FORM 10-Q

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

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2000

[ ] 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 X No

APPLICABLE TO CORPORATE ISSUERS:

Shares of common stock outstanding at April 30, 2000: 4,694,385

PART I.
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

American Equity Investment Life Holding Company

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except per share data)

	MARCH 31, 2000	DECEMBER 31, 1999
ASSETS		
Cash and investments:		
Fixed maturity securities:		
Available-for-sale, at market (amortized cost: 2000 - $1,243,416; 1999 - $1,070,465)	$1,189,618	$ 997,020
Held for investment, at amortized cost (market: 2000 - $380,942; 1999 - $315,975)	411,322	398,467
Equity securities, at market (cost: 2000 - $9,098; 1999 - $8,020)	7,953	7,613
Derivative instruments	52,246	44,210
Policy loans	244	231
Cash and cash equivalents	4,465	5,882
Total cash and investments	1,665,848	1,453,423
Receivable from other insurance companies	509	598
Premiums due and uncollected	1,333	1,097
Accrued investment income	18,535	14,183
Receivables from related parties	30,151	18,896
Property, furniture and equipment, less accumulated depreciation: 2000 - $1,822; 1999 - $1,632	1,229	1,346
Value of insurance in force acquired	673	752
Deferred policy acquisition costs	159,133	126,685
Intangibles, less accumulated amortization: 2000 - $742; 1999 - $681	2,177	2,238
Deferred income tax asset	34,372	43,037
Federal income taxes recoverable	3,269	1,663
Other assets	1,308	1,215
Assets held in separate account	553	371
Total assets	$1,919,090	$1,665,504

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SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except per share data)

	MARCH 31, 2000	DECEMBER 31, 1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Policy benefit reserves:		
Traditional life insurance and accident and health products	$ 16,618	$ 15,060
Annuity and single premium universal life products	1,587,024	1,343,816
Other policy funds and contract claims	12,950	11,553
Provision for experience rating refunds	336	545
Amounts due to related parties	16,983	10,003
Notes payable	20,600	20,600
Amounts due under repurchase agreements	11,387	86,969
Amounts due on securities purchased	92,631	29,714
Other liabilities	13,747	13,567
Liabilities related to separate account	553	371
Total liabilities	1,772,829	1,532,198
Commitments and contingencies		
Minority interest in subsidiaries: company-obligated mandatorily redeemable preferred securities of subsidiary trusts	99,112	98,982
Stockholders' equity:		
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 - 25,000,000 shares authorized; issued and outstanding: 2000 - 4,694,385 shares; and 1999 - 4,712,310 shares	4,695	4,712
Additional paid-in capital	65,680	66,058
Accumulated other comprehensive loss	(22,026)	(35,235)
Retained-earnings deficit	(1,825)	(1,836)
Total stockholders' equity	47,149	34,324
Total liabilities and stockholders' equity	$1,919,090	$1,665,504

SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Statements of Operations (Unaudited)

(Dollars in thousands, except per share data)

	THREE MONTHS ENDED MARCH 31, 2000	1999
REVENUES:		
Traditional life and accident and health insurance premiums	$ 3,443	$ 2,941
Annuity and single premium universal life product charges	1,406	417
Net investment income	9,259	10,065
Realized gains on sale of investments	6,213	3
Total revenues	20,321	13,426
BENEFITS AND EXPENSES:		
Insurance policy benefits and change in future policy benefits	1,954	1,549
Interest credited to account balances	11,891	5,684
Interest expense on notes payable	292	202
Interest expense on amounts due under repurchase agreements	668	699
Amortization of deferred policy acquisition costs and value of insurance in force acquired	206	1,691
Other operating costs and expenses	3,431	3,353
Total benefits and expenses	18,442	13,178
Income before income taxes	1,879	248
Income tax benefit (expense):		
Current	1,606	(3,560)
Deferred	(1,612)	3,375
	(6)	(185)
Minority interest in subsidiaries:		
Earnings attributable company-obligated mandatorily redeemable preferred securities of subsidiary trusts	(1,862)	-
Net income	$ 11	$ 63
Basic earnings per common share	$ 0.002	$ 0.014
Diluted earnings per common share	$ 0.002	$ 0.011

