# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2022**

**OR**

☐ **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 : 001-31911**

# American Equity Investment Life Holding Company

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Iowa** | **42-1447959** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**6000 Westown Parkway**

**West Des Moines, Iowa 50266**

(Address of principal executive offices, including zip code)

**(515) 221-0002**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common stock, par value $1 | AEL | New York Stock Exchange |
| Depositary Shares, each representing a 1/1,000th interest in a share of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A | AELPRA | New York Stock Exchange |
| Depositary Shares, each representing a 1/1,000th interest in a share of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B | AELPRB | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 4, 2022, there were 93,062,970 shares of the registrant's common stock, $1 par value, outstanding.

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(Dollars in thousands, except share and per share data)**

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | (Unaudited) | |
| **Assets** | | |
| Investments: | | |
| Fixed maturity securities, available for sale, at fair value (amortized cost of $49,364,915 as of 2022 and $46,999,183 as of 2021; allowance for credit losses of $6,577 as of 2022 and $2,846 as of 2021) | $ 49,662,120 | $ 51,305,943 |
| Mortgage loans on real estate (net of allowance for credit losses of $29,269 as of 2022 and $24,024 as of 2021) | 5,734,872 | 5,687,998 |
| Real estate investments related to consolidated variable interest entities | 510,188 | 337,939 |
| Derivative instruments | 642,413 | 1,277,480 |
| Other investments (2022 and 2021 include $350,621 and $168,711 related to consolidated variable interest entities) | 1,999,113 | 1,767,144 |
| Total investments | 58,548,706 | 60,376,504 |
| Cash and cash equivalents (2022 and 2021 include $30,067 and $23,763 related to consolidated variable interest entities) | 1,933,899 | 4,508,982 |
| Coinsurance deposits (net of allowance for credit losses of $2,862 as of 2022 and $2,264 as of 2021) | 8,713,069 | 8,850,608 |
| Accrued investment income (2022 and 2021 include $908 and $3 related to consolidated variable interest entities) | 483,902 | 445,097 |
| Deferred policy acquisition costs | 2,840,938 | 2,222,769 |
| Deferred sales inducements | 1,957,518 | 1,546,073 |
| Income taxes recoverable | 166,067 | 166,586 |
| Other assets (2022 and 2021 include $2,272 and $1,524 related to consolidated variable interest entities) | 255,245 | 232,490 |
| Total assets | $ 74,899,344 | $ 78,349,109 |
| **Liabilities and Stockholders' Equity** | | |
| Liabilities: | | |
| Policy benefit reserves | $ 63,730,995 | $ 65,477,778 |
| Other policy funds and contract claims | 425,308 | 226,844 |
| Notes payable | 496,425 | 496,250 |
| Subordinated debentures | 78,502 | 78,421 |
| Deferred income taxes | 219,013 | 541,972 |
| Funds withheld for reinsurance liabilities | 3,003,062 | 3,124,740 |
| Other liabilities (2022 and 2021 include $64,598 and $20,168 related to consolidated variable interest entities) | 1,773,869 | 2,079,977 |
| Total liabilities | 69,727,174 | 72,025,982 |
| Stockholders' equity: | | |
| Preferred stock, Series A; par value $1 per share; $400,000 aggregate liquidation preference; 20,000 shares authorized; issued and outstanding: 2022 - 16,000 shares; 2021 - 16,000 shares | 16 | 16 |
| Preferred stock, Series B; par value $1 per share; $300,000 aggregate liquidation preference; 12,000 shares authorized; issued and outstanding: 2022 - 12,000 shares; 2021 - 12,000 shares | 12 | 12 |
| Common stock; par value $1 per share; 200,000,000 shares authorized; issued and outstanding: 2022 - 95,019,904 shares (excluding 14,326,518 treasury shares); 2021 - 92,513,517 shares (excluding 9,936,715 treasury shares) | 95,020 | 92,514 |
| Additional paid-in capital | 1,689,606 | 1,614,374 |
| Accumulated other comprehensive income | 63,706 | 1,848,789 |
| Retained earnings | 3,322,726 | 2,767,422 |
| Total stockholders' equity attributable to American Equity Investment Life Holding Company | 5,171,086 | 6,323,127 |
| Noncontrolling interests | 1,084 | — |
| Total stockholders' equity | 5,172,170 | 6,323,127 |
| Total liabilities and stockholders' equity | $ 74,899,344 | $ 78,349,109 |

