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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
Amendment No. 1

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2002

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to ______________

Commission File Number: 0-25985

American Equity Investment Life Holding Company

(Exact name of registrant as specified in its charter)

Iowa	**42-1447959**
(State of Incorporation)	(I.R.S. Employer Identification No.)

5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266
(Address of principal executive offices)

(515) 221-0002
(Telephone)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No o

APPLICABLE TO CORPORATE ISSUERS:
Shares of common stock outstanding at April 30, 2002: 14,508,077

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A is being filed with respect to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002 filed with the Securities and Exchange Commission on May 10, 2002 (the "Form 10-Q"). The Form 10-Q is hereby amended and restated in its entirety.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)
(Unaudited)

		March 31, 2002		December 31, 2001
Assets				
Cash and investments:				
Fixed maturity securities:				
Available for sale, at market (amortized cost: 2002—$3,560,684; 2001—$3,101,040)	$	3,326,799	$	2,974,761
Held for investment, at amortized cost (market: 2002—$406,275; 2001—$412,378)		461,200		454,605
Equity securities, at market (cost: 2002—$19,289; 2001—$18,609)		19,062		18,245
Mortgage loans on real estate		120,050		108,181
Derivative instruments		49,764		40,052
Policy loans		297		291
Cash and cash equivalents		191,244		184,130
Total cash and investments		4,168,416		3,780,265
Receivable from other insurance companies		16		83
Premiums due and uncollected		1,464		1,386
Accrued investment income		32,252		22,100
Receivables from related parties		27,785		29,978
Property, furniture and equipment, less allowances for depreciation of $3,366 in 2002 and $3,150 in 2001		1,544		1,622
Value of insurance in force acquired		389		415
Deferred policy acquisition costs		552,128		492,757
Intangibles, less accumulated amortization of $1,017 in 2002 and $987 in 2001		2,118		2,148
Deferred income tax asset		81,840		51,244
Federal income taxes recoverable		3,306		4,224
Other assets		2,721		2,365
Assets held in separate account		3,937		3,858
Total assets	$	4,877,916	$	4,392,445

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS (Continued)
(Dollars in thousands, except per share data)
(Unaudited)

		March 31, 2002		December 31, 2001
Liabilities and Stockholders' Equity (Deficit)				
Liabilities:				
Policy benefit reserves:				
Traditional life and accident and health insurance products	$	27,542	$	25,490
Annuity and single premium universal life products		4,368,473		3,968,455
Other policy funds and contract claims		24,354		22,046
Amounts due to related party under General Agency Commission and Servicing Agreement		42,138		46,607
Other amounts due to related parties		33,607		22,990
Notes payable		43,333		46,667
Amounts due to reinsurers		13,636		14,318
Amounts due on securities purchased		198,415		66,504
Other liabilities		34,693		32,788
Liabilities related to separate account		3,937		3,858
Total liabilities		4,790,128		4,249,723
Minority interests in subsidiaries:				
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts		100,155		100,155
Stockholders' equity (deficit):				
Series Preferred Stock, par value $1 per share, 2,000,000 shares authorized; 625,000 shares of 1998 Series A Participating Preferred Stock issued and outstanding		625		625
Common Stock, par value $1 per share, 75,000,000 shares authorized; issued and outstanding: 2002—14,508,077 shares; 2001—14,516,974 shares		14,508		14,517
Additional paid-in capital		57,374		57,452
Accumulated other comprehensive loss		(91,636)		(33,531)

Retained earnings	6,762	3,504
Total stockholders' equity (deficit)	(12,367)	42,567
Total liabilities and stockholders' equity (deficit)	$ 4,877,916	$ 4,392,445

See accompanying notes.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2002	**2001**
Revenues:		
Traditional life and accident and health insurance premiums	$ 2,937	$ 3,282
Annuity and single premium universal life product charges	3,017	2,661
Net investment income	67,586	41,630
Realized gains (losses) on sales of investments	(1,087)	156
Change in fair value of derivatives	(9,672)	(25,848)
Total revenues	62,781	21,881
Benefits and expenses:		
Insurance policy benefits and change in future policy benefits	2,321	2,197
Interest credited to account balances	36,222	13,848
Change in fair value of embedded derivatives	5,345	(4,190)
Interest expense on notes payable	557	896
Interest expense on General Agency Commission and Servicing Agreement	1,050	1,582
Interest expense on amounts due under repurchase agreements	—	951
Interest expense due to reinsurer	117	—
Amortization of deferred policy acquisition costs and value of insurance in force acquired	7,186	439
Other operating costs and expenses	3,253	3,863
Total benefits and expenses	56,051	19,586
Income before income taxes, minority interests and cumulative effect of change in accounting principle	6,730	2,295
Income tax expense	(1,610)	(117)
Income before minority interests and cumulative effect of change in accounting principle	5,120	2,178
Minority interests in subsidiaries:		
Earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts	(1,862)	(1,862)
Income before cumulative effect of change in accounting principle	3,258	316
Cumulative effect of change in accounting for derivatives	—	(799)
Net income (loss)	$ 3,258	$ (483)
Earnings (loss) per common share:		
Income before accounting change	$ 0.20	$ 0.02
Cumulative effect of change in accounting for derivatives	—	(0.05)
Earnings (loss) per common share	$ 0.20	$ (0.03)
Earnings (loss) per common share—assuming dilution:		
Income before accounting change	$ 0.18	$ 0.02
Cumulative effect of change in accounting for derivatives	—	(0.05)
Earnings (loss) per common share—assuming dilution	$ 0.18	$ (0.03)

