UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **September 15, 2010**

AMERICAN EQUITY
INVESTMENT LIFE HOLDING COMPANY
(Exact Name of Registrant as Specified in its Charter)

Iowa	**001-31911**	**42-1447959**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

6000 Westown Parkway, West Des Moines, Iowa 50266
(Address of Principal Executive Offices) (Zip Code)

(515) 221-0002
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry Into A Material Definitive Agreement

On September 15, 2010, American Investment Life Holding Company (the "Company") entered into an amendment (the "Amendment No. 1") to the Credit Agreement, dated November 20, 2006, among the Company, Keybank National Association, as Administrative Agent, the lender parties thereto and the other parties thereto (the "Credit Agreement"). Amendment No. 1 permits the Company to incur debt, to enter into specified types of convertible note hedge transactions and to satisfy the Company's obligations with respect to such transactions, subject to the terms of Credit Agreement, as amended by Amendment No. 1. Amendment No. 1 is attached as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

Item 8.01. Other Events.

On September 16, 2010, the Company announced the pricing of a private offering of $170 million principal amount of 3.50% Convertible Senior Notes due 2015 (the "Private Offering"). A copy of the press release is filed herewith as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

In connection with the Private Offering, the Company has provided to potential investors a description of certain risk factors applicable to the Company and its business, which are attached as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

10.1	Amendment No. 1 to the Credit Agreement, dated September 15, 2010
99.1	Press Release dated September 16, 2010, issued by American Equity Investment Life Holding Company
99.2	Risk Factors

SIGNATURES

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

Date: September 20, 2010

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By:	/s/ John M. Matovina
Name:	John M. Matovina
Title:	Chief Financial Officer and Treasurer

Exhibit Index

Exhibit No.	Description of Exhibit
10.1	Amendment No. 1 to the Credit Agreement, dated September 15, 2010
99.1	Press Release dated September 16, 2010, issued by American Equity Investment Life Holding Company
99.2	Risk Factors

Exhibit 10.1

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this “First Amendment”) is made and entered into as of the 15th day of September, 2010, by and among

(i) AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY, an Iowa corporation, and its successors and assigns (the “Borrower”); and

(ii) THE FINANCIAL INSTITUTIONS that are signatory Lender parties hereto and their successors and assigns.

Recitals:

A. The Borrower, the “Lenders” party thereto, KeyBank National Association, in its capacity as Administrative Agent for the Lenders, and certain other parties are the parties to that certain Credit Agreement dated as of November 20, 2006 (the “Credit Agreement”), pursuant to which, inter alia, the Lenders (as this and other capitalized terms used herein and not otherwise defined herein are defined in the Credit Agreement) agreed, subject to the terms and conditions thereof, to advance Loans to the Borrower.

B. As of the date hereof, the aggregate unpaid principal balance of the Revolving Loans is $150,000,000.

C. The Borrower has requested certain modifications to the Credit Agreement, and, subject to the terms and conditions of this First Amendment, the undersigned Lenders have agreed to grant such request.

Agreements:

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual agreements hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

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1. Amendments to Credit Agreement.

(a) The final paragraph of the definition of “Debt” in Section 1.01 (Defined Terms) is hereby amended by deleting therefrom the word “or” before clause (iii) thereof and by adding the following provision as a new clause (iv) thereof:

or (iv) other than for the purposes of Section 7(g), any payment obligation under any 2010 Warrants, except to the extent that any such payment obligation, if and when any such payment obligation may arise, is greater than the amount of any concurrent payment or payments received by the Borrower in connection with the termination, cancellation or early unwind of any 2010 Convertible Debt Hedges.

(b) Clause (c) of the definition of “Interest Expense” in Section 1.01 (Defined Terms) is hereby amended and restated in its entirety to provide as follows:

(c) non-cash interest expense accrued on the Convertible 2004 Debt and the 2010 Convertible Debt.

(c) The following new defined terms are hereby added to Section 1.01 (Defined Terms) in the appropriate alphabetical order:

“2010 Convertible Debt” has the meaning specified in Section 6.01(a)(vii).

“2010 Convertible Debt Documents” means the 2010 Convertible Debt Indenture, the Borrower’s Convertible Senior Notes Due 2015 issued thereunder, and related instruments, agreements and other documents, all of which shall conform to the Existing 2010 Terms, as such documents are amended, supplemented or otherwise modified from time to time pursuant to this Agreement.

“2010 Convertible Debt Hedges” means each of the call option transaction confirmation letter agreements to be dated on or about September 15, 2010 (the “2010 Original Hedge Date”) referencing the 2010 Convertible Debt Documents between the Borrower and one or more financial institutions and any additional call option transaction confirmation letter agreements referencing the 2010 Convertible Debt Documents that may be entered into by the Borrower and one or more financial institutions on or before the 30th day immediately following the 2010 Original Hedge Date, in each case, substantially in the form of Exhibit B hereto, as such agreements are amended, supplemented or otherwise modified from time to time pursuant to this Agreement.

“2010 Convertible Debt Indenture” means the Indenture in respect of the 2010 Convertible Debt to be dated on or about September 20, 2010 by and between the Borrower and U.S. Bank National Association, as Trustee.

“2010 Warrants” means each of the warrant transaction confirmation letter agreements to be dated on or about September 15, 2010 (the “2010 Original Warrant Date”) between the Borrower and one or more financial institutions, and any additional warrant transaction confirmation letter agreements that may be entered into by the Borrower and one or more financial institutions on or before the 30th day immediately following the 2010 Original Warrant Date, in each case, substantially in the form of Exhibit C hereto, as such agreements are amended, supplemented or otherwise modified from time to time pursuant to this Agreement.

“Existing 2010 Terms” means terms and conditions of the 2010 Convertible Debt Documents, as described in the draft confidential offering memorandum delivered by counsel to the Borrower to counsel to the Administrative Agent on September 13, 2010, together with modifications thereto that do not in any material respect (i) increase the amount of principal evidenced or governed thereby, change (to a date earlier than December 31, 2014) any date upon which any payment of principal or interest is due thereon, change any event of default or condition to an event of default with respect thereto (other than to eliminate or make less onerous any such event or default or increase any grace period related thereto), change the redemption, prepayment or defeasance provisions thereof (other than to eliminate, in whole or in part, or make less onerous such provisions), or change any collateral therefor (other than to release such collateral) or (ii) increase in any material respect the obligations of the Borrower thereunder or to confer any additional rights on the holders of such Debt (or a trustee or other representative on their behalf).

"Shoe Issuance" has the meaning specified in Section 6.01(a)(vii).

(d) Section 2.10(b) (Mandatory Prepayments) is hereby amended and restated in its entirety to provide as follows:

(b) *Mandatory Prepayments.* (i) If at any date the Total Outstanding Amount exceeds the Total Commitment calculated as of such date, then not later than the next succeeding Business Day, the Borrower shall be required to prepay the Loans in an amount equal to such excess until the Total Outstanding Amount does not exceed the Total Commitment.