*See accompanying notes to unaudited consolidated financial statements.*

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Revenues:** | | |
| Premiums and other considerations | $ 10,078 | $ 13,213 |
| Annuity product charges | 52,355 | 60,082 |
| Net investment income | 567,423 | 497,190 |
| Change in fair value of derivatives | (477,519) | 396,305 |
| Net realized losses on investments | (13,127) | (4,583) |
| Other revenue | 8,589 | — |
| Total revenues | 147,799 | 962,207 |
| | | |
| **Benefits and expenses:** | | |
| Insurance policy benefits and change in future policy benefits | 12,638 | 16,424 |
| Interest sensitive and index product benefits | 372,662 | 476,595 |
| Amortization of deferred sales inducements | 143,545 | 122,975 |
| Change in fair value of embedded derivatives | (1,393,649) | (282,413) |
| Interest expense on notes payable | 6,425 | 6,393 |
| Interest expense on subordinated debentures | 1,317 | 1,326 |
| Amortization of deferred policy acquisition costs | 225,426 | 203,823 |
| Other operating costs and expenses | 58,120 | 55,865 |
| Total benefits and expenses | (573,516) | 600,988 |
| Income before income taxes | 721,315 | 361,219 |
| Income tax expense | 155,092 | 78,535 |
| Net income | 566,223 | 282,684 |
| Less: Net income available to noncontrolling interests | — | — |
| Net income available to American Equity Investment Life Holding Company stockholders | 566,223 | 282,684 |
| Less: Preferred stock dividends | 10,919 | 10,919 |
| Net income available to American Equity Investment Life Holding Company common stockholders | $ 555,304 | $ 271,765 |
| | | |
| Earnings per common share | $ 5.73 | $ 2.84 |
| Earnings per common share - assuming dilution | $ 5.67 | $ 2.82 |
| | | |
| Weighted average common shares outstanding (in thousands): | | |
| Earnings per common share | 96,866 | 95,735 |
| Earnings per common share - assuming dilution | 97,953 | 96,216 |

*See accompanying notes to unaudited consolidated financial statements.*

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**(Dollars in thousands)**

**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| Net income | $ 566,223 | $ 282,684 |
| Other comprehensive loss: | | |
| Change in net unrealized investment gains/losses (1) | (2,263,915) | (880,509) |
| Reclassification of unrealized investment gains/losses to net income (1) | 823 | (3,411) |
| Other comprehensive loss before income tax | (2,263,092) | (883,920) |
| Income tax effect related to other comprehensive loss | 478,009 | 185,623 |
| Other comprehensive loss | (1,785,083) | (698,297) |
| Comprehensive loss | $ (1,218,860) | $ (415,613) |

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

*See accompanying notes to unaudited consolidated financial statements.*

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**(Dollars in thousands)**

**(Unaudited)**

| | Preferred Stock | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Retained Earnings | Noncontrolling Interest | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| **For the three months ended March 31, 2022** | | | | | | | |
| Balance at December 31, 2021 | $ 28 | $ 92,514 | $ 1,614,374 | $ 1,848,789 | $ 2,767,422 | $ — | $ 6,323,127 |
| Net income for period | — | — | — | — | 566,223 | — | 566,223 |
| Other comprehensive loss | — | — | — | (1,785,083) | — | — | (1,785,083) |
| Share-based compensation | — | — | 5,596 | — | — | — | 5,596 |
| Issuance of common stock | — | 6,958 | 244,580 | — | — | — | 251,538 |
| Treasury stock acquired, common | — | (4,452) | (174,944) | — | — | — | (179,396) |
| Dividends on preferred stock | — | — | — | — | (10,919) | — | (10,919) |
| Contributions from noncontrolling interests | — | — | — | — | — | 1,084 | 1,084 |
| Balance at March 31, 2022 | $ 28 | $ 95,020 | $ 1,689,606 | $ 63,706 | $ 3,322,726 | $ 1,084 | $ 5,172,170 |

| | Preferred Stock | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Retained Earnings | Noncontrolling Interest | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| **For the three months ended March 31, 2021** | | | | | | | |
| Balance at December 31, 2020 | $ 28 | $ 95,721 | $ 1,681,127 | $ 2,203,557 | $ 2,368,555 | $ — | $ 6,348,988 |
| Net income for period | — | — | — | — | 282,684 | — | 282,684 |
| Other comprehensive loss | — | — | — | (698,297) | — | — | (698,297) |
| Share-based compensation | — | — | 4,296 | — | — | — | 4,296 |
| Issuance of common stock | — | 402 | 4,604 | — | — | — | 5,006 |
| Treasury stock acquired, common | — | (640) | (2,358) | — | — | — | (2,998) |
| Dividends on preferred stock | — | — | — | — | (10,919) | — | (10,919) |
| Balance at March 31, 2021 | $ 28 | $ 95,483 | $ 1,687,669 | $ 1,505,260 | $ 2,640,320 | $ — | $ 5,928,760 |