See accompanying notes.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands, except per share data)
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity (Deficit)
Balance at January 1, 2001	$ 625	$ 14,530	$ 57,577	$ (16,876)	$ 2,796	$ 58,652
Comprehensive income:						
Net loss for period	—	—	—	—	(483)	(483)
Change in net unrealized investment gains/losses	—	—	—	6,575	—	6,575
Total comprehensive income						6,092
Issuance of 4,500 shares of common stock	—	5	29	—	—	34
Balance at March 31, 2001	$ 625	$ 14,535	$ 57,606	$ (10,301)	$ 2,313	$ 64,778
Balance at January 1, 2002	$ 625	$ 14,517	$ 57,452	$ (33,531)	$ 3,504	$ 42,567
Comprehensive loss:						
Net income for period	—	—	—	—	3,258	3,258
Change in net unrealized investment gains/losses	—	—	—	(58,105)	—	(58,105)
Total comprehensive loss						(54,847)
Net acquisition of 8,897 shares of common stock	—	(9)	(78)	—	—	(87)
Balance at March 31, 2002	$ 625	$ 14,508	$ 57,374	$ (91,636)	$ 6,762	$ (12,367)

See accompanying notes.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three months ended March 31, 2002	Three months ended March 31, 2001
Operating activities		
Net income (loss)	$ 3,258	$ (483)
Cumulative effect of change in accounting for derivatives	—	799
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Adjustments related to interest sensitive products:		
Interest credited to account balances	36,222	13,848
Annuity and single premium universal life product charges	(3,017)	(2,661)
Change in fair value of embedded derivatives	5,345	(4,190)
Increase in traditional life insurance and accident and health reserves	2,052	1,616
Policy acquisition costs deferred	(41,714)	(30,188)
Amortization of deferred policy acquisition costs	7,160	360
Provision for depreciation and other amortization	272	291
Amortization of discount and premiums on fixed maturity securities and derivative instruments	(21,998)	(11,151)
Realized losses (gains) on sales of investments	1,087	(156)
Change in fair value of derivatives	9,672	25,848
Deferred income tax expense (benefit)	692	(2,580)
Reduction of amounts due to related party under General Agency Commission and Servicing Agreement	(4,469)	(4,198)
Changes in other operating assets and liabilities:		
Accrued investment income	(10,152)	(8,098)

Receivables from related parties	2,193	5,599
Federal income taxes recoverable	918	2,596
Other policy funds and contract claims	2,308	1,419
Other amounts due to related parties	9,635	(4,000)
Other liabilities	1,905	58,008
Other	(353)	(1,700)
Net cash provided by operating activities	1,016	40,979

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in thousands)
(Unaudited)

	Three months ended March 31,	
	2002	**2001**
Investing Activities		
Sales, maturities, or repayments of investments:		
Fixed maturity securities—available for sale	130,990	59,703
Equity securities	492	1,200
Mortgage loans on real estate	481	—
	131,963	60,903
Acquisition of investments:		
Fixed maturity securities—available for sale	(440,610)	(190,694)
Equity securities	(1,172)	(1,169)
Mortgage loans on real estate	(12,350)	—
Derivative instruments	(22,199)	(21,336)
Policy loans	(6)	(18)
	(476,337)	(213,217)
Purchases of property, furniture and equipment	(138)	(215)
Net cash used in investing activities	(344,512)	(152,529)
Financing activities		
Receipts credited to annuity and single premium universal life policyholder account balances	421,048	500,277
Return of annuity and single premium universal life policyholder account balances	(66,335)	(47,596)
Decrease in amounts due under repurchase agreements	—	(110,000)
Repayments of notes payable	(3,334)	—
Amounts due to reinsurers	(682)	8,120
Net proceeds (payments) from issuance/acquisition of common stock	(87)	34
Net cash provided by financing activities	350,610	350,835
Increase in cash and cash equivalents	7,114	239,285
Cash and cash equivalents at beginning of period	184,130	175,724
Cash and cash equivalents at end of period	$ 191,244	$ 415,009
Supplemental disclosures of cash flow information		
Cash paid during period for:		
Interest on notes payable and repurchase agreements	$ 500	$ 1,868
Income taxes—life subsidiaries	—	100
Non-cash financing and investing activities:		
Bonus interest deferred as policy acquisition costs	6,740	3,531

See accompanying notes.