(ii) On each date on which the Borrower receives any proceeds of any 2010 Convertible Debt, the Borrower shall prepay the Loans in an amount equal to the lesser of (A) the aggregate then unpaid principal balance of all of the Loans and (B) the aggregate amount of such proceeds of 2010 Convertible Debt received by the Borrower on such date, net of the cash consideration paid for the 2010 Convertible Debt Hedges entered into in connection therewith and of other customary and reasonable commissions, fees and other expenses (including, without limitation, underwriting discounts and commissions) incurred by the Borrower in connection with the incurrence of the 2010 Convertible Debt.

(e) Clause (e) of Section 5.02 (Notice of Material Events) is hereby amended and restated in its entirety to provide as follows:

(e) at least five Business Days prior to the effectiveness of any amendment to the terms of the Convertible 2004 Debt or to the 2010 Convertible Debt, or the effectiveness of any agreement governing any Debt in replacement or exchange thereof, a copy of such amendment or agreement;

(f) Clause (vii) of Section 6.01(a) (Debt; Certain Equity Securities) is hereby re-designated to be clause (viii), and the following provision is hereby added to Section 6.01(a) as a new clause (vii) thereof:

(vii) Debt of $150,000,000 in aggregate principal amount incurred on or about September 20, 2010 (the "2010 Original Incurrence Date") by the Borrower plus up to an additional $50,000,000 in aggregate principal amount that may be incurred by Borrower on or before the 30th day immediately following the 2010 Original Incurrence Date (each incurrence of all or any portion of such additional $50,000,000 aggregate principal amount being a "Shoe Issuance"), in each case, pursuant to a note offering exempt from the registration requirements of the Securities Act of 1933, as amended (collectively, the "2010 Convertible Debt"), which 2010 Convertible Debt at all times shall be on terms consistent in all material respects with the Existing 2010 Terms, and any Debt, not greater than $200,000,000 in principal amount and otherwise on terms not more restrictive on or otherwise less favorable to the Borrower in any material respect than the Existing 2010 Terms, in exchange therefor, whether or not the notes, debentures or other instruments evidencing such exchange Debt are exempt from such registration requirements (without limiting the generality of the foregoing, it is the intention hereby that the terms of the 2010 Convertible Debt, including the effect of any modification thereof, and the terms of any Debt in exchange or replacement thereof, (i) provide for a final scheduled maturity not earlier than September 15, 2015 and (ii) otherwise shall not be more restrictive on, or otherwise less favorable to, the Borrower in any material respect than the Existing 2010 Terms); and

(g) Clause (v) of Section 6.04 (Investments, Loans, Advances, Guarantees and Acquisitions) is hereby amended and restated in its entirety to provide as follows:

(v) Hedging Agreements in the ordinary course of the Borrower's or such Subsidiary's business and any 2010 Convertible Debt Hedges,

(h) Section 6.15(b) (Amendment of Material Documents; Prepayments) is hereby amended and restated in its entirety to provide as follows:

(b) (i) The Borrower shall not, and shall not permit any Subsidiary to, enter into any amendment, waiver or other modification of any of the Convertible 2004 Debt Documents, any of the 2010 Convertible Debt Documents, any of the Trust Preferred Securities Notes or any indenture or other agreement governing the Trust Preferred Securities Notes, or of any document evidencing or otherwise governing any Material Debt (i) if the effect of such amendment, waiver or other modification is to increase the interest rate on such Debt, increase the amount of principal due on any date, change (to earlier dates) any dates upon which payments of principal or interest are due thereon, change any event of default or condition to an event of default with respect thereto (other than to eliminate or make less onerous any such event or default or increase any grace period related thereto), change the redemption, prepayment or defeasance provisions thereof, or change any collateral therefor (other than to release such collateral), or (ii) if the effect of such amendment or change, together with all other amendments or changes made, is to increase in any material respect the obligations of the obligor thereunder or to confer any additional rights on the holders of such Debt (or a trustee or other representative on their behalf).

(ii) The Borrower shall not, and shall not permit any Subsidiary to, enter into any amendment, waiver or other modification of any of the 2010 Convertible Debt Hedges or any of the 2010 Warrants (i) if the effect of such amendment, waiver or other modification is to increase the amount of any payment in cash due on any date that is earlier than December 31, 2014, change (to a date earlier than December 31, 2014) any dates upon which any such payment in cash is due thereunder, change any event of default or termination event or condition to an event of default or termination event with respect thereto (other than to eliminate or make less onerous any such event or default or termination event or increase any grace period related thereto) or (ii) if the effect of such amendment, waiver or other modification, together with all other amendments, waivers or other modifications made, is to increase in any material respect the obligations of the Borrower thereunder or to confer any additional rights on the counterparties thereto (or a trustee or other representative on their behalf); *provided* that this clause (ii) shall not prohibit any amendment to any 2010 Convertible Note Hedge to increase the number of call options pursuant to such 2010 Convertible Note Hedge that may be entered into by the Borrower on or before the 30th day immediately following the 2010 Original Hedge Date in connection with a Shoe Issuance.

(i) The second proviso to paragraph (g) of Article 7 (Events of Default) is hereby amended and restated in its entirety to provide as follows:

provided, *further*, that none of (A) the occurrence of an event or condition that requires a mandatory payment of cash, or the mandatory payment of cash, in each case, required by Section 10.01 of the Indenture described in the definition of Convertible 2004 Debt Documents (as it provides on the date hereof), (B) the occurrence of an event or condition that requires a mandatory payment of cash, or the mandatory payment of cash, in each case, pursuant to the section of the 2010 Convertible Debt Indenture corresponding to the provisions set forth below the captions "Description of notes—Conversion rights—Conversion upon satisfaction of sale price condition," "—Conversion upon

satisfaction of trading price condition," "—Conversion upon specified corporate events," "—Conversion on or after June 15, 2015" and "—Settlement upon conversion" of the confidential offering memorandum referred to in the definition of the Existing 2010 Terms, (C) any event or condition enabling or pemitting the termination, cancellation or early unwind of any 2010 Warrants, or any mandatory payment of cash upon any termination, cancellation or early unwind of any 2010 Warrants to the extent that the amount of such mandatory payment is less than or equal to the amount of any concurrent payment or payments received by the Borrower in connection with the termination, cancellation or early unwind of any 2010 Convertible Debt Hedges, nor (D) the occurrence of an event or condition that requires a mandatory prepayment of Material Debt, or the mandatory prepayment of Material Debt, in each case, required to be made by reason of the sale or other disposition (including, without limitation, condemnation or insured casualty) of assets securing such Material Debt, shall be deemed to be an event or condition described in any of clauses (i), (ii) and (iii) above;

(j) The forms of (i) a 2010 Convertible Debt Hedge and (ii) a 2010 Warrant attached hereto are hereby added as new Exhibits B and C, respectively, of the Credit Agreement.