*See accompanying notes to unaudited consolidated financial statements.*

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Dollars in thousands)**

**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Operating activities** | | |
| Net income | $ 566,223 | $ 282,684 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Interest sensitive and index product benefits | 372,662 | 476,595 |
| Amortization of deferred sales inducements | 143,545 | 122,975 |
| Annuity product charges | (52,355) | (60,082) |
| Change in fair value of embedded derivatives | (1,393,649) | (282,413) |
| Change in traditional life and accident and health insurance reserves | (12,779) | 5,374 |
| Policy acquisition costs deferred | (56,569) | (97,004) |
| Amortization of deferred policy acquisition costs | 225,426 | 203,823 |
| Provision for depreciation and other amortization | 2,250 | 1,518 |
| Amortization of discounts and premiums on investments | (258) | 8,097 |
| Realized gains/losses on investments | 13,127 | 4,583 |
| Distributions from equity method investments | — | 7,631 |
| Change in fair value of derivatives | 477,519 | (396,305) |
| Deferred income taxes | 155,050 | 58,514 |
| Share-based compensation | 5,596 | 4,296 |
| Change in accrued investment income | (38,805) | (12,030) |
| Change in income taxes recoverable/payable | 519 | 20,461 |
| Change in other assets | (21,480) | (1,166) |
| Change in other policy funds and contract claims | 197,191 | (7,571) |
| Change in collateral held for derivatives | (584,969) | 236,558 |
| Change in funds withheld from reinsurers | 80,767 | — |
| Change in other liabilities | 96,591 | (92,813) |
| Other | (75,670) | (11,844) |
| Net cash provided by operating activities | 99,932 | 471,881 |
| | | |
| **Investing activities** | | |
| Sales, maturities, or repayments of investments: | | |
| Fixed maturity securities, available for sale | 1,779,328 | 1,116,965 |
| Mortgage loans on real estate | 536,216 | 105,378 |
| Derivative instruments | 280,510 | 400,322 |
| Other investments | 26,376 | 4,189 |
| Acquisitions of investments: | | |
| Fixed maturity securities, available for sale | (3,924,643) | (757,301) |
| Mortgage loans on real estate | (585,867) | (228,049) |
| Real estate investments acquired | (168,088) | — |
| Derivative instruments | (185,486) | (165,390) |
| Other investments | (202,160) | (351,661) |
| Purchases of property, furniture and equipment | (2,424) | (3,724) |
| Net cash provided by (used in) investing activities | (2,446,238) | 120,729 |

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

**(Dollars in thousands)**

**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| **Financing activities** | | |
| Receipts credited to annuity policyholder account balances | $ 888,488 | $ 2,420,777 |
| Coinsurance deposits | 10,757 | 218,987 |
| Return of annuity policyholder account balances | (1,198,638) | (1,250,244) |
| Acquisition of treasury stock | (179,396) | (2,998) |
| Proceeds from issuance of common stock, net | 251,538 | 5,006 |
| Change in checks in excess of cash balance | 9,393 | 18,384 |
| Dividends paid on preferred stock | (10,919) | (10,919) |
| Net cash provided by (used in) financing activities | (228,777) | 1,398,993 |
| Increase (decrease) in cash and cash equivalents | (2,575,083) | 1,991,603 |
| Cash and cash equivalents at beginning of period | 4,508,982 | 9,095,522 |
| Cash and cash equivalents at end of period | $ 1,933,899 | $ 11,087,125 |
| | | |
| **Supplemental disclosures of cash flow information** | | |
| Cash paid during period for: | | |
| Interest expense | $ 1,250 | $ 1,250 |
| Income tax refunds received | — | (440) |
| Non-cash operating activity: | | |
| Deferral of sales inducements | 23,446 | 24,850 |

*See accompanying notes to unaudited consolidated financial statements.*

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2022**

**(Unaudited)**

## 1. Significant Accounting Policies

### Consolidation and Basis of Presentation

The accompanying consolidated financial statements of American Equity Investment Life Holding Company ("we", "us", "our" or the "Company") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The consolidated financial statements include variable interest entities ("VIE") in which we are the primary beneficiary. All of the adjustments in the consolidated financial statements are normal recurring items which are necessary to present fairly our financial position and results of operations on a basis consistent with the prior audited consolidated financial statements. Operating results for the three month period ended March 31, 2022 are not necessarily indicative of the results that may be expected for any other period, including for the year ended December 31, 2022. All significant intercompany accounts and transactions have been eliminated. The preparation of financial statements requires management estimates and assumptions using subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Our actual results could differ from these estimates. For further information related to a description of areas of judgment and estimates and other information necessary to understand our financial position and results of operations, refer to the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2021.