SEE ACCOMPANYING NOTES

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	THREE MONTHS ENDED MARCH 31, 2000	1999
OPERATING ACTIVITIES		
Net income	$ 11	$ 63
Adjustments to reconcile net income to net cash used in operating activities:		
Adjustments related to interest sensitive products:		
Interest credited to account balances	11,891	5,684
Annuity and single premium universal life product charges	(1,406)	(417)
Increase in traditional life insurance and accident and health reserves	1,558	553
Policy acquisition costs deferred:		
Commissions paid to related party	(28,128)	(12,304)
Other	(978)	(547)
Amortization of deferred policy acquisition costs	127	1,596
Provision for depreciation and other amortization	330	300
Amortization of discount and premiums on fixed maturity securities and derivative instruments	1,778	(3,704)
Increase in federal income taxes recoverable	(1,606)	-
Deferred income taxes	1,612	(3,375)
Change in federal income taxes payable	-	1,710
Other	(7,706)	(7,504)
Realized gains on sale of investments	(6,213)	(3)
Net cash used in operating activities	(28,730)	(17,948)

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SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	THREE MONTHS ENDED MARCH 31, 2000	1999
INVESTING ACTIVITIES		
Sales, maturities or repayments of investments:		
Fixed maturity securities - available-for-sale	$ 575,624	$ 231,347
Derivative instruments	7,177	-
	582,801	231,347
Acquisition of investments:		
Fixed maturity securities - available-for-sale	(682,697)	(371,676)
Fixed maturity securities - held for investment	(7,246)	
Equity securities	(1,078)	(6,078)
Derivative instruments	(16,544)	(5,552)
Policy loans	(13)	(23)
	(707,578)	(383,329)
Purchases of property, furniture and equipment	(73)	(110)
Net cash used in investing activities	(124,850)	(152,092)
FINANCING ACTIVITIES		
Receipts credited to annuity and single premium universal life policyholder account balances	253,567	149,888
Return of annuity and single premium universal life policyholder account balances	(25,427)	(10,627)
Increase (decrease) in amounts due under repurchase agreements	(75,582)	19,979
Re-acquisition of common stock	(398)	-
Net proceeds from issuance of common stock	3	-
Net cash provided by financing activities	152,163	159,240
Decrease in cash and cash equivalents	(1,417)	7,148
Cash and cash equivalents at beginning of period	5,882	15,892
Cash and cash equivalents at end of period	$ 4,465	$ 23,040
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during period for:		
Interest	$ 1,073	$ 952
Income taxes	-	1,850
Non-cash financing and investing activities:		
Bonus interest deferred as policy acquisition costs	2,119	1,690

SEE ACCOMPANYING NOTES

American Equity Investment Life Holding Company

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(Dollars in thousands, except per share data)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)	RETAINED EARNINGS/ DEFICIT	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 1999	625	4,712	66,058	(35,235)	(1,836)	34,324
Comprehensive income:						
Net income for period	-	-	-	-	11	11
Change in net unrealized investment gains	-	-	-	13,209	-	13,209
Total comprehensive income						13,220(1)
Issuance of 200 shares of common stock	-	1	2	-	-	3
Acquisition of 18,125 shares of common stock	-	(18)	(380)	-	-	(398)
Balance at March 31, 2000	625	4,695	65,680	(22,026)	(1,825)	47,149

(1) Total comprehensive loss at March 31, 1999 was $2,760, and was comprised of net income of $63 and an increase in net unrealized depreciation of available-for-sale fixed maturity securities of $2,823 for the three months then ended.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (Unaudited)

March 31, 2000

NOTE A- BASIS OF PRESENTATION

The unaudited consolidated financial statements as of March 31, 2000 and for the periods ended March 31, 2000 and 1999, as well as the audited consolidated balance sheet as of December 31, 1999, include the accounts of the Company and its wholly-owned subsidiaries: American Equity Investment Life Insurance Company, American Equity Investment Capital, Inc. (formed in 1998), American Equity Capital Trust I (formed in 1999), American Equity Capital Trust II (formed in 1999), American Equity of Hawaii, Inc. (formed in 1999), and American Equity Investment Properties, L.C. All significant intercompany accounts and transactions have been eliminated.