2. Amendment Effective Date; Conditions Precedent. The amendments set forth in Paragraph 1, above, shall not be effective unless and until the date on which all of the following conditions precedent have been satisfied (such date of effectiveness being the "First Amendment Effective Date"):

(a) Officer's Certificate. On the First Amendment Effective Date and after giving effect to the amendments set forth in Paragraph 1, above, (i) there shall exist no Default, and a Financial Officer or other executive officer of the Borrower, on behalf of the Borrower, shall have delivered to the Administrative Agent written confirmation thereof dated as of the First Amendment Effective Date, and (ii) the representations and warranties of the Borrower under Article 3 of the Credit Agreement shall have been reaffirmed in writing by a Financial Officer or other executive officer of the Borrower, on behalf of the Borrower, as being true and correct in all material respects as of the First Amendment Effective Date (unless and to the extent that any such representation and warranty is stated to relate solely to an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date).

(b) First Amendment. The Administrative Agent (or its counsel) shall have received from the Borrower and from Lenders sufficient to constitute the Required Lenders either (i) a counterpart of this First Amendment signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this First Amendment) that such party has signed a counterpart of this First Amendment.

(c) Corporate Authorization. The Borrower shall have delivered to the Administrative Agent a copy, certified by its Secretary or Assistant Secretary, of its Board of Directors' resolutions authorizing the execution and delivery of this First Amendment and the transactions contemplated hereby.

(d) Agent Expenses. The Borrower shall have paid or caused to be paid to the Administrative Agent on or prior to the First Amendment Effective Date, to the extent then invoiced, all reasonable out-of-pocket expenses, including fees, charges and disbursements of its special counsel, Squire, Sanders & Dempsey L.L.P. (the "Special Counsel"), required to be reimbursed or paid by the Borrower hereunder or under any other Loan Document.

(e) Other Matters. The Administrative Agent shall have received such other certificates, opinions and documents, in form and substance reasonably satisfactory to the Administrative Agent, as the Administrative Agent may reasonably request.

3. No Modifications. Except as expressly provided in this First Amendment, all of the terms and conditions of the Credit Agreement and the other Loan Documents remain unchanged and in full force and effect.

4. Confirmation of Obligations. The Borrower hereby confirms that, as of the date hereof, the Borrower is indebted to the Lenders for the Loans in the amounts and as of the date

set forth in Recital B, above, and is also obligated to the Lenders in respect of other obligations as set forth in the Credit Agreement and the other Loan Documents. The Borrower further acknowledges and agrees that as of the date hereof, it has no claim, defense or set-off right against any Lender or the Administrative Agent of any nature whatsoever, whether sounding in tort, contract or otherwise, and has no claim, defense or set-off of any nature whatsoever to the enforcement by any Lender or the Administrative Agent of the full amount of the Loans and other obligations of the Borrower under the Credit Agreement and the other Loan Documents.

5. Administrative Agent's Expense. The Borrower agrees to reimburse the Administrative Agent promptly for its reasonable documented out-of-pocket costs and expenses incurred in connection with this First Amendment and the transactions contemplated hereby, including, without limitation (but without duplication of fees and expenses paid pursuant to Section 2(d) above), the reasonable fees and expenses of the Special Counsel.

6. Governing Law; Binding Effect. This First Amendment shall be governed by and construed in accordance with the laws of the State of New York and shall be binding upon and inure to the benefit of the Borrower, the Lenders and the Administrative Agent and their respective successors and assigns.

7. Counterparts. This First Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this First Amendment by delivering by facsimile or email transmission a signature page of this First Amendment signed by such party, and any such facsimile or email signature shall be treated in all respects as having the same effect as an original signature. Any party delivering by

facsimile or email transmission a counterpart executed by it shall promptly thereafter also deliver a manually signed counterpart of this First Amendment; provided that any failure to deliver such manually signed counterpart shall not affect the effectiveness of this First Amendment or the consent of such party to the First Amendment and the provisions contained herein.

8. Miscellaneous.

(a) Upon the effectiveness of this First Amendment, this First Amendment shall be a Loan Document.

(b) The invalidity, illegality, or unenforceability of any provision in or Obligation under this First Amendment in any jurisdiction shall not affect or impair the validity, legality, or enforceability of the remaining provisions or obligations under this First Amendment or of such provision or obligation in any other jurisdiction.

(c) This First Amendment and all other agreements and documents executed in connection herewith have been prepared through the joint efforts of all of the parties. Neither the provisions of this First Amendment or any such other agreements and documents nor any alleged ambiguity shall be interpreted or resolved against any party on the ground that such party's counsel drafted this First Amendment or such other agreements and documents, or based on any other rule of strict construction. Each of the parties hereto represents and declares that such party has carefully read this First Amendment and all other agreements and documents executed in connection herewith and therewith, and that such party knows the contents thereof and signs the same freely and voluntarily. The parties hereby acknowledge that they have been represented by legal counsel of their own choosing in negotiations for and preparation of this First Amendment and all other agreements and documents executed in connection therewith and

that each of them has read the same and had their contents fully explained by such counsel and is fully aware of their contents and legal effect.

10. Waiver of Jury Trial. EACH OF THE PARTIES TO THIS FIRST AMENDMENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER SOUNDING IN CONTRACT, TORT OR OTHER THEORY) ARISING OUT OF OR RELATING TO THIS FIRST AMENDMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS FIRST AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATION IN THIS SECTION.

[No additional provisions are on this page; the page next following is a signature page.]

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the date first above written.

BORROWER

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ John M. Matovina
John M. Matovina
Chief Financial Officer and Treasurer

LENDERS

KEYBANK NATIONAL ASSOCIATION,
as Lender

By: /s/ Mary K. Young
Mary K. Young
Senior Vice President

[Lender Signatures Continued]

BANKERS TRUST COMPANY

By: /s/ John M. Doll
John M. Doll
Vice President

[Lender Signatures Continued]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By: /s/ Thomas A. Kiepura
Thomas A. Kiepura
Vice President

[Lender Signatures Continued]

SUNTRUST BANK

By: /s/ K. Scott Bazemore
K. Scott Bazemore
Vice President

[Lender Signatures Continued]

WEST BANK

By: /s/ Kevin S. Smith
Kevin S. Smith
Sr. Vice President

AGENT ACKNOWLEDGMENT:

The Administrative Agent hereby acknowledges its receipt of the foregoing First Amendment as of the date first above written.