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of American Equity Investment Life Holding Company (the Company) have been prepared in accordance with accounting principles generally accepted in the United States (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 unaudited 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 financial statements. Operating results for the three-month period ended March 31, 2002, are not necessarily indicative of the results that may be expected for the year ended December 31, 2002. For further information, refer to our consolidated financial statements and notes for the year ended December 31, 2001 included in our annual report on Form 10-K.

2. Accounting Changes

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and other Intangible Assets*. Under the new Statements, goodwill and intangibles with indefinite lives will no longer be amortized but will be subject to impairment tests at least on an annual basis. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. Value of insurance in force acquired will continue to be amortized over the expected future gross profits of the acquired block of business. The adoption of these Statements on January 1, 2002 did not have a material impact to the Company. The Company's intangible assets at March 31, 2002 consist of deferred debt and trust preferred security costs of $1,785,000 and other intangible assets not subject to amortization of $333,000 related to insurance licences acquired in connection with the purchase of an inactive life insurance company in 1996.

3. General Agency Commission and Servicing Agreement

The Company has a General Agency Commission and Servicing Agreement with American Equity Investment Service Company (the Service Company), wholly-owned by the Company's chairman, whereby, the Service Company acts as a national supervisory agent with responsibility for paying commissions to agents of the Company. This Agreement is more fully described in Note 8 to the Audited Financial Statements included in the Company's Form 10-K for December 31, 2001.

During the three months ended March 31, 2002 and 2001, the Company paid renewal commissions to the Service Company of $5,519,000 and $6,572,000, respectively, which were used to reduce the amount due under the General Agency Commission and Servicing Agreement, and amounts attributable to imputed interest.

During 1999, the Company agreed to loan to the Service Company up to $50,000,000 pursuant to a promissory note bearing interest at the "reference rate" of the financial institution which is the Company's principal lender. Principal and interest are payable quarterly over five years from the date of the advance. At March 31, 2002 and December 31, 2001, amounts receivable from the Service Company totaled $27,042,000 and $29,139,000, respectively.

4. Reclassifications

Certain amounts in the unaudited consolidated financial statements for the period ended March 31, 2001 have been reclassified to conform to the financial statement presentation for March 31, 2002 and December 31, 2001.

5. 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, 2002	Three Months Ended March 31, 2001
	(Dollars in thousands, except per share data)	
Numerator:		
Income before cumulative effect of change in accounting principle	$ 3,258	$ 316
Cumulative effect of change in accounting for derivative instruments	—	(799)
Net income (loss)	$ 3,258	$ (483)
Denominator:		
Weighted average shares outstanding	14,513,417	14,531,842
Participating preferred stock	1,875,000	1,875,000
Denominator for earnings (loss) per common share	16,388,417	16,406,842
Effect of dilutive securities:		

Warrants		9,307		4,932
Stock options and management subscription rights		403,065		952,913
Deferred compensation agreements		1,088,354		753,111
Denominator for earnings (loss) per common share—assuming dilution		17,889,143		18,117,798
Earnings (loss) per common share:				
Income before cumulative effect of change in accounting principle	$	0.20	$	0.02
Cumulative effect of change in accounting for derivatives		—		(0.05)
Earnings (loss) per common share	$	0.20	$	(0.03)
Earnings (loss) per common share—assuming dilution:				
Income before cumulative effect of change in accounting principle	$	0.18	$	0.02
Cumulative effect of change in accounting for derivatives		—		(0.05)
Earnings (loss) per common share—assuming dilution	$	0.18	$	(0.03)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis reviews our consolidated financial position at March 31, 2002, and the consolidated results of operations for the periods ended March 31, 2002 and 2001, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto appearing elsewhere in this Form 10-Q, and the audited consolidated financial statements, notes thereto and selected consolidated financial data appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

All statements, trend analyses and other information contained in this report and elsewhere (such as in filings by us with the Securities and Exchange Commission, 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 under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors 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 market value of our investments and the lapse rate and profitability of policies
- customer response to new products and marketing initiatives
- mortality and other factors which may affect the profitability of our products
- changes in 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
- the risk factors or uncertainties listed from time to time in our private placement memorandums or filings with the Securities and Exchange Commission

Results of Operations

Three Months Ended March 31, 2002 and 2001

Our business has continued to grow rapidly, with reserves for annuities and single premium universal life policies increasing from $3,968,455,000 at December 31, 2001 to $4,368,473,000 at March 31, 2002. Deposits from sales of annuities and single premium universal life policies during the three months ended March 31, 2002, before reinsurance ceded, increased 22% to $610,526,000 compared to $500,277,000 for the same period in 2001. Deposits for the first quarter of 2002 were reduced by $189,478,000 for amounts ceded to an affiliate insurance company as part of a coinsurance agreement as described in Note 5 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K. The continued strong production is a direct result of the growth in our agency force which increased from 22,000 agents at December 31, 2000 to 34,000 agents at December 31, 2001 and 37,000 agents at March 31, 2002.

