt warrants issued with each debt security,
- the date, if any, on and after which the debt warrants and the related securities will be separately transferable,

- the date on which the right to exercise the debt warrants commences, and the date on which the right will expire,
- the maximum or minimum number of the debt warrants that may be exercised at any time,
- whether the debt warrants are issued in registered or bearer form,
- information with respect to book entry procedures, if any,
- if applicable, a discussion of material United States federal income tax considerations,
- any other terms of the debt warrants and terms, procedures and limitations relating to the exercise of the debt warrants, and
- the terms of the securities that may be purchased upon exercise of the debt warrants.

We will also describe in the applicable prospectus supplement any provisions for a change in the exercise price or expiration date of the warrants and the kind, frequency and timing of any notice to be given. Certificates representing debt warrants will be exchangeable for new debt warrant certificates of different denominations, and debt warrants may be exercised at the corporate trust office of the warrant agent or any other office that we indicate in the applicable prospectus supplement. Prior to exercise, holders of debt warrants will not have any of the rights of holders of the debt securities purchasable upon that exercise and will not be entitled to payments of principal, premium, if any, or interest on the debt securities purchasable upon the exercise.

Other Warrants

We may issue other warrants. We will describe in the applicable prospectus supplement the following terms of those warrants:

- the title of the warrants,
- the securities, which may include preferred stock or common stock, for which the warrants may be exercised,
- the aggregate number of the warrants,
- the number of securities that may be purchased upon exercise of each warrant, and the price or prices at which we will issue the warrants,
- the procedures and conditions relating to the exercise of the warrants,
- the designation and terms of any related securities issued with the warrants, and the number of warrants issued with each security,
- the date, if any, on and after which the warrants and the related securities will be separately transferable,
- the date on which the right to exercise the warrants commences and the date on which the right will expire,

- the maximum or minimum number of warrants that may be exercised at any time,
- if applicable, a discussion of material United States federal income tax considerations, and
- any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

We will also describe in the applicable prospectus supplement any provisions for a change in the exercise price or the expiration date of the warrants and the kind, frequency and timing of any notice to be given. Certificates representing warrants will be exchangeable for new warrant certificates of different denominations, and warrants may be exercised at the corporate trust office of the warrant agent or any other office that we indicate in the applicable prospectus supplement. Prior to the exercise, the holder of warrants will not have any of the rights of holders of the preferred stock, common stock or other securities purchasable upon that exercise and will not be entitled to dividend payments, if any, or voting rights of the preferred stock, common stock or other securities purchasable upon the exercise.

Exercise of Warrants

We will describe in the prospectus supplement relating to the warrants the principal amount or the number of our securities that may be purchased for cash upon exercise of a warrant, and the exercise price. Warrants may be exercised as described in the prospectus supplement relating to the warrants at any time up to the close of business on the expiration date stated in the prospectus supplement. Unexercised warrants will become void after the close of business on the expiration date.

We will forward the securities purchasable upon the exercise as soon as practicable after receipt of payment and the properly completed and executed warrant certificate at the corporate trust office of the warrant agent or other office stated in the applicable prospectus supplement. If less than all of the warrants represented by the warrant certificate are exercised, we will issue a new warrant certificate for the remaining warrants.

Enforcement

The holders of warrants, without the consent of the warrant agent, may, on their own behalf and for their own benefit enforce, and may substitute and maintain any suit, action, or proceeding against us to enforce these rights to exercise and receive the securities purchasable upon exchange of the warrants.

DESCRIPTION OF TRUST PREFERRED SECURITIES AND TRUST GUARANTEES

This section describes the general terms and provisions of the trust preferred securities that may be offered by this prospectus. When the trusts offer to sell a particular series of the trust preferred securities, a prospectus supplement will describe the specific terms of the series. The prospectus supplement will also indicate whether the general terms described in this section apply to that particular series of trust preferred securities.