KEYBANK NATIONAL ASSOCIATION, as Administrative Agent

By: /s/ Mary K. Young
Mary K. Young
Senior Vice President

Exhibit 99.1

NEWS RELEASE

FOR IMMEDIATE RELEASE

September 16, 2010

For more information, contact:

Wendy C. Waugaman, Chief Executive Officer
(515) 457-1824, wcwaugaman@american-equity.com

John M. Matovina, Chief Financial Officer
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Debra J. Richardson, Executive Vice President
(515) 273-3551, drichardson@american-equity.com

Julie LaFollette, Director of Investor Relations
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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY ANNOUNCES PRICING OF CONVERTIBLE SENIOR NOTES

West Des Moines, IA — September 16, 2010 — American Equity Investment Life Holding Company (NYSE: AEL) ("American Equity" or the "Company") announced today the pricing of $170 million in aggregate principal amount of 3.5% Convertible Senior Notes Due 2015 (the "notes"). American Equity has also granted the initial purchasers of the notes a 13-day over-allotment option to purchase up to $30 million additional aggregate principal amount of the notes (subject to certain limitations). The notes will be convertible, under certain circumstances, into cash, shares of American Equity's common stock or a combination of cash and shares of American Equity's common stock, at American Equity's election, based on an initial conversion rate for the notes of 80 shares of American Equity's common stock per $1,000 principal amount of notes, which is equivalent to an initial conversion price of $12.50 per share of common stock and represents a 25% conversion premium over the last reported sale price of American Equity's common stock on September 16, 2010, which was $10.00 per share. The conversion rate and the conversion price are subject to adjustment in certain events, such as distributions of dividends or stock splits. American Equity expects to close the notes offering on or about September 22, 2010, subject to the satisfaction of various customary closing conditions.

Interest on the notes will be payable semiannually in arrears on March 15 and September 15 of each year, beginning March 15, 2011. The notes will mature on September 15, 2015, unless previously repurchased or converted in accordance with their terms prior to such date. The notes will be American Equity's senior unsecured obligations and will rank equally with all of American Equity's existing and future senior unsecured debt and senior to all of its existing and future subordinated debt. The notes are not redeemable by American Equity prior to the maturity date.

In connection with this offering of the notes, American Equity entered into privately negotiated convertible note hedge transactions with counterparties that include affiliates of one or more of the initial purchasers. These transactions are expected generally to reduce both the potential dilution upon conversion of the notes and exposure to potential cash payments American Equity may be required to make upon a conversion of the notes. American Equity also entered into privately negotiated warrant transactions with such counterparties. These transactions could separately have a dilutive effect to the extent that the market price per share of its common stock exceeds the strike price of the warrants, which is $16.00 per share of common stock (60% higher than the last reported sale price of American Equity's common stock on September 16, 2010). However, subject to certain conditions, American Equity may elect to settle the warrants in cash. If the initial purchasers exercise their over-allotment option, American Equity may sell additional warrants and use a portion of the net proceeds from the sale of the additional notes and the sale of the additional warrants to increase the size of the convertible note hedge transactions.

American Equity has been advised that, in connection with establishing their initial hedges of the convertible note hedge and warrant transactions described above, the counterparties and/or their respective affiliates expect to purchase shares of American Equity's common stock and/or enter into various derivative transactions with respect to American Equity's common stock. This activity could increase (or reduce the size of any decrease in) the price of American Equity's common stock at that time. In addition, the counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to American Equity's common stock and/or purchasing or selling American Equity's common stock in secondary market transactions prior to the maturity of the notes (and are likely to do so during any observation period related to a conversion of notes). This activity could also cause or avoid an increase or a decrease in the market price of American Equity's common stock or the notes, which could affect the ability of holders to convert the notes and, to the extent the activity occurs during any observation period related to a conversion of notes, it could affect the number of shares and value of the consideration that holders will receive upon conversion of the notes.

American Equity intends to use a portion of the net proceeds of the offering to pay American Equity's cost of the convertible note hedge transactions described above, taking into account the proceeds to American Equity of the warrant transactions described above, and to use the balance of the net proceeds of the offering to repay outstanding amounts of principal and interest under its credit facility, to repurchase outstanding convertible notes, and for general corporate purposes.

The notes, convertible note hedges, warrants and the shares of common stock underlying such securities have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any applicable state securities laws, and will be offered only to qualified institutional buyers pursuant to Rule 144A promulgated under the Securities Act. Unless so registered, the notes may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy these securities, nor shall there be any sale of these securities, in any state in which such offer,

solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any state.

Caution Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to future operations, strategies, financial results or other developments, and are subject to assumptions, risks and uncertainties. Statements such as “guidance,” “expect,” “anticipate,” “believe,” “goal,” “objective,” “target,” “may,” “should,” “estimate,” “projects,” or similar words as well as specific projections of future results qualify as forward-looking statements. Factors that may cause our actual results to differ materially from those contemplated by these forward looking statements can be found in the company’s Form 10-K filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date the statement was made and the company undertakes no obligation to update such forward-looking statements. There can be no assurance that other factors not currently anticipated by the company will not materially and adversely affect our results of operations. Investors are cautioned not to place undue reliance on any forward-looking statements made by us or on our behalf.

Risks related to our business

The recent financial crisis resulted in unprecedented levels of market volatility and deteriorated debt and equity markets which adversely affected us. Continued difficult conditions in the global capital markets and economy may not improve in the near future and any subsequent downturn will further adversely affect us if conditions deteriorate in 2010.

Markets in the United States and elsewhere have experienced extreme volatility and disruption since the second half of 2007, due in part to the financial stresses affecting the liquidity of the banking system and the financial markets. This volatility and disruption reached unprecedented levels in late 2008 and early 2009. The United States entered a severe recession and economists have predicted that any recovery will probably be slow and long-term. These circumstances exerted downward pressure on stock prices and have reduced access to the equity and debt markets for certain issuers. The unprecedented market volatility and general decline in the debt and equity markets has directly and materially affected our investment portfolio. The prolonged and severe disruptions in the public debt and equity markets (including, among other things, widening of credit spreads, bankruptcies and government intervention in a number of large financial institutions) have resulted in us recognizing significant other than temporary impairment losses, counterparty defaults on derivative instruments (call options) purchased from one of our counterparties to fund annual index credits on our fixed index annuities, impairments of commercial mortgage loans and continuing credit rating downgrades of our residential mortgage backed securities.

Due to the other than temporary impairments recognized on our investments during 2009 and 2008, there may be pressure on our capital position during 2010 if market conditions deteriorate resulting in additional other than temporary impairments and impairments on our commercial mortgage loans. This may result in us needing to raise additional capital to sustain our current business in force and new sales of our annuity products, which may be difficult under current market conditions. If capital is available, it may be at terms that are not favorable to us. If we are unable to raise adequate capital, we may be required to limit growth in sales of our annuity products.

Additionally, if market conditions occurred that would subsequently effect our liquidity we could be forced to limit our operations and our business could suffer. We need liquidity to pay our policyholder benefits, operating expenses, dividends on our capital stock, and to service our debt obligations. The principal sources of our liquidity are annuity deposits, investment income and proceeds from the sale, maturity and call of investments. Additional sources of liquidity in normal markets also include a variety of short and long-term instruments, including long-term debt and capital securities.