Our net income increased $2,942,000 to $3,258,000 for the first quarter of 2002, compared to income before cumulative effect of change in accounting principle of $316,000 for the same period in 2001. This increase is primarily attributable to an increase in net investment income during the first quarter of 2002.

Traditional life and accident and health insurance premiums decreased 11% to $2,937,000 for the first quarter of 2002, compared to $3,282,000 for the same period in 2001. These changes are principally attributable to corresponding changes in direct sales of life products.

Annuity and single premium universal life product charges (surrender charges assessed against policy withdrawals and mortality and expense charges assessed against single premium universal life policyholder account balances) increased 13% to $3,017,000 for the first quarter of 2002, compared to $2,661,000 for the same period in 2001. These increases are principally attributable to the growth in our annuity business and correspondingly, an increase in annuity policy withdrawals subject to surrender charges. Withdrawals from annuity and single premium universal life policies were $66,335,000 for the three months ended March 31, 2002 compared to $47,596,000 for the same period in 2001.

Net investment income increased $25,956,000 to $67,586,000 in the first quarter of 2002, compared to $41,630,000 for the same period in 2001. Invested assets (amortized cost basis) increased 13% to $4,201,935,000 at March 31, 2002 compared to $3,720,435,000 at December 31, 2001, while the effective yield earned on invested assets (excluding cash and cash equivalents) was 7.1% for the three months ended March 31, 2002 compared to 7.3% for the same period in 2001.

Realized gains (losses) on the sale of investments consisted of net realized losses of $1,087,000 in the first quarter of 2002 compared to realized gains of $156,000 for the same period in 2001. In the first three months of 2002, net realized losses of $1,087,000 included: (i) realized gains of $913,000 on the sale of certain corporate fixed maturity and equity securities and (ii) the write down of $2,000,000 in the fair value of a security in recognition of an "other than temporary" impairment.

Change in fair value of derivatives that we hold to fund the annual index credits on our equity index annuities was $(9,672,000) in the first quarter of 2002 compared to $(25,848,000) for the first quarter of 2001. The difference between the change in fair value of derivatives between the two quarters is primarily due to the improved performance of the indexes upon which our call options are based. The change in fair value of derivatives arises from the adoption of SFAS No. 133. We adopted SFAS No. 133 on January 1, 2001, which requires that we mark to market the purchased call options we use to fund the annual index credits on our equity index annuities. We include this as a component of our revenues. See Critical Accounting Policies—Derivative Instruments—Equity Index Products included in Management's Discussion and Analysis found in the Annual Report on Form 10-K.

Traditional life and accident and health insurance benefits increased 6% to $2,321,000 in the first quarter of 2002, compared to $2,197,000 for the same period in 2001. These increases are principally attributable to an increase in death benefits and surrenders.

Interest credited to annuity policyholder account balances increased $22,374,000 to $36,222,000 in the first quarter of 2002, compared to $13,848,000 for the same period in 2001. These increases are principally attributable to the increase in annuity liabilities.

The amounts are also impacted by changes in the weighted average crediting rates for our annuity liabilities, which are summarized as follows:

	Fixed Rate (without bonuses)	Fixed Rate (with bonuses)	Equity Index Credits	Equity Index Option Costs
March 31, 2002	5.49%	6.04%	3.04%	4.01%
March 31, 2001	5.61%	6.22%	0.98%	5.02%

The above crediting rates on our fixed rate annuities includes both multi-year rate guaranteed and annually adjustable rate products. Such rates are disclosed with and without the impact of first-year bonuses paid to policyholders. Generally such bonuses are deducted from the commissions paid to sales agents on such products and deferred as policy acquisition costs. With respect to our equity index annuities, the weighted average option costs represent the expenses we incur to fund the annual index credits on the equity index business. Gains realized on such options are recorded as part of the change in fair value of derivatives, and are also reflected as an expense in interest credited to annuity policyholder account balances.

Change in fair value of embedded derivatives was $5,345,000 in the first quarter of 2002 and $(4,190,000) for the three months ended March 31, 2001. These amounts arise from the adoption of SFAS No. 133 as of January 1, 2001, which requires recognition of the change in estimated fair value of equity index annuity reserves. Under SFAS No. 133, the annual crediting liabilities on our equity index annuities are treated as a "series of embedded derivatives" over the life of the applicable contracts. We are required to estimate the fair value of these future liabilities by projecting the cost of the annual options we will purchase in the future to fund the index credits. See Note 1 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

Interest expense on notes payable decreased 38% to $557,000 for the first quarter of 2002, compared to $896,000 for the same period in 2001. This decrease is attributable to a decrease in the average cost of funds borrowed.