Specified terms and provisions of the trust preferred securities and related trust guarantees are described in this section. The summary is not complete and is qualified in its entirety by reference to all of the provisions of the declarations of trust, the trust preferred securities and the trust guarantees, including the definitions therein of certain items. Accordingly, we strongly encourage you to refer to the declarations, the trust preferred securities and the trust guarantees for a complete understanding of the terms and conditions applicable to the declarations, the trust preferred securities and the trust guarantees. You should read this description of the trust preferred securities and the declarations and the prospectus supplement relating to the applicable series of the trust preferred securities before you buy any trust preferred securities. The forms of amended and restated declarations of trust and forms of trust guarantees are filed as exhibits to the registration statement of which this prospectus is a part.

Trust Preferred Securities

Each declaration will authorize the trustees of each trust to issue on behalf of the trust one series of trust preferred securities and one series of trust common securities. We collectively refer to the trust preferred securities and the trust common securities as the trust securities. The trust preferred securities will be issued to the public pursuant to the registration statement of which this prospectus is a part, and the trust common securities will be issued directly or indirectly to us.

The trust preferred securities will have the terms, including dividends, redemption, voting, conversion, liquidation and other preferred, deferred or other special rights or restrictions as are described in the applicable declaration or made part of the declaration by the Trust Indenture Act.

Refer to the applicable prospectus supplement relating to the trust preferred securities of each trust for specific terms, including:

- the distinctive designation of trust preferred securities;
- the number of trust preferred securities issued by the trust;
- the annual distribution rate, or method of determining the rate, for trust preferred securities issued by the trust and the date or dates upon which the distributions will be payable and any right to defer payment thereof;
- whether distributions on trust preferred securities issued by the trust will be cumulative, and, in the case of trust preferred securities having cumulative distribution rights, the date or dates or method of determining the date or dates from which distributions on trust preferred securities issued by the trust will be cumulative;
- the amount or amounts which will be paid out of the assets of the trust to the trust preferred securities holders upon voluntary or involuntary dissolution, winding-up or termination of the trust;
- the terms and conditions, if any, upon which the related series of our debt securities may be distributed to trust preferred securities holders;
- the obligation, if any, of the trust to purchase or redeem trust preferred securities issued by the trust and the price or prices at which, the period or periods within which and the terms and

conditions upon which trust preferred securities issued by the trust will be purchased or redeemed, in whole or in part, pursuant to the obligation;

the voting rights, if any, of trust preferred securities issued by the trust in addition to those required by law, including the number of votes per trust preferred security and any requirement for the approval by the trust preferred securities holders, as a condition to specified action or amendments to the applicable declaration;

the rights, if any, to defer distributions on the trust preferred securities by extending the interest payment period on the related debt securities; and

any other relevant rights, preferences, privileges, limitations or restrictions of trust preferred securities issued by the trust that are consistent with the applicable declaration or applicable law.

Pursuant to the declaration, the property trustee will own our debt securities purchased by the applicable trust for the benefit of the trust preferred securities holders and the trust common securities holders. The payment of dividends out of money held by the applicable trust, and payments upon redemption of trust preferred securities or liquidation of any trust, will be guaranteed by us to the extent described below under " Trust Guarantees." The trust guarantees, when taken together with our obligations under such debt securities, the indenture under which such debt securities are issued and the applicable declaration, will provide a full, irrevocable and unconditional guarantee on a subordinated basis of payments due on the trust preferred securities, to the extent described below under " Trust Guarantees." No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the trust's obligations under the trust preferred securities.

Specific United States federal income tax considerations applicable to an investment in trust preferred securities will be described in the applicable prospectus supplement.

In connection with the issuance of trust preferred securities, each trust will also issue one series of trust common securities. Each declaration will authorize the regular trustees of a trust to issue on behalf of the trust one series of trust common securities having the terms, including dividends, conversion, redemption, voting, liquidation rights or the restrictions described in the applicable declaration. Except as otherwise provided in the applicable prospectus supplement, the terms of the trust common securities issued by the trust will be substantially identical to the terms of the trust preferred securities issued by the trust, and the trust common securities will rank on equal terms with, and payments will be made on a ratable basis with, the trust preferred securities. However, upon an event of default under the applicable declaration, the rights of the holders of the trust common securities to payment in respect of dividends and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the trust preferred securities holders. Except in limited circumstances, the trust common securities will also carry the right to vote and appoint, remove or replace any of the trustees of the related trust. All of the trust common securities of each trust will be directly or indirectly owned by us.