Governmental initiatives intended to alleviate the financial crisis that have been adopted may not be effective and, in any event, may be accompanied by other initiatives, including new capital requirements or other regulations, that could materially affect our results of operations, financial condition and liquidity in ways that we cannot predict.

We are subject to extensive laws and regulations that are administered and enforced by a number of different regulatory authorities including state insurance regulators, the National Association of Insurance Commissioners (the “NAIC”), the Securities and Exchange Commission (the “SEC”) and the New York Stock Exchange. In light of the financial crisis, some of these authorities are or may in the future consider enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could affect the way we conduct our business and manage our capital, and may require us to satisfy increased capital requirements, any of which in turn could materially affect our results of operations, financial condition and liquidity.

The markets in the United States and elsewhere have experienced unprecedented levels of market volatility and disruption. We are exposed to significant financial and capital risk, including changing interest rates, credit spreads and equity prices which may have an adverse affect on sales of our products, profitability, investment portfolio and reported book value per share.

Future changes in interest rates, credit spreads and equity and bond indices may result in fluctuations in the income derived from our investments. These and other factors due to the current economic uncertainty could have a material adverse effect on our financial condition, results of operations or cash flows.

Interest rate and credit spread risk

Our interest rate risk is related to market price and changes in cash flow. Substantial and sustained increases and decreases in market interest rates can materially and adversely affect the profitability of our products, our ability to earn predictable returns, the fair value of our investments and the reported value of stockholders’ equity. A rise in interest rates, in the absence of other countervailing changes, will decrease the net unrealized gain position or increase the net unrealized loss position of our investment portfolio. With respect to our available for sale fixed maturity securities, such declines in value (net of income taxes and certain adjustments for assumed changes in amortization of deferred policy acquisition costs and deferred sales inducements) reduce our reported stockholders’ equity and book value per share. We have a portfolio of held for investment securities, which consists principally of long duration bonds issued by United States government agencies, the value of which is also sensitive to interest rate changes.

If long-term interest rates rise dramatically within a short period of time, our business may be exposed to disintermediation risk. Disintermediation risk refers to the risk that our policyholders may surrender all or a part of their contracts in a rising rate environment, which may require us

to sell assets in an unrealized loss position. Alternatively, we may increase crediting rates to retain business and reduce the level of assets that might need to be sold at a loss. However, such action would reduce our investment spread and net income.

As reported in our annual and quarterly reports filed with the SEC, we hold a substantial amount of fixed maturity securities that are callable by the issuer prior to maturity, and since 2008, we have received significant amounts of redemption proceeds related to calls of securities issued by United States Government sponsored agencies. We have reinvested the proceeds from these redemptions into new securities issued by such agencies, corporate securities and securities issued by United States municipalities, states and territories. The callable United States Government sponsored agencies that we own / purchase typically provide for 12 months of call protection, after which they may be called on the first anniversary of the issue date, or any semi-annual or annual redemption date thereafter. As such, at any financial reporting date, substantially all of the securities we own issued by United States Government sponsored agencies that are not residential mortgage-backed securities are callable by the respective agency within 12 months.

Due to the longer-term nature of our annuity liabilities, sustained declines in long-term interest rates may result in increased redemptions of our fixed maturity securities that our subject to call redemption prior to maturity by the issuer and expose us to reinvestment risk. If we are unable to reinvest the proceeds from such redemptions in investments with credit quality and yield characteristics of the redeemed securities, our net income and overall financial performance may be adversely affected. We have a certain ability to mitigate this risk by reducing crediting rates or adjusting the caps, participation rates or asset fees for fixed index annuities subject to certain restrictions as discussed below.

Our exposure to credit spreads is related to market price and changes in cash flows related to changes in credit spreads. If credit spreads widen significantly it could lead to other than temporary impairments. If credit spreads tighten significantly it could result in reduced net investment income associated with new purchases of fixed maturity securities.

Credit risk

We are subject to the risk that the issuers of our fixed maturity securities and other debt securities and borrowers on our commercial mortgages, will default on principal and interest payments, particularly if a major downturn in economic activity occurs. An increase in defaults on our fixed maturity securities and commercial mortgage loan portfolios could harm our financial strength and reduce our profitability.

Credit and cash flow assumption risk is the risk that issuers of securities, mortgagees on mortgage loans or other parties, including reinsurers and derivatives counterparties, default on their contractual obligations or experience adverse changes to their contractual cash flow streams. We attempt to minimize the adverse impact of this risk by monitoring portfolio diversification by asset class, creditor, industry, and by complying with investment limitations governed by state insurance laws and regulations as applicable. We also consider all relevant objective information available in estimating the cash flows related to residential mortgage backed securities. We

monitor and manage exposures to determine whether securities are impaired or loans are deemed uncollectible.

We use derivative instruments to fund the annual credits on our fixed index annuities. We purchase derivative instruments, consisting primarily of one-year call options, from a number of counterparties. Our policy is to acquire such options only from counterparties rated “A-” or better by a nationally recognized rating agency and the maximum credit exposure to any single counterparty is subject to concentration limits. In addition, we have entered into credit support agreements which allow us to require the posting of collateral by our counterparties to secure their obligations to us under the derivative instruments. If our counterparties fail to honor their obligations under the derivative instruments, our revenues may not be sufficient to fund the annual index credits on our fixed index annuities. Any such failure could harm our financial strength and reduce our profitability.

Liquidity risk

We may also have difficulty selling our commercial mortgage loans because they are less liquid than our publicly traded securities. If we require significant amounts of cash on short notice, we may have difficulty selling these loans at attractive prices or in a timely manner, or both.

Fluctuations in interest rates and investment spread could adversely affect our financial condition, results of operations and cash flows.

A key component of our net income is the investment spread. A narrowing of investment spreads may adversely affect operating results. Although we have the right to adjust interest crediting rates (cap, participation or asset fee rates for fixed index annuities) on most products, changes to crediting rates may not be sufficient to maintain targeted investment spreads in all economic and market environments. In general, our ability to lower crediting rates is subject to minimum crediting rates filed with and approved by state regulators. In addition, competition and other factors, including the potential for increases in surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid the narrowing of spreads under certain market conditions. Our policy structure generally provides for resetting of policy crediting rates at least annually and imposes withdrawal penalties for withdrawals during the first 3 to 17 years a policy is in force.

Managing the investment spread on our fixed index annuities is more complex than it is for fixed rate annuity products. We manage the index-based risk component of our fixed index annuities by purchasing call options on the applicable indices to fund the annual index credits on these annuities and by adjusting the caps, participation rates and asset fees on policy anniversary dates to reflect changes in the cost of such options which varies based on market conditions. The price of such options generally increases with increases in the volatility in the indices and interest rates, which may either narrow the spread or cause us to lower caps or participation rates. Thus, the volatility of the indices adds an additional degree of uncertainty to the profitability of the index products. We attempt to mitigate this risk by resetting caps, participation rates and asset fees annually on the policy anniversaries.