### Federal Home Loan Bank

During the first quarter of 2022, American Equity Investment Life Insurance Company ("American Equity Life") became a member of the Federal Home Loan Bank ("FHLB") which provides access to collateralized borrowings and other FHLB products. We may also issue funding agreements to the FHLB. Both the collateralized borrowings and funding agreements require us to pledge qualified assets as collateral. Obligations arising from funding agreements are used in investment spread activities and reported in Other policy funds and contract claims on the Consolidated Balance Sheets. See *Note 8 - Commitments and Contingencies* for more information on the funding agreements issued. Entering into FHLB membership, borrowings and funding agreements requires the ownership of FHLB stock and the pledge of assets as collateral. See *Note 2 - Fair Value of Financial Instruments* and *Note 8 - Commitments and Contingencies* for more information on the common stock purchased and assets pledged as collateral.

### Adopted Accounting Pronouncements

There were no accounting pronouncements that were adopted during the current period.

### New Accounting Pronouncements

In August 2018, the FASB issued an ASU that revises certain aspects of the measurement models and disclosure requirements for long duration insurance and investment contracts. The FASB's objective in issuing this ASU is to improve, simplify, and enhance the accounting for long-duration contracts. The revisions include updating cash flow assumptions in the calculation of the liability for traditional life products, introducing the term 'market risk benefit' ("MRB") and requiring all contract features meeting the definition of an MRB to be measured at fair value, simplifying the method used to amortize deferred policy acquisition costs and deferred sales inducements to a constant basis over the expected term of the related contracts rather than based on actual and estimated gross profits and enhancing disclosure requirements. While this ASU is effective for us on January 1, 2023, the transition date (the remeasurement date) is January 1, 2021. Early adoption of this ASU is permitted. We are in the process of evaluating the impact this guidance will have on our consolidated financial statements.

## 2. Fair Values of Financial Instruments

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

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | (Dollars in thousands) | | | |
| **Assets** | | | | |
| Fixed maturity securities, available for sale | $ 49,662,120 | $ 49,662,120 | $ 51,305,943 | $ 51,305,943 |
| Mortgage loans on real estate | 5,734,872 | 5,792,356 | 5,687,998 | 5,867,227 |
| Real estate investments | 510,188 | 510,188 | 337,939 | 337,939 |
| Derivative instruments | 642,413 | 642,413 | 1,277,480 | 1,277,480 |
| Other investments | 1,999,113 | 2,057,113 | 1,767,144 | 1,767,144 |
| Cash and cash equivalents | 1,933,899 | 1,933,899 | 4,508,982 | 4,508,982 |
| Coinsurance deposits | 8,713,069 | 8,002,548 | 8,850,608 | 7,938,292 |
| | | | | |
| **Liabilities** | | | | |
| Policy benefit reserves | 63,342,037 | 56,478,030 | 65,076,041 | 56,375,076 |
| Single premium immediate annuity (SPIA) benefit reserves | 224,618 | 234,189 | 226,207 | 235,891 |
| Other policy funds - FHLB | 200,000 | 200,000 | — | — |
| Notes payable | 496,425 | 523,085 | 496,250 | 569,485 |
| Subordinated debentures | 78,502 | 80,126 | 78,421 | 93,721 |

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

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

Level 1 - Quoted prices are available in active markets for identical financial instruments as of the reporting date. We do not adjust the quoted price for these financial instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level 2 - Quoted prices in active markets for similar financial instruments, quoted prices for identical or similar financial instruments in markets that are not active; and models and other valuation methodologies using inputs other than quoted prices that are observable.

Level 3 - Models and other valuation methodologies using significant inputs that are unobservable for financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in Level 3 are securities for which no market activity or data exists and for which we used discounted expected future cash flows with our own assumptions about what a market participant would use in determining fair value.

Transfers of securities among the levels occur at times and depend on the type of inputs used to determine fair value of each security.

Our assets and liabilities which are measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021 are presented below based on the fair value hierarchy levels:

| | Total Fair Value | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| **March 31, 2022** | | | | |
| **Assets** | | | | |
| Fixed maturity securities, available for sale: | | | | |
| United States Government full faith and credit | $ 38,666 | $ 33,850 | $ 4,816 | $ — |
| United States Government sponsored agencies | 174,845 | — | 174,845 | — |
| United States municipalities, states and territories | 3,812,510 | — | 3,812,510 | — |
| Foreign government obligations | 405,166 | — | 405,166 | — |
| Corporate securities | 33,873,527 | 31,499 | 33,842,028 | — |
| Residential mortgage backed securities | 1,210,559 | — | 1,210,559 | — |
| Commercial mortgage backed securities | 4,769,867 | — | 4,769,867 | — |
| Other asset backed securities | 5,376,980 | — | 5,376,980 | — |
| Other investments: equity securities | 29,303 | — | 25,436 | 3,867 |
| Real estate investments | 510,188 | — | — | 510,188 |
| Derivative instruments | 642,413 | — | 642,413 | — |
| Cash and cash equivalents | 1,933,899 | 1,933,899 | — | — |
| | $ 52,777,923 | $ 1,999,248 | $ 50,264,620 | $ 514,055 |
| **Liabilities** | | | | |
| Funds withheld liability - embedded derivative | $ (204,806) | $ — | $ (204,806) | $ — |
| Fixed index annuities - embedded derivatives | 6,770,915 | — | — | 6,770,915 |
| | $ 6,566,109 | $ — | $ (204,806) | $ 6,770,915 |
| **December 31, 2021** | | | | |
| **Assets** | | | | |
| Fixed maturity securities, available for sale: | | | | |
| United States Government full faith and credit | $ 37,793 | $ 32,737 | $ 5,056 | $ — |
| United States Government sponsored agencies | 1,040,953 | — | 1,040,953 | — |
| United States municipalities, states and territories | 3,927,201 | — | 3,927,201 | — |
| Foreign government obligations | 402,545 | — | 402,545 | — |
| Corporate securities | 34,660,234 | 32,700 | 34,627,534 | — |
| Residential mortgage backed securities | 1,125,049 | — | 1,125,049 | — |
| Commercial mortgage backed securities | 4,840,311 | — | 4,840,311 | — |
| Other asset backed securities | 5,271,857 | — | 5,271,857 | — |
| Other investments: equity securities | 12,226 | — | 5,877 | 6,349 |
| Real estate investments | 337,939 | — | — | 337,939 |
| Derivative instruments | 1,277,480 | — | 1,277,480 | — |
| Cash and cash equivalents | 4,508,982 | 4,508,982 | — | — |
| | $ 57,442,570 | $ 4,574,419 | $ 52,523,863 | $ 344,288 |
| **Liabilities** | | | | |
| Funds withheld liability - embedded derivative | $ (2,362) | $ — | $ (2,362) | $ — |
| Fixed index annuities - embedded derivatives | 7,964,961 | — | — | 7,964,961 |
| | $ 7,962,599 | $ — | $ (2,362) | $ 7,964,961 |

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

***Fixed maturity securities***

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

- reported trading prices,
- benchmark yields,
- broker-dealer quotes,
- benchmark securities,
- bids and offers,
- credit ratings,
- relative credit information, and
- other reference data.

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

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

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparison of the prices to a secondary pricing source, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis using inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of March 31, 2022 and December 31, 2021.

***Mortgage loans on real estate***

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

***Real estate investments***

The fair values of residential real estate investments are initially calculated based on the cost to purchase the properties and subsequently calculated based on a discounted cash flow methodology. Under the discounted cash flow method, net operating income is forecasted assuming a 10-year hold period commencing as of the valuation date. An additional year is forecast in order to determine the residual sale price at the end of the hold period, using a residual (terminal) capitalization rate. The significant inputs into the fair value calculation under the discounted cash flow method include the residual capitalization rate and discount rate. These inputs are unobservable market data; therefore, fair value of residential real estate investments falls into Level 3 in the fair value hierarchy. At March 31, 2022, the residual capitalization rates used in the fair value calculations ranged from 4.75% to 6.50% with an average rate of 5.47%. At March 31, 2022, the discount rates used in the fair value calculations ranged from 6.00% to 7.75% with an average rate of 6.72%.

***Derivative instruments***

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

***Other investments***

Equity securities are the only financial instruments included in other investments that are measured at fair value on a recurring basis. The fair value for these securities are determined using the same methods discussed above for fixed maturity securities. Financial instruments included in other investments that are not measured at fair value on a recurring basis are FHLB common stock, equity method investments, short-term loans and company owned life insurance ("COLI"). FHLB common stock is carried at cost which approximates fair value. FHLB common stock was $18.0 million as of March 31, 2022 and falls within Level 2 of the fair value hierarchy. The fair values for most of our equity method investments are obtained from third parties and are determined using a variety of valuation techniques, including discounted cash flow analysis, valuation multiples analysis for comparable investments and appraisal values. As the risk spread and liquidity discount are unobservable market inputs, the fair value of our equity method investments falls within Level 3 of the fair value hierarchy. The fair value for one of our equity method investments is based on earnings multiples derived by comparing valuations of similar entities relative to earnings data. The fair value of this equity method investment falls within Level 3 of the fair value hierarchy. The fair value of equity method investments was $717.9 million and $520.1 million as of March 31, 2022 and December 31, 2021, respectively. Due to the short-term nature of the investment, the fair value of our short-term loans approximates the carrying value. The fair value of short-term loans was $320.0 million and $320.0 million as of March 31, 2022 and December 31, 2021, respectively. Our short-term loans fall within Level 2 of the fair value hierarchy. The fair value of our COLI approximates the cash surrender value of the policies and falls within Level 2 of the fair value hierarchy. The fair value of COLI was $387.7 million and $384.3 million as of March 31, 2022 and December 31, 2021, respectively.