The applicable prospectus supplement will describe whether we and/or certain of our subsidiaries maintain deposit accounts and conduct other banking transactions, including borrowings in the ordinary course of business, with the property trustee.

Modification of the Declaration. We are restricted in our ability to modify the declaration. The following is a summary of the provisions with respect to amendments to the declaration. No amendment to the declaration may be made:

unless, in the case of any proposed amendment, the property trustee shall have first received an officers' certificate from each of the trust and the sponsor that such amendment is permitted by, and conforms to, the terms of the declaration (including the terms of securities issued thereunder);

unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the property trustee, the property trustee shall have first received:

an officers' certificate from each of the trust and the sponsor that such amendment is permitted by, and conforms to, the terms of this declaration (including the terms of securities issued thereunder); and

an opinion of counsel (who may be counsel to the sponsor or the trust) that such amendment is permitted by, and conforms to, the terms of declaration (including the terms of securities issued thereunder); and

to the extent the result of such amendment would be to:

cause the trust to fail to continue to be classified for purposes of United States federal income taxation as a grantor trust;

reduce or otherwise adversely affect the powers of the property trustee in contravention of the Trust Indenture Act; or

cause the trust to be deemed to be an investment company required to be registered under the Investment Company Act.

At such time after the trust has issued any securities that remain outstanding, any amendment that would adversely affect the rights, privileges or preferences of any holder of securities issued under the declaration may be effected only with such additional requirements as may be set forth in the terms of such securities.

The sections of the declaration governing the registration and transfer of securities issued under the trust by the regular trustees and modifications of the declaration shall not be amended without the consent of all of the holders of the securities issued under the declaration.

The provisions of the declaration governing the sponsor's purchase of trust common securities and the responsibilities of the sponsor under the declaration shall not be amended without the consent of the holders of a majority in liquidation preference of the trust common securities.

The rights of the holders of the trust common securities under the declaration to increase or decrease the number of, and appoint and remove trustees shall not be amended without the consent of the holders of a majority in liquidation preference of the trust common securities.

The declaration may be amended without the consent of the holders of the securities issued under the declaration to:

cure any ambiguity;

correct or supplement any provision in the declaration that may be defective or inconsistent with any other provision of this declaration;

add to the covenants, restrictions or obligations of the sponsor;

conform to any change in Rule 3a-5 under the Exchange Act or written change in interpretation or application of Rule 3a-5 by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the rights, preferences or privileges of the holders of securities issued under the declaration; and

cause the trust to continue to be classified for United States federal income tax purposes as a grantor trust.

Enforcement of Certain Rights by Holders of Preferred Securities. If an event of default occurs, and is continuing, under the declaration of either trust, the holders of the preferred securities of that trust would typically rely on the property trustee to enforce its rights as a holder of the related debt securities against us. Additionally, those who together hold a majority of the liquidation amount of the trust's preferred securities will have the right to:

- direct the time, method and place of conducting any proceeding for any remedy available to the property trustee; or
- direct the exercise of any trust or power conferred upon the property trustee under the declaration, including the right to direct the property trustee to exercise the remedies available to it as a holder of our debt securities.

If the property trustee fails to enforce its rights under the applicable series of debt securities, a holder of trust preferred securities of such trust may, after a period of 30 days has elapsed from such holder's written request to the property trustee to enforce such rights, institute a legal proceeding directly against us to enforce the property trustee's rights under the applicable series of debt securities without first instituting any legal proceeding against the property trustee or any other person or entity.