Our valuation of fixed maturity and equity securities may include methodologies, estimates and assumptions which are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our results of operations or financial condition.

Fixed maturity securities and equity securities are reported at fair value in our consolidated balance sheets. During periods of market disruption including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities if trading becomes less frequent and/or market data becomes less observable. Prices provided by independent broker quotes or independent pricing services that are used in the determination of fair value can vary significantly for a particular security. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. As such, valuations may include inputs and assumptions that are less observable or require greater judgment as well as valuation methods that require greater judgment. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported in our consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

Defaults on commercial mortgage loans and volatility in performance may adversely affect our business, financial condition and results of operations.

Commercial mortgage loans face heightened delinquency and default risk due to recent economic conditions which have had a negative impact on the performance of the underlying collateral, resulting in declining values and an adverse impact on the obligors of such instruments. An increase in the default rate of our commercial mortgage loan investments could have an adverse effect on our business, financial condition and results of operations.

In addition, the carrying value of commercial mortgage loans is negatively impacted by such factors. The carrying value of commercial mortgage loans is stated at outstanding principal less any specific loan loss allowances recognized. Considerations in determining allowances include, but are not limited to, the following: (i) declining debt service coverage ratios and increasing loan to value ratios (which have been impacted by, among other things, significant changes in the occupancy level of the underlying property and/or significant changes in the rental rates); (ii) bankruptcy filings of major tenants or affiliates of the borrower on the property; (iii) catastrophic events at the property; and (iv) other subjective events or factors, including whether the terms of the debt will be restructured. There can be no assurance that management's assessment of loan loss allowances on commercial mortgage loans will not change in future periods, which could lead to investment losses.

We face competition from companies that have greater financial resources, broader arrays of products, higher ratings and stronger financial performance, which may impair our ability to retain existing customers, attract new customers and maintain our profitability and financial strength.

We operate in a highly competitive industry. Many of our competitors are substantially larger and enjoy substantially greater financial resources, higher ratings by rating agencies, broader and more diversified product lines and more widespread agency relationships. Our annuity products compete with index, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank investments and other retirement funding alternatives offered by asset managers, banks and broker-dealers. Our insurance products compete with those of other insurance companies, financial intermediaries and other institutions based on a number of factors, including premium rates, policy terms and conditions, service provided to distribution channels and policyholders, ratings by rating agencies, reputation and commission structures. While we compete with numerous other companies, we view the following as our most significant competitors:

- Allianz Life Insurance Company of North America;
- Aviva USA;
- Midland National Life Insurance Company;
- ING USA Annuity & Life Insurance Company; and
- North American Company for Life and Health Insurance.

Our ability to compete depends in part on rates of interest credited to policyholder account balances or the parameters governing the determination of index credits which is driven by our investment performance. We will not be able to accumulate and retain assets under management for our products if our investment results underperform the market or the competition, since such under performance likely would result in lower credited interest which would lead to increased withdrawals and reduced sales.

We compete for distribution sources for our products. We believe that our success in competing for distributors depends on factors such as our financial strength, the services we provide to, and the relationships we develop with these distributors and offering competitive commission structures. Our distributors are generally free to sell products from whichever providers they wish, which makes it important for us to continually offer distributors products and services they find attractive. If our products or services fall short of distributors' needs, we may not be able to establish and maintain satisfactory relationships with distributors of our annuity and life insurance products. Our ability to compete in the past has also depended in part on our ability to develop innovative new products and bring them to market more quickly than our competitors. In order for us to compete in the future, we will need to continue to bring innovative products to market in a timely fashion. Otherwise, our revenues and profitability could suffer.

Our reinsurance program involves risks because we remain liable with respect to the liabilities ceded to reinsurers if the reinsurers fail to meet the obligations assumed by them.

Our life insurance subsidiaries cede certain policies or portions of certain policies to other insurance companies through reinsurance agreements. American Equity Life has entered into two coinsurance agreements with EquiTrust covering $1.3 billion of policy benefit reserves at June 30, 2010 and into two funds withheld coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda, covering $1.1 billion of policy benefit reserves at June 30, 2010. Since Athene is an unauthorized reinsurer, the annuity deposits that have been ceded to Athene are held in a trust on a funds withheld basis. 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 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 to the funds withheld for the amount of any shortfall. Athene has adequate capital reserves and a significant capital commitment from its equity investor. We remain liable with respect to the policy liabilities ceded to Athene and EquiTrust should either fail to meet the obligations assumed by them.

In addition, we have entered into other types of reinsurance contracts including indemnity reinsurance and financing arrangements. Should any of these reinsurers fail to meet the obligations assumed under such contracts, we remain liable with respect to the liabilities ceded.

We may experience volatility in net income due to the application of fair value accounting to our derivative instruments.

All of our derivative instruments, including certain derivative instruments embedded in other contracts, are recognized in the balance sheet at their fair values and changes in fair value are recognized immediately in earnings. This impacts certain revenues and expenses we report for our fixed index annuity business as follows:

- We must present the call options purchased to fund the annual index credits on our fixed index annuity products at fair value. The fair value of the call options is based upon the amount of cash that would be required to settle the call options obtained from the counterparties adjusted for the nonperformance risk of the counterparty. The nonperformance risk for each counterparty is based upon its one-year credit default swap rate. The counterparty one-year credit default swap rates are added to a three-month, six-month or twelve-month London Interbank Offered Rate (LIBOR) rate that best matches the remaining time to maturity of each call option. We record the change in fair value of these options as a component of our revenues. The change in fair value of derivatives includes the gains or losses recognized at expiration of the option term or upon early termination and changes in fair value for open positions.

- The contractual obligations for future annual index credits are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. Increases or decreases in the fair value of embedded derivatives generally correspond to increases or

decreases in equity market performance and changes in the interest rates used to discount the excess of the projected policy contract values over the projected minimum guaranteed contract values. We record the change in fair value of these embedded derivatives as a component of our benefits and expenses in our consolidated statements of operations. For further information regarding the determination of fair value of our embedded derivatives, see Management's Discussion and Analysis of Financial Condition and Results of Operation — Critical Accounting Policies, included in our Annual Report on Form 10-K for the year ended December 31, 2009.

The application of fair value accounting for derivatives and embedded derivatives in future periods to our fixed index annuity business may cause substantial volatility in our reported net income.

We may face unanticipated losses if there are significant deviations from our assumptions regarding the probabilities that our annuity contracts will remain in force from one period to the next.