***Cash and cash equivalents***

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

***Policy benefit reserves, coinsurance deposits and SPIA benefit reserves***

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

***Other policy funds - FHLB***

The fair values of the Company's funding agreements with the FHLB are estimated using discounted cash flow calculations based on interest rates currently being offered for similar agreements with similar maturities.

***Notes payable***

The fair values of our senior unsecured notes are based upon quoted market prices and are categorized as Level 2 within the fair value hierarchy. Notes payable are not remeasured at fair value on a recurring basis.

***Subordinated debentures***

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

***Funds withheld liability - embedded derivative***

We estimate the fair value of the embedded derivative based on the fair value of the assets supporting the funds withheld payable under modified coinsurance reinsurance agreements. The fair value of the embedded derivative is classified as Level 2 based on valuation methods used for the assets held supporting the reinsurance agreements.

***Fixed index annuities - embedded derivatives***

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

Within this determination we have the following significant unobservable inputs: 1) the expected cost of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary and 2) our best estimates for future policy decrements, primarily lapse, partial withdrawal and mortality rates. As of both March 31, 2022 and December 31, 2021, we utilized an estimate of 2.10% for the expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of our actual option costs.

Our best estimate assumptions for lapse, partial withdrawal and mortality rates are based on our actual experience and our outlook as to future expectations for such assumptions. These assumptions, which are consistent with the assumptions used in calculating deferred policy acquisition costs and deferred sales inducements, are reviewed on a quarterly basis and are updated as our experience develops and/or as future expectations change. The following table presents average lapse rate and partial withdrawal rate assumptions, by contract duration, used in estimating the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves at each reporting date:

| | Average Lapse Rates | | Average Partial Withdrawal Rates | |
|---|---|---|---|---|
| **Contract Duration (Years)** | **March 31, 2022** | **December 31, 2021** | **March 31, 2022** | **December 31, 2021** |
| 1 - 5 | 3.13% | 3.04% | 2.20% | 2.19% |
| 6 - 10 | 2.91% | 2.84% | 2.27% | 2.26% |
| 11 - 15 | 4.32% | 4.47% | 2.11% | 2.14% |
| 16 - 20 | 9.30% | 8.93% | 1.30% | 1.33% |
| 20+ | 4.97% | 4.93% | —% | —% |

Lapse rates are generally expected to increase as surrender charge percentages decrease for policies without a lifetime income benefit rider. Lapse expectations reflect a significant increase in the year in which the surrender charge period on a contract ends.

The following table provides a reconciliation of the beginning and ending balances for our Level 3 assets and liabilities, which are measured at fair value on a recurring basis using significant unobservable inputs for the three months ended March 31, 2022 and 2021:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| | (Dollars in thousands) | |
| **Other investments: equity securities** | | |
| Beginning balance | $ 6,349 | $ — |
| Transfers in | — | — |
| Total realized/unrealized gains (losses): | | |
| Included in net income | (2,482) | — |
| Included in other comprehensive income (loss) | — | — |
| Ending balance | $ 3,867 | $ — |
| **Real estate investments** | | |
| Beginning balance | $ 337,939 | $ — |
| Purchases and sales, net | 168,088 | — |
| Change in fair value | 4,161 | — |
| Ending balance | $ 510,188 | $ — |
| **Fixed index annuities - embedded derivatives** | | |
| Beginning balance | $ 7,964,961 | $ 7,938,281 |
| Premiums less benefits | 114,077 | 119,791 |
| Change in fair value, net | (1,308,123) | (377,121) |
| Ending balance | $ 6,770,915 | $ 7,680,951 |

The fair value of our fixed index annuities embedded derivatives is net of coinsurance ceded of $1,048.7 million and $1,245.0 million as of March 31, 2022 and December 31, 2021, respectively. Change in fair value, net for each period in our embedded derivatives is included in change in fair value of embedded derivatives in the unaudited consolidated statements of operations.

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

The most sensitive assumption in determining policy liabilities for fixed index annuities is the rates used to discount the excess projected contract values. As indicated above, the discount rate reflects our nonperformance risk. If the discount rates used to discount the excess projected contract values at March 31, 2022, were to increase by 100 basis points, the fair value of the embedded derivatives would decrease by $499.4 million recorded through operations as a decrease in the change in fair value of embedded derivatives and there would be a corresponding decrease of $193.5 million to our combined balance for deferred policy acquisition costs and deferred sales inducements recorded through operations as an increase in amortization of deferred policy acquisition costs and deferred sales inducements. A decrease by 100 basis points in the discount rates used to discount the excess projected contract values would increase the fair value of the embedded derivatives by $578.3 million recorded through operations as an increase in the change in fair value of embedded derivatives and there would be a corresponding increase of $229.0 million to our combined balance for deferred policy acquisition costs and deferred sales inducements recorded through operations as a decrease in amortization of deferred policy acquisition costs and deferred sales inducements.