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 months ended March 31, 2000 are not necessarily indicative of the results that may be reflected for the year ending December 31, 2000.

The Company operates solely in the life insurance business.

NOTE B - CHANGES IN AMOUNTS DUE UNDER REPURCHASE AGREEMENTS

As part of its investment strategy, the Company enters into securities lending programs to increase its return on investments and improve its liquidity. These transactions are accounted for as amounts due under repurchase agreements (short-term collateralized borrowings). Such borrowings averaged approximately $45,969,000 and $64,598,000 for the three months ended March 31, 2000 and 1999, respectively, and were collateralized by investment securities with fair market values approximately equal to the amount due. The weighted average interest rate on amounts due under repurchase agreements was 5.75% and 5.57% for the three months ended March 31, 2000 and 1999, respectively.

NOTE C - INCREASE IN LINE OF CREDIT

In March, 2000, the maximum borrowing level under the Company's variable rate revolving line of credit was increased from $25,000,000 to $40,000,000. No additional borrowings under this line occurred in the first quarter of 2000.

NOTE D - EARNINGS PER SHARE

The following table sets forth the computation of basic earnings per common share and diluted earnings per common share:

	THREE MONTHS ENDED MARCH 31 2000	1999
NUMERATOR:		
Net income (loss)	$ 11	$ 63
Numerator for basic and diluted earnings per share	11	63
DENOMINATOR:		
Weighted average shares outstanding - denominator for basic earnings per common share	4,703,547	4,581,962
Effect of dilutive securities:		
Preferred stock	625,000	625,000
Warrants	92,423	126,515
Stock options and subscription rights	713,943	470,825
Deferred compensation agreements	224,760	17,187
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	6,359,673	5,821,489
Basic earnings per common share	$ 0.002	$ 0.014
Diluted earnings per common share	$ 0.002	$ 0.011

The effect of the convertible stock of the subsidiary trusts has not been included in the computation of dilutive earnings per share as the effect is antidilutive.

NOTE E - SUBSEQUENT EVENTS

In April 2000, the Company's Chief Executive Officer, D.J. Noble, exercised warrants to purchase 80,000 shares of common stock at $10 per share. The Company loaned Mr. Noble the aggregate exercise price of $800,000 pursuant to a forgivable loan agreement to facilitate his exercise of these warrants. This loan is repayable in five equal annual installments of principal and interest, each of which may be forgiven if Mr. Noble remains continuously employed by the Company in his present capacity, subject to specified exceptions. In addition, Sanders Morris Harris ("SMH") exercised warrants to purchase 56,875 shares of common stock at an exercise price of $12 per share, resulting in proceeds of $682,500.

NOTE F - PENDING ACCOUNTING CHANGE

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS No. 133 requires companies to record derivative instruments on the balance sheet at fair value. Accounting for gains or losses resulting from changes in the fair values of derivative instruments is dependent on the use of the derivative and whether it qualifies for hedge accounting. The Statement is effective for the Company in the year 2001, with earlier adoption encouraged. The Company has not yet determined the effect that this new Statement will have on its operations or financial position.

NOTE G - COMMITMENTS AND CONTINGENCIES

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. Under the terms of the original agreement, the Service Company was required to pay the greater of (a) 5% of the premiums collected by the Company on the sale of certain annuity products, or (b) 50% of the agent's commissions payable by the Company on the sale of those same policies. In return, the Company agreed to pay quarterly renewal commissions to the Service Company equal to .3275% of the premiums received by the Company on policies that still remain in force. In addition, the Company has agreed to pay supplemental commissions should lapses in any quarter exceed 1.88%, or certain other circumstances arise. The Agreement terminates on June 30, 2005.