Interest expense on General Agency Commission and Servicing Agreement decreased 34% to $1,050,000 for the first quarter of 2002, compared to $1,582,000 for the same period in 2001. The decrease for the first quarter of 2002 was principally attributable to a decrease in the amounts due under General Agency Commission and Servicing Agreement. See Note 8 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

Interest expense on amounts due under repurchase agreements was $951,000 for the first quarter of 2001. There was no interest expense on amounts due under repurchase agreements for the first quarter of 2002 as no borrowings were outstanding during the quarter.

Amortization of deferred policy acquisition costs and value of insurance in force acquired increased $6,747,000 to $7,186,000 in the first quarter of 2002, compared to $439,000 for the same period in 2001. This increase is primarily due to: (i) growth in our annuity business as discussed above; and (ii) the introduction of multi-year rate guaranteed products with shorter expected lives. See Note 1 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

Other operating costs and expenses decreased 16% to $3,253,000 in the first quarter of 2002, compared to $3,863,000 for the same period in 2001. This decrease is principally attributable to a decrease in salary expense, related benefits and certain marketing expenses.

Income tax expense increased $1,493,000 to $1,610,000 in the first quarter of 2002, compared to $117,000 for the same period in 2001. The increase is principally due to an increase in pretax income. The effective income tax rate for the 2002 periods is less than the applicable statutory federal income tax rate of 35% because of (i) tax benefits for earnings attributable to redeemable preferred securities of subsidiary trusts and (ii) state income tax benefits on the parent company's non-life loss (life insurance subsidiary taxable income is taxed at the 35% federal income tax rate and not generally subject to state income taxes).

Financial Condition

Investments

Cash and investments increased 10% to $4,168,416,000 at March 31, 2002 compared to $3,780,265,000 at December 31, 2001as a result of the growth in our annuity business discussed above offset by a decrease in the fair value of our available-for-sale fixed maturity and equity securities. At March 31, 2002, the fair value of our available-for-sale fixed maturity and equity securities was $234,112,000 less than the amortized cost of those investments, compared to $126,643,000 at December 31, 2001. At March 31, 2002, the amortized cost of our fixed maturity securities held for investment exceeded the market value by $54,925,000, compared to $42,227,000 at December 31, 2001. The increase in the net unrealized investment losses at March 31, 2002 compared to December 31, 2001 is related to an increase of approximately 35 basis points in market interest rates. Such unrealized losses are recognized in the accumulated other comprehensive loss component of stockholders' equity (deficit), net of related changes in the amortization patterns of deferred policy acquisition costs and deferred income taxes. The resulting deferred tax asset has been reviewed by management and no related valuation allowance was considered necessary at March 31, 2002. However, if management were to determine that an allowance was required in subsequent 2002 quarters, such amounts would increase the accumulated other comprehensive loss component of stockholders' equity (deficit).

Substantially all of the market value decline in our portfolio at March 31, 2002 and December 31, 2001 is related to interest rate movement, and substantially all of our invested assets are marketable. We do not believe that such declines will have a material impact on our future operations or liquidity. Interest rate changes tend to cause volatility in our fixed income asset values, which is magnified by the relatively long duration of the assets and by redemption call options applicable to a portion of such assets. The longer duration of our assets corresponds to the longer duration of our liabilities. All of our annuity reserves are subject to surrender charges which we believe limit our exposure to policyholder withdrawals. At March 31, 2002, the remaining weighted average surrender charge period for our aggregate annuity reserves was 9.25 years and the weighted average remaining surrender charge percentage was 12.19%. In light of our growth in new annuity sales in 2001 and the expected continued growth in 2002, we expect the surrender charge periods to continue to lengthen as new annuities with longer surrender periods are added to the aggregate reserve balance. Although the duration of the assets exposes us to greater market value volatility, we believe that it does not impact our ability to earn a targeted spread based upon the yield to amortized cost of the assets. As our annuity reserves mature over the next ten years, we expect to be exposed to higher levels of policyholder withdrawals, and we intend to manage that risk by gradually reducing the overall duration of the invested assets over that ten year period.