### 3. Investments

At March 31, 2022 and December 31, 2021, the amortized cost and fair value of fixed maturity securities were as follows:

| | Amortized Cost (1) | Gross Unrealized Gains | Gross Unrealized Losses (2) | Allowance for Credit Losses | Fair Value |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **March 31, 2022** | | | | | |
| Fixed maturity securities, available for sale: | | | | | |
| United States Government full faith and credit | $ 39,302 | $ 88 | $ (724) | $ — | $ 38,666 |
| United States Government sponsored agencies | 158,596 | 18,473 | (2,224) | — | 174,845 |
| United States municipalities, states and territories | 3,694,146 | 214,986 | (94,613) | (2,009) | 3,812,510 |
| Foreign government obligations | 415,227 | 11,175 | (21,236) | — | 405,166 |
| Corporate securities | 33,550,018 | 1,311,404 | (984,070) | (3,825) | 33,873,527 |
| Residential mortgage backed securities | 1,195,436 | 38,688 | (22,822) | (743) | 1,210,559 |
| Commercial mortgage backed securities | 4,873,980 | 23,338 | (127,451) | — | 4,769,867 |
| Other asset backed securities | 5,438,210 | 53,355 | (114,585) | — | 5,376,980 |
| | $ 49,364,915 | $ 1,671,507 | $ (1,367,725) | $ (6,577) | $ 49,662,120 |
| **December 31, 2021** | | | | | |
| Fixed maturity securities, available for sale: | | | | | |
| United States Government full faith and credit | $ 37,109 | $ 718 | $ (34) | $ — | $ 37,793 |
| United States Government sponsored agencies | 1,008,920 | 32,123 | (90) | — | 1,040,953 |
| United States municipalities, states and territories | 3,495,563 | 437,456 | (3,042) | (2,776) | 3,927,201 |
| Foreign government obligations | 380,646 | 22,742 | (843) | — | 402,545 |
| Corporate securities | 31,084,629 | 3,614,047 | (38,442) | — | 34,660,234 |
| Residential mortgage backed securities | 1,056,778 | 70,434 | (2,093) | (70) | 1,125,049 |
| Commercial mortgage backed securities | 4,708,878 | 149,152 | (17,719) | — | 4,840,311 |
| Other asset backed securities | 5,226,660 | 95,304 | (50,107) | — | 5,271,857 |
| | $ 46,999,183 | $ 4,421,976 | $ (112,370) | $ (2,846) | $ 51,305,943 |

(1) Amortized cost excludes accrued interest receivable of $440.5 million and $400.7 million as of March 31, 2022 and December 31, 2021, respectively.

(2) Gross unrealized losses are net of allowance for credit losses.

The amortized cost and fair value of fixed maturity securities at March 31, 2022, by contractual maturity are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives and are shown below as separate lines.

| | Available for sale | |
|---|---|---|
| | Amortized Cost | Fair Value |
| | (Dollars in thousands) | |
| Due in one year or less | $ 1,285,124 | $ 1,294,473 |
| Due after one year through five years | 8,050,284 | 8,089,245 |
| Due after five years through ten years | 7,228,862 | 7,278,595 |
| Due after ten years through twenty years | 10,741,247 | 11,453,442 |
| Due after twenty years | 10,551,772 | 10,188,959 |
| | 37,857,289 | 38,304,714 |
| Residential mortgage backed securities | 1,195,436 | 1,210,559 |
| Commercial mortgage backed securities | 4,873,980 | 4,769,867 |
| Other asset backed securities | 5,438,210 | 5,376,980 |
| | $ 49,364,915 | $ 49,662,120 |

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

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | (Dollars in thousands) | |
| Net unrealized gains on available for sale fixed maturity securities | $ 295,235 | $ 4,309,606 |
| Adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves | (242,590) | (1,993,869) |
| Deferred income tax valuation allowance reversal | 22,534 | 22,534 |
| Deferred income tax expense | (11,473) | (489,482) |
| Net unrealized gains reported as accumulated other comprehensive income | $ 63,706 | $ 1,848,789 |

The National Association of Insurance Commissioners ("NAIC") assigns designations to fixed maturity securities. These designations range from Class 1 (highest quality) to Class 6 (lowest quality). In general, securities are assigned a designation based upon the ratings they are given by the Nationally Recognized Statistical Rating Organizations ("NRSRO's"). The NAIC designations are utilized by insurers in preparing their annual statutory statements. NAIC Class 1 and 2 designations are considered "investment grade" while NAIC Class 3 through 6 designations are considered "non-investment grade." Based on the NAIC designations, we had 98% of our fixed maturity portfolio rated investment grade at both March 31, 2022 and December 31, 2021, respectively.