On December 31, 1997, the Service Company and the Company amended the Agreement to provide for the payment of 100% of the agents' commissions by the Service Company for policies issued from July 1, 1997 through December 31, 1997. In return, the Company agreed to pay the Service Company quarterly renewal commissions of .7% of the premiums received by the Company before January 1, 1998 that still remain in force, and .325% for in-force amounts received thereafter. The revised quarterly renewal commission schedule commenced December 31, 1997. For policies issued from January 1, 1998 through August 30, 1999, the original agreement remains in effect and, accordingly, the Company pays renewal commissions of .325% of the premiums received on such policies which remain in force.

On June 30, 1999, the Service Company and the Company further amended the Agreement to provide for the payment of 30% of agents' commissions by the Service Company for policies issued on or after September 1, 1999, and the Company agreed to pay the Service company quarterly renewal commissions of .25% for in force amounts received thereafter.

During the three months ended March 31, 2000 and 1999, the Service Company paid $8,400,000 and $7,700,000 respectively, to agents of the Company and the Company paid renewal commissions to the Service Company of $5,000,000 and $2,648,000. At March 31, 2000 and December 31, 1999, accounts payable to the Service Company aggregated $15,583,000 and $10,003,000, respectively, and is included in amounts due to related parties.

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, 2000 and December 31, 1999, the net amount advanced to the Service Company totaled $23,956,000 and $18,175,000, respectively.

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, 2000, and the consolidated results of operations for the periods ended March 31, 2000 and 1999, 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, 1999.

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, 2000 AND 1999

Our business has continued to grow rapidly, with reserves for annuities and single premium universal life policies increasing from $223,450,000 at March 31,1998 to $679,045,000 at March 31,1999 and $1,587,024,000 at March 31, 2000. Deposits from sales of annuities and single premium universal life policies during the three months ended March 31, 2000 increased 69% to $253,567,000 compared to $149,888,000 for the same period in 1999. The increased production is a direct result of the growth in our agency force which increased from 10,525 agents at December 31, 1998 to 18,000 agents at December 31, 1999 and 19,100 agents at March 31, 2000.

Our net income decreased 83% to $11,000 for the first quarter of 2000, compared to $63,000 for the same period in 1999. This decrease is primarily attributable to a decline in net investment income during the first quarter of 2000.

Traditional life and accident and health insurance premiums increased 17% to $3,443,000 for the first quarter of 2000, compared to $2,941,000 for the same period in 1999. This increase is principally attributable to increases in direct sales of life products, including new products introduced in 1999.

Annuity and single premium universal life product charges (surrender charges assessed against policy withdrawals and expense charges assessed against single premium universal life policyholder account balances) increased 237% to $1,406,000 for the first quarter of 2000, compared to $417,000 for the same period in 1999. This increase is 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 $25,427,000 for the three months ended March 31,2000 compared to $10,627,000 for the same period in 1999.

Net investment income decreased 8% to $9,259,000 in the first quarter of 2000, compared to $10,065,000 for the same period in 1999. Invested assets (amortized cost basis) increased 122% to $1,692,110,000 at March 31, 2000 compared to $763,459,000 at March 31, 1999, while the annualized effective yield earned on invested assets was 7.4% at March 31, 2000 compared to 7.3% at March 31, 1999. The decrease in net investment income is offset by an increase in realized gains on the sale of investments to $6,213,000, compared to $3,000 for the same period in 1999. The decrease in net investment income and the increase in realized gains on the sale of investments were principally attributable to an investment program involving the use of total return exchange agreements. The Company experienced net losses of $5,283,000 on these agreements in the first quarter of 2000 consisting of realized gains on the early termination of seven total return swap agreements of $7,177,000 and net investment expense of $12,460,000 related to payments made on specified settlement dates. All total return exchange agreements were terminated in February 2000 and will not impact future quarterly results. Net realized gains on the sale of investments includes $964,000 of losses on the sale of certain corporate fixed maturity securities.