The expected future profitability of our annuity products is based in part upon expected patterns of premiums, expenses and benefits using a number of assumptions, including those related to the probability that a policy or contract will remain in force, or persistency, and mortality. Since no insurer can precisely determine persistency or mortality, actual results could differ significantly from assumptions, and deviations from estimates and assumptions could have a material adverse effect on our business, financial condition or results of operations. For example actual persistency that is lower than our assumptions could have an adverse impact on future profitability, especially in the early years of a policy or contract primarily because we would be required to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy.

In addition, we set initial crediting rates for our annuity products based upon expected claims and payment patterns, using assumptions for, among other factors, mortality rates of our policyholders. The long-term profitability of these products depends upon how our actual experience compares with our pricing assumptions. For example, if mortality rates are lower than our pricing assumptions, we could be required to make more payments under certain annuity contracts in addition to what we had projected.

If our estimated gross profits change significantly from initial expectations we may be required to expense our deferred policy acquisition costs and deferred sales inducements in an accelerated manner, which would reduce our profitability.

Deferred policy acquisition costs represent costs that vary with and primarily relate to the acquisition of new business. Deferred sales inducements are contract enhancements such as first-year premium and interest bonuses that are credited to policyholder account balances. These costs are capitalized when incurred and are amortized over the life of the contracts. Current amortization of these costs is generally in proportion to expected gross profits from interest margins and, to a lesser extent, from surrender charges. Unfavorable experience with regard to

expected expenses, investment returns, mortality or withdrawals may cause acceleration of the amortization of these costs resulting in an increase of expenses and lower profitability.

If we do not manage our growth effectively, our financial performance could be adversely affected; our historical growth rates may not be indicative of our future growth.

We have experienced rapid growth since our formation in December 1995. For the year ended December 31, 2009, our deposits from sales of new annuities were $3.7 billion. We intend to continue to grow by recruiting new independent agents, increasing the productivity of our existing agents, expanding our insurance distribution network, developing new products, expanding into new product lines, and continuing to develop new incentives for our sales agents. Future growth will impose significant added responsibilities on our management, including the need to identify, recruit, maintain and integrate additional employees, including management. There can be no assurance that we will be successful in expanding our business or that our systems, procedures and controls will be adequate to support our operations as they expand. In addition, due to our rapid growth and resulting increased size, it may be necessary to expand the scope of our investing activities to asset classes in which we historically have not invested or have not had significant exposure. If we are unable to adequately manage our investments in these classes, our financial condition or operating results in the future could be less favorable than in the past. Further, we have utilized reinsurance in the past to support our growth. The future availability and cost of reinsurance is uncertain. Our failure to manage growth effectively, or our inability to recruit, maintain and integrate additional qualified employees and independent agents, could have a material adverse effect on our business, financial condition or results of operations. In addition, due to our rapid growth, our historical growth rates are not likely to accurately reflect our future growth rates or our growth potential. We cannot assure you that our future revenues will increase or that we will continue to be profitable.

We must retain and attract key employees or else we may not grow or be successful.

We are dependent upon our executive management for the operation and development of our business. Our executive management team includes:

- David J. Noble, Executive Chairman;
- Wendy C. Waugaman, President and Chief Executive Officer;

- John M. Matovina, Vice Chairman, Chief Financial Officer and Treasurer;
- Debra J. Richardson, Executive Vice President and Secretary;
- Ronald J. Grensteiner, President of American Equity Life;
- James M. Gerlach, Executive Vice President;
- Terry A. Reimer, Executive Vice President;
- Ted M. Johnson, Vice President—Controller; and
- Jeff D. Lorenzen, Sr. Vice President—Investments.

Although we have change in control agreements with certain members of our executive management team, we do not have employment contracts with any of the members of our executive management team. Although none of our executive management team has indicated that they intend to terminate their employment with us, there can be no assurance that these

employees will remain with us for any particular period of time. Also, we do not maintain "key person" life insurance for any of our personnel.

If we are unable to attract and retain national marketing organizations and independent agents, sales of our products may be reduced.

We distribute our annuity products through a variable cost distribution network which included over 50 national marketing organizations and 38,000 independent agents as of June 30, 2010. We must attract and retain such marketers and agents to sell our products. Insurance companies compete vigorously for productive agents. We compete with other life insurance companies for marketers and agents primarily on the basis of our financial position, support services, compensation and product features. Such marketers and agents may promote products offered by other life insurance companies that may offer a larger variety of products than we do. Our competitiveness for such marketers and agents also depends upon the long-term relationships we develop with them. If we are unable to attract and retain sufficient marketers and agents to sell our products, our ability to compete and our revenues would suffer.

We may require additional capital to support our business and sustained future growth which may not be available when needed or may be available only on unfavorable terms.

Our long-term strategic capital requirements will depend on many factors including the accumulated statutory earnings of our life insurance subsidiaries and the relationship between the statutory capital and surplus of our life insurance subsidiaries and various elements of required capital. To support long-term capital requirements, we may need to increase or maintain the statutory capital and surplus of our life insurance subsidiaries through additional financings, which could include debt, equity, financing arrangements and/or other surplus relief transactions. Adverse market conditions have affected and continue to affect the availability and cost of capital. Such financings, if available at all, may be available only on terms that are not favorable to us. If we cannot maintain adequate capital, we may be required to limit growth in sales of new annuity products, and such action could adversely affect our business, financial condition or results of operations.

Changes in state and federal regulation may affect our profitability.

We are subject to regulation under applicable insurance statutes, including insurance holding company statutes, in the various states in which our life insurance subsidiaries transact business. Our life insurance subsidiaries are domiciled in New York and Iowa. We are currently licensed to sell our products in 50 states and the District of Columbia. Insurance regulation is intended to provide safeguards for policyholders rather than to protect shareholders of insurance companies or their holding companies. As increased scrutiny has been placed upon the insurance regulatory framework, a number of state legislatures have considered or enacted legislative proposals that alter, and in many cases increase, state authority to regulate insurance companies and holding company systems.

Regulators oversee matters relating to trade practices, policy forms, claims practices, guaranty funds, types and amounts of investments, reserve adequacy, insurer solvency, minimum amounts

of capital and surplus, transactions with related parties, changes in control and payment of dividends.

State insurance regulators and the NAIC continually reexamine existing laws and regulations and may impose changes in the future.