Notwithstanding the foregoing, if an event of default occurs and the event is attributable to our failure to make any payment on the debt securities when due, a preferred securities holder of the trust may directly institute a proceeding for the enforcement of this payment.

Trust Guarantees

General. We will irrevocably and unconditionally agree, to the extent described in the trust guarantees, to pay in full, to the trust preferred securities holders of each trust, the trust guarantee payments (as defined below), except to the extent paid by the trust, as and when due, regardless of any defense, right of set-off or counterclaim which the trust may have or assert. Our obligation to make a trust guarantee payment may be satisfied by direct payment of the required amounts by us to the trust preferred securities holders or by causing the applicable trust to pay the required amounts to the holders.

The following payments regarding the trust preferred securities, which we refer to as the trust guarantee payments, to the extent not paid by the applicable trust, will be subject to the trust guarantees, without duplication:

- any accrued and unpaid distributions which are required to be paid on the trust preferred securities, to the extent the trust has funds available to make these payments;
- the redemption price payable out of available funds, with respect to any trust preferred securities called for redemption by the trust, to the extent the trust has funds available to make that payment; and
- upon a liquidation of the trust, other than in connection with the distribution of our debt securities to the trust preferred securities holders, the lesser of (i) the aggregate of the liquidation preference and all accrued and unpaid distributions on the trust preferred securities to the date of payment, to the extent the trust has funds available to make that payment; and (ii) the amount of assets of the trust remaining available for distribution to the holders of the trust preferred securities upon liquidation of the trust.

Subordination. Our obligation under each guarantee to make the guarantee payments will be an unsecured obligation of us and will rank:

- subordinate and junior in right of payment to all of our other liabilities, except those obligations or liabilities ranking equal to or subordinate to the guarantees by their terms;

- equally with the most senior preferred or preference stock now or hereafter issued by us and with any guarantee now or hereafter entered into by us in respect of any preferred or preference stock of any of our affiliates; and

- senior to all of our common stock.

If subordinated debt securities are issued to the applicable trust, the terms of the trust preferred securities will provide that each holder of trust preferred securities by accepting the trust preferred securities agrees to the subordination provisions and other terms of the guarantee related to subordination.

Each guarantee will be unsecured and, because we are principally a holding company, will be effectively subordinated to all existing and future liabilities of our subsidiaries, including liabilities under contracts of insurance and annuities written by our insurance subsidiaries. The guarantee does not limit the incurrence or issuance of other secured or unsecured debt by us.

Covenants of American Equity. In each trust guarantee, we will covenant that, so long as any trust preferred securities issued by the trust remain outstanding, and if (i) we will have exercised our right to defer interest payments on the debt securities and such extension shall be continuing, (ii) we shall be in default with respect to our payment or under obligations under the trust guarantee, or (iii) there will have occurred and be continuing any event that, with the giving of notice or lapse of time or both, would constitute an event of default under the indenture, we will not do any of the following:

- declare or pay any dividend on, make any distributions regarding, or redeem, purchase or acquire or make a liquidation payment regarding, any of our capital stock;

- make any payment of the principal of and any premium and interest on or repay, repurchase or redeem any debt securities issued by us which rank equal or junior to the debt securities owned by the trust; and

- make any guarantee payments regarding the trust preferred securities, other than pursuant to the trust guarantee.

However, even during such circumstances, we may:

- purchase or acquire our capital stock in connection with the satisfaction by us of our obligations under any employee benefit plans or pursuant to any contract or security requiring us to purchase our capital stock;

- purchase our capital stock from officers or employees of us or our subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring us to purchase our capital stock;

- reclassify our capital stock or exchange or convert one class or series of our capital stock for another class or series of our capital stock;

- declare common stock dividends or distributions in our common stock; and

- purchase fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

Amendment and Assignment. Except regarding any changes which do not adversely affect the rights of trust preferred securities holders of any trust, in which case no vote will be required, the trust guarantees regarding the trust preferred securities may be changed only with the prior approval of the holders of not less than a majority in liquidation preference of the outstanding trust preferred securities. The manner of obtaining the approval of trust preferred securities holders will be as described in the applicable prospectus supplement. All guarantees and agreements contained in the

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trust guarantees will bind our successors, assigns, receivers, trustees and representatives and will inure to the benefit of the holders of the outstanding trust preferred securities.