Our investment portfolio is summarized in the tables below:

	March 31, 2002		December 31, 2001	
	Carrying Amount	Percent	Carrying Amount	Percent
	(Dollars in thousands)			
Fixed maturities:				
United States Government and agencies	$ 2,394,034	57.4%	$ 2,087,484	55.2%
State, municipal, and other governments	5,033	0.1%	5,099	0.1%
Public utilities	37,468	0.9%	38,472	1.0%
Corporate securities	435,182	10.4%	473,556	12.5%
Redeemable preferred stocks	92,158	2.2%	92,649	2.5%
Mortgage and asset-backed securities				
Government	620,988	14.9%	528,325	14.0%
Non-Government	203,136	4.9%	203,781	5.4%
Total fixed maturities	3,787,999	90.8%	3,429,366	90.7%
Equity securities	19,062	0.5%	18,245	0.5%
Mortgage loans	120,050	2.9%	108,181	2.9%
Derivative instruments	49,764	1.2%	40,052	1.1%
Policy loans	297	0.0%	291	0.0%
Cash and cash equivalents	191,244	4.6%	184,130	4.8%
Total cash and investments	$ 4,168,416	100.0%	$ 3,780,265	100.0%

At March 31, 2002 and December 31, 2001, the amortized cost and estimated fair value of fixed maturity securities and equity securities that were in an unrealized loss position were as follows:

	March 31, 2002		
	Amortized Cost	Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)		
Fixed maturity securities:			
Available for sale:			
United States Government and agencies	$ 2,018,343	$ (133,659)	$ 1,884,684
State, municipal and other governments	5,328	(296)	5,032
Public utilities	29,356	(2,336)	27,020
Corporate securities	383,837	(33,575)	350,262
Redeemable preferred stocks	4,028	(244)	3,784
Mortgage and asset-backed securities:			
Government	649,743	(46,244)	603,499
Non-government	155,846	(22,726)	133,120
	$ 3,246,481	$ (239,080)	$ 3,007,401
Held for investment:			
United States Government and agencies	$ 385,587	$ (55,600)	$ 329,987
	$ 385,587	$ (55,600)	$ 329,987
Equity securities:			
Non-redeemable preferred stocks	$ 15,418	$ (237)	$ 15,181
Common stocks	995	(67)	928
	$ 16,413	$ (304)	$ 16,109

	December 31, 2001		
	Amortized Cost	Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)		
Fixed maturity securities:			
Available for sale:			
United States Government and agencies	$ 1,334,060	$ (64,631)	$ 1,269,429
State, municipal and other governments	5,234	(135)	5,099
Public utilities	29,364	(1,368)	27,996
Corporate securities	320,703	(27,228)	293,475
Redeemable preferred stocks	3,528	(188)	3,340
Mortgage and asset-backed securities:			
Government	493,295	(23,854)	469,441
Non-government	168,321	(21,366)	146,955
	$ 2,354,505	$ (138,770)	$ 2,215,735
Held for investment:			
United States Government and agencies	$ 379,011	$ (45,210)	$ 333,801
	$ 379,011	$ (45,210)	$ 333,801
Equity securities:			
Non-redeemable preferred stocks	$ 6,850	$ (130)	$ 6,720
Common stocks	2,992	(252)	2,740
	$ 9,842	$ (382)	$ 9,460

The amortized cost and estimated fair value of fixed maturity securities at March 31, 2002 and December 31, 2001, by contractual maturity, that were in an unrealized loss position 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-backed and asset-backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

	March 31, 2002			
	Available-for-sale		Held for investment	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Due after one year through five years	$ 10,644	$ 10,350	$ —	$ —
Due after five years through ten years	125,456	119,047	—	—
Due after ten years through twenty years	525,857	493,560	—	—
Due after twenty years	1,778,935	1,647,825	385,587	329,987
	2,440,892	2,270,782	385,587	329,987
Mortgage-backed and asset-backed securities	805,589	736,619	—	—
	$ 3,246,481	$ 3,007,401	$ 385,587	$ 329,987

	December 31, 2001			
	Available-for-sale		Held for investment	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Due after one year through five years	$ 4,718	$ 4,554	$ —	$ —
Due after five years through ten years	69,715	66,307	—	—
Due after ten years through twenty years	377,480	351,674	—	—
Due after twenty years	1,240,976	1,176,804	379,011	333,801
	1,692,889	1,599,339	379,011	333,801
Mortgage-backed and asset-backed securities	661,616	616,396	—	—
	$ 2,354,505	$ 2,215,735	$ 379,011	$ 333,801

The table below presents our fixed maturity securities by NAIC designation and the equivalent ratings of the nationally recognized securities rating organizations.

		March 31, 2002	
NAIC Designation	Rating Agency Equivalent	Carrying Amount	Percent
		(Dollars in thousands)	
1	Aaa/Aa/A	$ 3,376,487	89.2%
2	Baa	361,496	9.5%
3	Ba	39,584	1.0%
4	B	10,432	0.3%
5	Caa and lower	—	—
6	In or near default	—	—
	Total fixed maturities	$ 3,787,999	100.0%

Approximately 72% and 69% of our total invested assets were in United States Government and agency fixed maturity securities including government guaranteed mortgage-backed securities at March 31, 2002 and December 31, 2001, respectively. Corporate securities represented approximately 10% and 13% at March 31, 2002 and December 31, 2001 of our total invested assets, respectively. There are no other significant concentrations in the portfolio by type of security or by industry.