Traditional life and accident and health insurance benefits increased 26% to $1,954,000 in the first quarter of 2000, compared to $1,549,000 for the same period in 1999. This increase is principally attributable to an increase in reserves related to the increase in direct life insurance premiums.

Interest credited to annuity and single premium universal life policyholder account balances increased 109% to $11,891,000 in the first quarter of 2000, compared to $5,684,000 for the same period in 1999. This increase is principally attributable to the increase in annuity liabilities. At March 31, 2000, the weighted average crediting rate for our fixed rate annuity liabilities, excluding interest rate and premium bonuses guaranteed for the first year of the annuity contract, was 5.11%, compared to 5.18% at March 31, 1999. The weighted average crediting rate including interest rate and premium bonuses guaranteed for the first year of the annuity contract was 6.35% at March 31, 2000 compared to 6.79% at March 31, 1999.

Interest expense on notes payable increased 44% to $292,000 for the first quarter of 2000, compared to $202,000 for the same period in 1999. The increase is attributable to increases in the outstanding borrowings in the third and fourth quarters of 1999, offset in part by a decrease in the average applicable interest rate.

Interest expense on amounts due under repurchase agreements decreased 4% to $668,000 in the first quarter of 2000, compared to $699,000 for the same period in 1999. This decrease increase is principally attributable to the decrease in the average borrowings in the first quarter of 2000 compared to the same period in 1999, offset in part by an increase in the average cost of funds borrowed See Note B of the Notes to Consolidated Financial Statements.

Amortization of deferred policy acquisition costs and value of insurance in force acquired decreased 88% to $206,000 in the first quarter of 2000, compared to $1,691,000 for the same period in 1999. This decrease is primarily due to the decline in gross profits on our annuity business in the first quarter of 2000. Gross profits declined as a result of the decline in net investment income attributable to losses on total return exchange agreements discussed above.

Other operating costs and expenses increased 2% to $3,431,000 in the first quarter of 2000, compared to $3,353,000 for the same period in 1999. This increase is principally attributable to an increase in home office staff and related salaries and costs of employment.

Income tax expense decreased 97% to $6,000 in the first quarter of 2000 compared to $185,000 for the same period in 1999. The decrease is primarily attributable to the tax deductibility of the dividends paid on redeemable preferred securities issued by the Company's subsidiary trusts.

FINANCIAL CONDITION

Cash and investments increased 15% during the three months ended March 31, 2000 as a result of the growth in our annuity business discussed above. At March 31, 2000, the fair value of our available-for-sale fixed maturity securities and equity securities was $54,943,000 less than the amortized cost of those investments as a result of the increase of approximately 75 basis points in mid-term and long-term interest rates that occurred primarily in 1999 and to a lesser extent in the first quarter of 2000. At March 31, 2000, the amortized cost of our fixed maturity securities held for investment exceeded the market value by $30,380,000 for the same reason.

We did not issue any debt securities during the first three months of 2000. In April 2000, stockholders exercised warrants to purchase an aggregate of 80,000 shares of common stock at $10 per share, and 56,875 shares of common stock at $12 per share, resulting in proceeds of $1,482,500, which have been retained by us for general corporate purposes.

The statutory capital and surplus of our life insurance subsidiary at March 31, 2000 was $140,859,000 and its statutory net income for the three months ended March 31, 2000 was $1,525,000. The life insurance subsidiary made surplus note interest payments to us of $507,000 during the three months ended March 31,2000. For the remainder of 2000, up to $11,852,000 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 $30,388,000 of earned surplus at March 31, 2000.

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 the greater of $120,000,000 plus 25% of statutory net income for periods subsequent to December 31, 1999. Under the most restrictive of these limitations, $22,562,000 of the life insurance subsidiary's earned surplus at March 31, 2000 would be available for distribution by the life insurance subsidiary to us.