Termination of the Trust Guarantees. Each trust guarantee will end as to the trust preferred securities issued by the trust upon any of the following:

- full payment of the redemption price of all trust preferred securities;

- distribution of our debt securities held by the trust to the trust preferred securities holders; or

- full payment of the amounts payable in accordance with the declaration upon liquidation of the trust.

Each trust guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of trust preferred securities issued by the applicable trust must restore payment of any sums paid under the trust preferred securities or the trust guarantee.

Each guarantee provides that an event of default under a guarantee occurs upon our failure to perform any of our obligations under the applicable guarantee.

Each trust guarantee represents a guarantee of payment and not of collection. Each trust guarantee will be deposited with the property trustee to be held for the benefit of the trust preferred securities of the applicable trust. The property trustee will have the right to enforce the trust guarantees on behalf of the trust preferred securities holders of the applicable trust. The holders of not less than a majority in aggregate liquidation preference of the trust preferred securities of the applicable trust will have the right to direct the time, method and place of conducting any proceeding for any remedy available in respect of the applicable trust guarantee, including the giving of directions to the property trustee.

If the property trustee fails to enforce a trust guarantee as provided above, any holder of trust preferred securities of the applicable trust may, after making a written request to the property trustee to enforce the trust guarantee, institute a legal proceeding directly against us to enforce its rights under the trust guarantee, without first instituting a legal proceeding against the applicable trust, or any other person or entity.

Governing Law. Each trust guarantee will be governed by, and construed in accordance with, the laws of the State of New York, without regard to its principles of conflicts of laws.

The applicable prospectus supplement will set out the status of the trust guarantee.

Expenses of the Trust

We will agree to pay all of the costs, expenses or liabilities of the trusts, other than obligations of the trusts to pay to the holders of any trust preferred securities or trust common securities the amounts due pursuant to the terms of the trust preferred securities or trust common securities.

DESCRIPTION OF STOCK PURCHASE CONTRACTS

We may issue stock purchase contracts, including contracts obligating holders to purchase from us, and for us to sell to holders, a specific or varying number of debt securities, shares of our common stock or preferred stock, depositary shares, warrants, trust preferred securities or other property or securities of an entity unaffiliated with us, a basket of such or any combination of the above, at a future date or dates. Alternatively, the stock purchase contracts may obligate us to purchase from holders, and obligate holders to sell to us, a specific or varying number of shares of debt securities, shares of our common stock or preferred stock, depositary shares, warrants, trust preferred securities or other property. The price per share of preferred stock or common stock or price of other securities may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula described in the stock purchase contracts. We may issue stock purchase contracts separately or as a part of stock purchase units each consisting of a purchase contract and debt securities, undivided beneficial ownership interests in debt securities, trust preferred securities, depositary shares representing fractional interests in debt securities or shares of preferred stock, or debt obligations of third parties, including U.S. Treasury securities, securing the holder's obligations under the purchase contract. The stock purchase contracts may require us to make periodic payments to holders or vice versa and the payments may be unsecured or pre-funded on some basis. The stock purchase contracts may require holders to secure the holder's obligations in a specified manner that we will file with the SEC in connection with a public offering relating to the stock purchase contracts.

The applicable prospectus supplement will describe the terms of any stock purchase contracts. The description in the prospectus supplement will not necessarily be complete, and we will refer you to the stock purchase contracts and, if applicable, collateral arrangements and depositary arrangements relating to the stock purchase contracts or stock purchase units.