At March 31, 2002 and December 31, 2001, the fair value of investments we owned that were non-investment grade or not rated was $39,403,000 and $33,801,000, respectively. The unrealized losses on investments we owned that were non-investment grade or not rated at March 31, 2002 and December 31, 2001, was $12,857,000 and $8,479,000, respectively.

At March 31, 2002 and December 31, 2001, we identified certain invested assets which have characteristics (i.e., significant unrealized losses compared to book value and industry trends) creating uncertainty as to our future assessment of other than temporary impairments which are listed below by length of time these invested assets have been in an unrealized loss position. We have excluded from this list securities with unrealized losses which are related to market movements in interest rates.

	March 31, 2002		
	Amortized Cost	Unrealized Losses	Fair Value
	(Dollars in thousands)		
3 months or less	$ 12,840	$ (1,687)	$ 11,153
Greater than 3 months to 6 months	5,026	(1,051)	3,975
Greater than 6 months to 9 months	16,186	(4,061)	12,125
Greater than 9 months to 12 months	9,266	(2,121)	7,145
Greater than 12 months	32,841	(10,750)	22,091
	$ 76,159	$ (19,670)	$ 56,489

	December 31, 2001		
	Amortized Cost	Unrealized Losses	Fair Value
	(Dollars in thousands)		
3 months or less	$ 8,361	$ (1,075)	$ 7,286
Greater than 3 months to 6 months	24,968	(5,418)	19,550
Greater than 6 months to 9 months	9,547	(1,155)	8,392
Greater than 9 months to 12 months	26,664	(7,849)	18,815
Greater than 12 months	—	—	—
	$ 69,540	$ (15,497)	$ 54,043

We have reviewed these investments and concluded that there was no other than temporary impairment on these investments at March 31, 2002 and December 31, 2001. The factors that we considered in making this determination included the financial condition and near-term prospects of the issuer, whether the issuer is current on all payments and all contractual payments have been made, our intent and ability to hold the investment to allow for any anticipated recovery and the length of time and extent to which the fair value has been less than cost.

During 2001, we began a commercial mortgage loan program. At March 31, 2002, we held $120,050,000 of mortgage loans compared to $108,181,000 at December 31, 2001. These mortgage loans are diversified as to property type, location, and loan size, and are collateralized by the related properties. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and require diversification by geographic location and collateral type. At March 31, 2002, the

commercial mortgage loan portfolio is diversified by geographic region and specific collateral property type as follows:

	March 31, 2002	
	Carrying Amount	Percent
	(Dollars in thousands)	
Geographic distribution		
East North Central	$ 10,576	8.8%
East South Central	15,969	13.3%
Middle Atlantic	18,264	15.2%
New England	3,484	2.9%
South Atlantic	50,000	41.7%
West North Central	21,757	18.1%
Total	$ 120,050	100.0%

	March 31, 2002	
	Carrying Amount	Percent
	(Dollars in thousands)	
Property type distribution		
Office	$ 43,300	36.1%
Retail	29,946	24.9%
Industrial	28,491	23.7%
Hotel	13,084	10.9%

Mixed use/other		5,229	4.4%
Total	$	120,050	100.0%

Liquidity

The rate of growth in new annuity sales has generated a very high volume of current liquidity. For the year ended December 31, 2001, our net cash receipts from new annuity sales were $2,007,000,000 compared to total returns of policyholder account balances of $223,000,000. For the three months ended March 31, 2002, our net cash receipts from new annuity sales were $421,000,000 compared to total returns of policyholder account balances of $66,000,000.

If further sales of new annuity products were to cease, expected lapses in annuities and other anticipated cash outlays would be fully funded from investment earnings, offset by the applicable surrender charges. In that situation, we would also consider whether to reduce crediting rates to widen our gross spreads. In the unlikely event that the entire block of our annuity reserves were to lapse, we anticipate that applicable surrender charges would offset losses realized upon the sale of our invested assets and would offset, in whole or in part, our unamortized deferred acquisition costs.

We did not issue any debt securities during the first three months of 2002, although certain restrictive covenants of our credit agreement related to the Company's notes payable were amended during the quarter. Management may be required to take certain actions to remain in compliance with the amended covenants. For information related to the Company's notes payable and requirements under the related credit agreement, see Note 7 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

The statutory capital and surplus of our life insurance subsidiary at March 31, 2002 was $183,765,000. The life insurance subsidiary made surplus note interest payments to us of $660,000 during the three months ended March 31, 2002. For the remainder of 2002, up to $17,800,000 can be distributed by the life insurance subsidiary as dividends without prior regulatory approval. Dividends

and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. Our life insurance subsidiary had $13,958,000 of earned surplus at March 31, 2002.