Our life insurance subsidiaries are subject to the NAIC's risk-based capital 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. Our life insurance subsidiaries also may be required, under solvency or guaranty laws of most states in which they do business, to pay assessments up to certain prescribed limits to fund policyholder losses or liabilities for insolvent insurance companies. Although the federal government does not directly regulate the insurance business, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation, can significantly affect the insurance business. From time to time, legislation has been introduced in Congress which could result in the federal government assuming some role in the regulation of the insurance industry.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which, among other things, imposes a comprehensive new regulatory regime on the over-the-counter ("OTC") derivatives marketplace. The derivatives legislation is set forth in Title VII of the Dodd-Frank Act entitled "Wall Street Transparency and Accountability" (the "Derivatives Title"). With limited exceptions, the provisions of the Derivatives Title become effective on the later of 360 days following enactment and, to the extent a provision requires rulemaking, not less than 60 days after publication of the final rule. Once effective, this legislation will subject swap dealers and "major swap participants" (as defined in the legislation and further clarified by the rulemaking) to substantial supervision and regulation, including capital standards, margin requirements, business conduct standards, recordkeeping and reporting requirements. It also requires central clearing for certain derivatives transactions that the U.S. Commodities Futures Trading Commission ("CFTC") determines must be cleared and are accepted for clearing by a "derivatives clearing organization" (subject to certain exceptions) and provides the CFTC with authority to impose position limits across markets. Many key concepts, processes and issues under the Derivatives Title have been left to the relevant regulators to define and address. Although it is not possible at this time to assess the impact of the Dodd-Frank Act and any future regulations implementing the new legislation, the Dodd-Frank Act and any such regulations may subject us to additional restrictions on our hedging positions which may have an adverse effect on our ability to hedge risks associated with our business, including our fixed index annuity business, or on the cost of our hedging activity.

The Dodd-Frank Act also created a Financial Stability and Oversight Council. The Council may designate by a 2/3 vote whether certain insurance companies and insurance holding companies pose a grave threat to the financial stability of the United States, in which case such companies would become subject to prudential regulation by the Board of Governors of the U.S. Federal Reserve (the “Federal Reserve Board”) (including capital requirements, leverage limits, liquidity requirements and examinations). The Federal Reserve Board may limit such company’s ability to

enter into merger transactions, restrict its ability to offer financial products, require it to terminate one or more activities, or impose conditions on the manner in which it conducts activities. The Dodd-Frank Act also established a Federal Insurance Office under the U.S. Treasury Department to monitor all aspects of the insurance industry and of lines of business other than certain health insurance, certain long-term care insurance and crop insurance. The director of the Federal Insurance Office will have the ability to recommend that an insurance company or an insurance holding company be subject to heightened prudential standards. The Dodd-Frank Act also provides for the pre-emption of state laws in certain instances involving the regulation of reinsurance and other limited insurance matters. The Dodd-Frank Act requires extensive rule-making and other future regulatory action, which in some cases will take a period of years to implement.

The regulatory framework at the state and federal level applicable to our insurance products is evolving. The changing regulatory framework could affect the design of such products and our ability to sell certain products. Any changes in these laws and regulations could materially and adversely affect our business, financial condition or results of operations.

Changes in federal income taxation laws may affect sales of our products and profitability.

The annuity and life insurance products that we market generally provide the policyholder with certain federal income tax advantages. For example, federal income taxation on any increases in non-qualified annuity contract values (i.e. the “inside build-up”) is deferred until it is received by the policyholder. With other savings investments, such as certificates of deposit and taxable bonds, the increase in value is generally taxed each year as it is realized. Additionally, life insurance death benefits are generally exempt from income tax.

From time to time, various tax law changes have been proposed that could have an adverse effect on our business, including the elimination of all or a portion of the income tax advantages described above for annuities and life insurance. If legislation were enacted to eliminate the tax deferral for annuities, such a change could have an adverse effect on our ability to sell and retain non-qualified annuities. Non-qualified annuities are annuities that are not sold to a qualified retirement plan.

Beginning in 2013, distributions from non-qualified annuity policies will be considered “investment income” for purposes of the newly enacted Medicare tax on investment income contained in the Health Care and Education Reconciliation Act of 2010. Thus, in certain circumstances, a 3.8% tax may be applied to some or all of the taxable portion of distributions to individuals whose income exceeds certain threshold amounts. This new tax may have an adverse effect on our ability to sell non-qualified annuities to individuals whose income exceeds these threshold amounts and could accelerate withdrawals due to additional tax.

We face risks relating to litigation, including the costs of such litigation, management distraction and the potential for damage awards, which may adversely impact our business.

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, the Financial Industry Regulatory Authority, Inc. (“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. 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 class action lawsuit and a purported class action lawsuit alleging improper sales practices. In these lawsuits, the plaintiffs are seeking returns of premiums and other compensatory and punitive damages. Although we do not believe that these lawsuits will have a material adverse effect on our business, financial condition or results of operations, there can be no assurance that such litigation, or any future litigation, will not have such an effect, whether financially, through distraction of our management or otherwise.

A downgrade in our credit or financial strength ratings may increase our future cost of capital and may reduce new sales, adversely affect relationships with distributors and increase policy surrenders and withdrawals.

Currently, our senior unsecured indebtedness carries a “bbb-” rating from A.M. Best Company and a “BB+” rating from Standard & Poor’s. Our ability to maintain such ratings is dependent upon the results of operations of our subsidiaries and our financial strength. If we fail to preserve the strength of our balance sheet and to maintain a capital structure that rating agencies deem suitable, it could result in a downgrade of the ratings applicable to our senior unsecured indebtedness. A downgrade would likely reduce the fair value of the common stock and may increase our future cost of capital.

Financial strength ratings are important factors in establishing the competitive position of life insurance and annuity companies. In recent years, the market for annuities has been dominated by those insurers with the highest ratings. A ratings downgrade, or the potential for a ratings downgrade, could have a number of adverse effects on our business. For example, distributors and sales agents for life insurance and annuity products use the ratings as one factor in determining which insurer’s annuities to market. A ratings downgrade could cause those distributors and agents to seek alternative carriers. In addition, a ratings downgrade could materially increase the number of policy or contract surrenders we experience, as well as our ability to obtain reinsurance or obtain reasonable pricing on reinsurance.

Financial strength ratings are measures of an insurance company's ability to meet contractholder and policyholder obligations and generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance.

Generally, rating agencies base their ratings upon information furnished to them by the insurer and upon their own investigations, studies and assumptions.

Our system of internal control ensures the accuracy or completeness of our disclosures and a loss of public confidence in the quality of our internal controls or disclosures could have a negative impact on us.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to provide an annual report on our internal control over financial reporting, including an assessment as to whether or not our internal control over financial reporting is effective. We are also required to have our auditors opine on the effectiveness of our internal control over financial reporting. We have discovered, and may in the future discover deficiencies in our internal control that need remediation. If we determine that our remediation has been ineffective, or we identify additional material weaknesses in our internal control over financial reporting, we could be subjected to additional regulatory scrutiny, future delays in filing our financial statements and a loss of public confidence in the reliability of our financial statements, which could have a negative impact on our liquidity, access to capital markets, and financial condition.

In addition, we do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Based on the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events. Therefore, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, while we document our assumptions and review financial disclosures with the audit committee of our board of directors, the regulations and literature governing our disclosures are complex and reasonable persons may disagree as to their application to a particular situation or set of circumstances.