The applicable prospectus supplement may contain, where applicable, the following information about the stock purchase contracts issued under it:

- whether the stock purchase contracts obligate the holder or us to purchase or sell, or both purchase and sell, our common stock, preferred stock or depositary shares, as applicable, and the nature and amount of each of those securities, or the method of determining those amounts;
- whether the stock purchase contracts are to be prepaid or not;
- whether the stock purchase contracts are to be settled by delivery, or by reference or linkage to the value, performance or level of our common stock or preferred stock;
- any acceleration, cancellation, termination or other provisions relating to the settlement of the stock purchase contracts;
- whether the stock purchase contracts will be issued in fully registered or global form; and
- any other terms of the stock purchase contracts.

DESCRIPTION OF STOCK PURCHASE UNITS

We may issue stock purchase units comprised of one or more of the other securities described in this prospectus in any combination. Each unit may also include debt obligations of third parties, such as U.S. Treasury securities. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

The applicable prospectus supplement will describe the terms of any stock purchase units. The preceding description and any description of stock purchase units in the applicable prospectus supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to the unit agreement and, if applicable, collateral arrangements and depositary arrangements relating to such stock purchase units that we will file with the SEC in connection with a public offering of stock purchase units.

The applicable prospectus supplement may describe:

- the designation and terms of the stock purchase units and of the securities comprising the stock purchase units, including whether and under what circumstances those securities may be held or transferred separately;

- any provisions for the issuance, payment, settlement, transfer or exchange of the stock purchase units or of the securities comprising the stock purchase units; and

- whether the stock purchase units will be issued in fully registered or global form.

PLAN OF DISTRIBUTION

We and/or the trusts may sell the securities covered by this prospectus from time to time in one or more transactions, including without limitation:

- to or through underwriters or dealers;
- directly to purchasers or to a single purchaser;
- through agents; or
- through a combination of any of these methods.

In addition, we may enter into derivative or hedging transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. In connection with such a transaction, the third parties may sell securities covered by and pursuant to this prospectus and an applicable prospectus supplement or pricing supplement, as the case may be. If so, the third party may use securities borrowed from us or others to settle such sales and may use securities received from us to close out any related short positions.

We may also loan or pledge securities covered by this prospectus and an applicable prospectus supplement to third parties, who may sell the loaned securities or, in an event of default in the case of a pledge, sell the pledged securities pursuant to this prospectus and the applicable prospectus supplement or pricing supplement, as the case may be.

The applicable prospectus supplement will set forth the terms of the offering of the securities covered by this prospectus, including:

- the name or names of any underwriters, dealers or agents and the amounts of securities underwritten or purchased by each of them;
- any delayed delivery arrangements;
- the public offering price or purchase price of the securities and the proceeds to us and any discounts, commissions or concessions allowed or reallowed or paid to underwriters, dealers or agents; and
- any securities exchanges on which the securities may be listed.

The offer and sale of the securities described in this prospectus by us, the trusts, underwriters or the third parties described above may be effected from time to time in one or more transactions, including privately negotiated transactions, either:

- at a fixed price or prices, which may be changed;
- at market prices prevailing at the time of sale;
- at prices relating to such prevailing market prices; or
- at negotiated prices.

Offerings of our equity securities pursuant to this prospectus may also be made into an existing trading market for such securities in transactions at other than a fixed price, either:

- on or through the facilities of any national securities exchange or quotation service on which such securities may be listed, quoted or traded at the time of sale; or
- to or through a market maker otherwise than on such exchanges or quotation or trading services.

Such at-the-market offerings, if any, will be conducted by underwriters, dealers or agents acting as our principal or agent, who may also be third-party sellers of securities as described above.

Any public offering price and any discounts, commissions, concessions or other items constituting compensation allowed or reallowed or paid to underwriters, dealers, agents or remarketing firms may be changed from time to time. Underwriters, dealers, agents or remarketing firms that participate in the distribution of the offered securities may be "underwriters" as defined in the Securities Act. Any discounts or commissions they receive from us and any profits they receive on the resale of the offered securities may be treated as underwriting discounts and commissions under the Securities Act. We will identify any underwriters, agents or dealers and describe their commissions, fees or discounts in the applicable prospectus supplement or pricing supplement, as the case may be.