The transfer of funds by our life insurance subsidiary is also restricted by certain covenants in our loan agreements, which, among other things, require the life insurance subsidiary to maintain statutory capital and surplus (including asset valuation and interest maintenance reserves) equal to a minimum of $140,000,000 plus 25% of statutory net income and 75% of the capital contributions to life insurance subsidiary for periods subsequent to December 31, 2000. Under the most restrictive of these limitations, none of our earned surplus at March 31, 2002 would be available for distribution by American Equity Life to the parent company in the form of dividends or other distributions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We seek to invest our available funds in a manner that will maximize shareholder value and fund future obligations to policyholders and debtors, subject to appropriate risk considerations. We seek to meet this objective through investments that: (i) consist predominately of investment grade fixed maturity securities of very high credit quality; (ii) have projected returns which satisfy our spread targets; and (iii) have characteristics which support the underlying liabilities. Many of our products incorporate surrender charges, market interest rate adjustments or other features to encourage persistency.

We seek to maximize the total return on our available for sale investments through active investment management. Accordingly, we have determined that our available for sale portfolio of fixed maturity securities is available to be sold in response to: (i) changes in market interest rates; (ii) changes in relative values of individual securities and asset sectors; (iii) changes in prepayment risks; (iv) changes in credit quality outlook for certain securities; (v) liquidity needs: and (vi) other factors. We have a portfolio of held for investment securities which consists principally of zero coupon bonds issued by U.S. government agencies. These securities are purchased to secure long-term yields which meet our spread targets and support the underlying liabilities.

Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the market value of our investments. The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (participation or asset fee rates for equity-index annuities) on substantially all of our annuity policies at least annually (subject to minimum guaranteed values). In addition, substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use computer models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. (The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates.) When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities. At March 31, 2002, the effective duration

of our cash and invested assets backing our insurance liabilities was approximately 10.2 years and the estimated duration of our insurance liabilities was approximately 6.8 years.

If interest rates were to increase 10% from levels at March 31, 2002, we estimate that the fair value of our fixed maturity securities, net of corresponding changes in the values of deferred policy acquisition costs and insurance in force acquired would decrease by approximately $233,064,000 The computer models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time.

At March 31, 2002, 71.6% of our fixed income securities have call features and 4.7% are subject to current redemption. Another 54.9% will become subject to call redemption through December 31, 2002. During the first quarter of 2002, we received $15,000,000 in net redemption proceeds related to the exercise of such call options. We have reinvestment risk related to these redemptions to the extent we cannot reinvest the net proceeds in assets with credit quality and yield characteristics similar to the redeemed bonds. Such reinvestment risk typically occurs in a declining rate environment. Should rates decline to levels which tighten the spread between our average portfolio yield and average cost of credited income on our annuity liability reserves, we have the ability to reduce crediting rates on most of our annuity liabilities to maintain the spread at our targeted level. Approximately 71.2% of our annuity liabilities are subject to annual adjustment of the applicable crediting rates at our discretion, limited by minimum guaranteed crediting rates of 3 to 4%.

With respect to our equity index business, we purchase call options on the applicable equity indexes to fund the annual index credits on such annuities. These options are primarily one-year instruments purchased to match the funding requirements of the underlying policies. Our risk associated with the current options we hold is limited to the cost of such options. Market value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for equity-indexed products. In the first quarter of 2002, we realized gains of $1,687,000 on our equity index options, and we credited $1,801,000 to policy holders. On the respective anniversary dates of the equity index policies, we purchase new one-year call options to fund the next annual index credits. The risk associated with these prospective purchases is the uncertainty of the cost, which will determine whether we are able to earn our spread on our equity index business. This is a risk we manage through the terms of our equity index annuities, which permit us to change annual participation rates, asset fees, and/or caps, subject to guaranteed minimums. By reducing participation rates, asset fees or caps, we can limit option costs to budgeted amounts except in cases where the minimum guarantees would prevent further reductions. Based upon actuarial testing conducted as a part of the design of our equity index product, we believe the risk that minimum guarantees would prevent us from controlling option costs is negligible.

PART II   OTHER INFORMATION

ITEM 2.   CHANGES IN SECURITIES AND USE OF PROCEEDS

(c)   In March 2002, one employee exercised options to purchase 103 shares of common stock at $9.67 per share, resulting in proceeds of approximately $996.

ITEM 6.   EXHIBITS AND REPORTS ON FORM 8-K

(a)   Exhibits:

None

(b)   No reports on Form 8-K were filed during the quarter ended March 31, 2002.

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.

Date: July 11, 2002

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY

By: /s/ DAVID J. NOBLE

David J. Noble,
President
(Authorized Officer)