Our life subsidiary has entered into a general agency commission and servicing agreement with American Equity Investment Service Company, an affiliated company wholly-owned by the Company's chairman and president, whereby the affiliate acts as a national supervisory agent with responsibility for paying commissions to the Company's agents. During 1999, the parent company agreed to loan the affiliate up to $50,000,000 as the source of funds for the affiliate portion of first year commissions and had net advances of $23,956,000 through March 31, 2000 pursuant to the promissory note evidencing this agreement, including $8,400,000 to the affiliate for the affiliate portion of first year commissions paid during the first quarter of 2000. Principal and interest are payable quarterly over five years from the date of the advance. The principal source of funds for us to advance funds to the affiliate is our bank line of credit, which was increased by $15,000,000 to a maximum of $40,000,000 in March, 2000.

YEAR 2000 READINESS DISCLOSURE

Many computer programs were originally written using two digits rather than four digits to identify a particular year. Such programs may recognize a date using "00" as the year 1900 rather than the year 2000. If not corrected, these computer programs could cause system failures or miscalculations in the year 2000, with possible adverse effects on our operations.

During the first quarter of 1998, we developed a strategy to identify and then test our internal computer programs which are date sensitive. Our systems for administering our group life policies were identified as having two-digit date codes. Conversion to four-digit codes and testing of such converted systems commenced in the second quarter of 1998 and was completed prior to December 31, 1998. These systems are now year 2000 compliant. The costs of testing and conversion charged to expense during 1998 were approximately $25,000.

The policy issue and administration system for our individual annuity and life insurance business is a system developed from the outset using four digits for the year. This system was purchased from a third party vendor in the fourth quarter of 1996. At that time, the vendor provided us with a letter of year 2000 compliance for this system. However, we did not rely solely on the compliance letter and began a comprehensive systems test in the third quarter of 1998. Testing included processing daily, monthly, quarterly and annual business cycles through February 29, 2000. Internal testing was completed during the fourth quarter of 1998. These systems were determined to be year 2000 compliant. The costs of testing of this system charged to expense during 1998 were approximately $10,000.

External testing with third party providers of computer dependent services was completed during the first quarter of 1999. The most critical of these providers to our ongoing business operations was the financial institution with which we electronically interface each business day for the processing of premium collections and commission payments. Integrated testing between us and this financial institution was successfully completed in February 1999. Testing included all types of ACH (Automated Clearing House) transactions. The cost of such testing charged to expense in 1999 was approximately $5,000.

Additionally, we instituted a corporate wide disaster recovery plan for our data systems which included our Iowa and Alabama locations. Both locations were prepared to serve the other in the event of a prolonged business outage. The plan incorporated contingencies for year 2000 interruptions caused by certain third party providers and other outside elements for which adequate testing cannot be conducted. These would include, for example, utility companies that supply electricity and water.

We experienced no disruptions or other problems with our computer systems on January 1, 2000 or thereafter in connection with date-sensitive processing. We experienced no disruptions in other services such as electronic funds transfers, phone systems, or utilities. We are continuing to monitor our systems to detect any year 2000 problems.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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, 2000, the effective duration of our fixed maturity securities and short-term investments was approximately 8.6 years and the estimated duration of our insurance liabilities was approximately 7.1 years.

If interest rates were to increase 10% from levels at March 31, 2000, 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 $79,173,000. 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.

PART II.
OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:
27 Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter ended March 31, 2000.

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: May 12, 2000

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ David J. Noble
David J. Noble, Chief Executive Officer
(Principal Executive Officer)

By: /s/ Wendy L. Carlson
Wendy L. Carlson, Chief Financial Officer
(Principal Financial Officer)

By: /s/ Terry A. Reimer
Terry A. Reimer, Executive Vice President
(Principal Accounting Officer)

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3-MOS
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JAN-01-2000
MAR-31-2000
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28
642
(253)