Sales through Underwriters or Dealers

Underwriters or the third parties described above may offer and sell the offered securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. If underwriters are used in the sale of any securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions described above. The securities may be either offered to the public through underwriting syndicates represented by managing underwriters, or directly by underwriters. Generally, the underwriters' obligations to purchase the securities will be subject to certain conditions precedent. The underwriters will be obligated to purchase all of the securities if they purchase any of the securities unless otherwise specified in connection with any particular offering of securities.

During and after an offering through underwriters, the underwriters may purchase and sell the securities in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters may also impose a penalty bid, which means that selling concessions allowed to syndicate members or other broker-dealers for the offered securities sold for their account may be reclaimed by the syndicate if the offered securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered securities, which may be higher than the price that might otherwise prevail in the open market. If commenced, the underwriters may discontinue these activities at any time.

Some or all of the securities that we and/or the trusts offer through this prospectus may be new issues of securities with no established trading market. Any underwriters to whom we and/or the trusts sell the offered securities for public offering and sale may make a market in those securities, but they will not be obligated to do so and they may discontinue any market making at any time without notice. Accordingly, we cannot assure you of the liquidity of, or continued trading markets for, any securities that we offer.

We and/or the trusts may sell the offered securities to dealers as principals. We may negotiate and pay dealers' commissions, discounts or concessions for their services. The dealers may then resell such securities to the public either at varying prices to be determined by the dealer or at a fixed offering price agreed to with us at the time of resale. Dealers engaged by us may allow other dealers to participate in resales. We will include in the applicable prospectus supplement or pricing supplement, as the case may be, the names of the dealers and the terms of the transaction.

We and/or the trusts may sell some or all of the securities covered by this prospectus through:

- purchases by a dealer, as principal, who may then resell those securities to the public for its account at varying prices determined by the dealer at the time of resale;

block trades in which a dealer will attempt to sell as agent, but may position or resell a portion of the block, as principal, in order to facilitate the transaction; or

ordinary brokerage transactions and transactions in which a broker-dealer solicits purchasers.

Direct Sales and Sales through Agents

We and/or the trusts may sell the securities directly. In this case, no underwriters or agents would be involved. If indicated in an applicable prospectus supplement or pricing supplement, as the case may be, we and/or the trusts may sell the securities through agents from time to time. The applicable prospectus supplement or pricing supplement, as the case may be, will name any agent involved in the offer or sale of the securities and any commissions we and/or the trust pay to them. Generally, any agent will be acting on a best efforts basis for the period of its appointment.

Remarketing Arrangements

Offered securities may also be offered and sold in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreements, if any, with us and its compensation will be described in the applicable prospectus supplement or pricing supplement, as the case may be.

Institutional Purchasers

We and/or the trusts may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase securities from us at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The applicable prospectus supplement or pricing supplement, as the case may be, will provide the details of any such arrangement, including the offering price and commissions payable on the solicitations.

Indemnification; Other Relationships

Agents, underwriters and other third parties described above may be entitled to indemnification by us and/or the trust against certain civil liabilities under the Securities Act, or to contribution with respect to payments which the agents or underwriters may be required to make in respect thereof. Agents, underwriters and such other third parties may be customers of, engage in transactions with, or perform services for us and/or the trust in the ordinary course of business.

Fees and Commissions

In compliance with the guidelines of the Financial Industry Regulatory Authority, or FINRA, the aggregate maximum discount, commission or agency fees or other items constituting underwriting compensation to be received by any FINRA member or independent broker-dealer will not exceed 8% of any offering pursuant to this prospectus and any applicable prospectus supplement or pricing supplement, as the case may be; however, it is anticipated that the maximum commission or discount to be received in any particular offering of securities will be significantly less than this amount.

If more than 10% of the net proceeds of any offering of securities made under this prospectus will be received by FINRA members participating in the offering or affiliates or associated persons of such FINRA members, the offering will be conducted in accordance with FINRA Conduct Rule 2710(h).

LEGAL MATTERS

Certain legal matters regarding the securities (other than the debt securities, trust preferred securities and trust guarantees) will be passed upon for us by Marla G. Lacey, our Vice President and Associate General Counsel. Ms. Lacey is a full-time employee and officer of our company, and currently owns 4,040 shares of our common stock and holds options to purchase an additional 2,500 shares of our common stock.

Certain matters of Delaware and New York law relating to the debt securities, trust preferred securities and trust guarantees will be passed upon for us and the trusts by Skadden, Arps, Slate, Meagher & Flom LLP, Chicago, Illinois.

EXPERTS

Our consolidated balance sheets as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011, and all related financial statement schedules, and the effectiveness of internal control over financial reporting as of December 31, 2011, have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, which report is incorporated herein by reference, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important business and financial information to you that is not included in or delivered with this prospectus by referring you to publicly filed documents that contain the omitted information.

You may read and copy the information that we incorporate by reference in this prospectus as well as other reports, proxy statements and other information that we file with the SEC at the public reference facility maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. In addition, we are required to file electronic versions of those materials with the SEC through the SEC's EDGAR system. The SEC maintains a web site at *http://www.sec.gov* that contains reports, proxy statements and other information that registrants, such as us, file electronically with the SEC. You may also request a copy of these filings, at no cost, by writing or telephoning us as follows: Shareholder Relations, American Equity Investment Life Holding Company, 6000 Westown Parkway, West Des Moines, Iowa 50266, Attention Shareholder Relations, (515) 221-0002. These reports, proxy statements and other information may also be inspected at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus or any prospectus supplement is accurate on any date other than the date on the front cover of such documents or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus or any prospectus supplement is delivered or securities are sold on a later date. Neither the delivery of this prospectus or any applicable prospectus supplement nor any distribution of securities pursuant to such documents shall, under any circumstances, create any implication that there has been no change in the information set forth in this prospectus supplement or any applicable prospectus supplement or in our affairs since the date of this prospectus or any applicable prospectus supplement. We are not making an offer to sell or soliciting an offer to purchase these securities in any jurisdiction where the offer or sale is not permitted.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act covering the securities described in this prospectus. This prospectus does not contain all of the information included in the registration statement, some of which is contained in exhibits included with or incorporated by reference into the registration statement. The registration statement, including the exhibits contained or incorporated by reference therein, can be read at the SEC's website or at the SEC offices referred to above. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual contract, agreement or other document. If we have filed or incorporated by reference any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

Rather than include certain information in this prospectus that we have already included in documents filed with the SEC, we are incorporating this information by reference, which means that we are disclosing important information to you by referring to those publicly filed documents that contain the information. The information incorporated by reference is considered to be part of this prospectus. Accordingly, we incorporate by reference the following documents filed with the SEC by us:

- Our Annual Report on Form 10-K for the year ended December 31, 2011, filed on March 1, 2012;
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 7, 2012;
- Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed on August 6, 2012;
- Our Current Report on Form 8-K, dated March 9, 2012, filed on March 14, 2012;
- Our Current Report on Form 8-K, dated May 31, 2012, filed on June 1, 2012;
- Our Current Report on Form 8-K, dated June 8, 2012, filed on June 8, 2012;
- Our Current Report on Form 8-K, dated June 7, 2012, filed on June 11, 2012;
- Our Current Report on Form 8-K, dated June 27, 2012, filed on June 27, 2012; and
- The description of the common stock which is contained in a registration statement on Form 8-A filed on November 26, 2003 (File No. 001-31911) under the Exchange Act, including any amendment or report filed for the purpose of updating such description.

We also incorporate by reference any future filings (other than information furnished under Item 2.02 or 7.01 of any Current Report on Form 8-K) we make with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the initial filing date of the registration statement of which this prospectus is a part and until all of the securities to which this prospectus relates are sold or the offering is otherwise terminated. Our subsequent filings with the SEC will automatically update and supersede information in this prospectus.

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