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

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| NAIC Designation | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (Dollars in thousands) | | | |
| 1 | $ 27,701,587 | $ 28,064,072 | $ 26,157,531 | $ 28,785,839 |
| 2 | 20,740,585 | 20,701,013 | 19,758,594 | 21,396,020 |
| 3 | 772,726 | 748,881 | 909,311 | 941,210 |
| 4 | 117,725 | 122,867 | 133,070 | 147,160 |
| 5 | 3,259 | 3,259 | 16,496 | 15,357 |
| 6 | 29,033 | 22,028 | 24,181 | 20,357 |
| | $ 49,364,915 | $ 49,662,120 | $ 46,999,183 | $ 51,305,943 |

The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 3,781 and 1,427 securities, respectively) have been in a continuous unrealized loss position, at March 31, 2022 and December 31, 2021:

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses (1) | Fair Value | Unrealized Losses (1) | Fair Value | Unrealized Losses (1) |
| | (Dollars in thousands) | | | | | |
| **March 31, 2022** | | | | | | |
| Fixed maturity securities, available for sale: | | | | | | |
| United States Government full faith and credit | $ 27,565 | $ (686) | $ 434 | $ (38) | $ 27,999 | $ (724) |
| United States Government sponsored agencies | 11,468 | (2,224) | — | — | 11,468 | (2,224) |
| United States municipalities, states and territories | 1,161,530 | (94,117) | 18,344 | (2,505) | 1,179,874 | (96,622) |
| Foreign government obligations | 252,267 | (21,236) | — | — | 252,267 | (21,236) |
| Corporate securities | 12,808,738 | (965,862) | 131,098 | (22,033) | 12,939,836 | (987,895) |
| Residential mortgage backed securities | 501,285 | (21,186) | 32,665 | (2,379) | 533,950 | (23,565) |
| Commercial mortgage backed securities | 3,217,274 | (111,459) | 88,148 | (15,992) | 3,305,422 | (127,451) |
| Other asset backed securities | 2,503,524 | (50,385) | 1,731,947 | (64,200) | 4,235,471 | (114,585) |
| | $ 20,483,651 | $ (1,267,155) | $ 2,002,636 | $ (107,147) | $ 22,486,287 | $ (1,374,302) |
| **December 31, 2021** | | | | | | |
| Fixed maturity securities, available for sale: | | | | | | |
| United States Government full faith and credit | $ 1,007 | $ (34) | $ — | $ — | $ 1,007 | $ (34) |
| United States Government sponsored agencies | 759,970 | (90) | — | — | 759,970 | (90) |
| United States municipalities, states and territories | 168,942 | (2,468) | 15,711 | (3,350) | 184,653 | (5,818) |
| Foreign government obligations | 42,861 | (843) | — | — | 42,861 | (843) |
| Corporate securities | 2,375,603 | (30,070) | 116,819 | (8,372) | 2,492,422 | (38,442) |
| Residential mortgage backed securities | 250,964 | (1,408) | 26,917 | (755) | 277,881 | (2,163) |
| Commercial mortgage backed securities | 784,464 | (5,500) | 142,224 | (12,219) | 926,688 | (17,719) |
| Other asset backed securities | 1,351,324 | (11,345) | 1,771,182 | (38,762) | 3,122,506 | (50,107) |
| | $ 5,735,135 | $ (51,758) | $ 2,072,853 | $ (63,458) | $ 7,807,988 | $ (115,216) |

(1) Unrealized losses have not been reduced to reflect the allowance for credit losses of $6.6 million and $2.8 million as of March 31, 2022 and December 31, 2021, respectively.

The unrealized losses at March 31, 2022 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at March 31, 2022. Approximately 97% and 85% of the unrealized losses on fixed maturity securities shown in the above table for March 31, 2022 and December 31, 2021, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

We expect to recover our amortized cost on all securities except for those securities on which we recognized an allowance for credit loss. In addition, because we did not have the intent to sell fixed maturity securities with unrealized losses and it was not more likely than not that we would be required to sell these securities prior to recovery of the amortized cost, which may be maturity, we did not write down these investments to fair value through the consolidated statements of operations.

Changes in net unrealized gains/losses on investments for the three months ended March 31, 2022 and 2021 are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| Fixed maturity securities available for sale carried at fair value | $ (4,014,371) | $ (1,661,361) |
| Adjustment for effect on other balance sheet accounts: | | |
| Deferred policy acquisition costs, deferred sales inducements and policy benefit reserves | 1,751,279 | 777,441 |
| Deferred income tax asset/liability | 478,009 | 185,623 |
| | 2,229,288 | 963,064 |
| Change in net unrealized gains/losses on investments carried at fair value | $ (1,785,083) | $ (698,297) |

Proceeds from sales of available for sale fixed maturity securities for the three months ended March 31, 2022 and 2021 were $1.2 billion and $122.2 million, respectively. Scheduled principal repayments, calls and tenders for available for sale fixed maturity securities for the three months ended March 31, 2022 and 2021 were $0.6 billion and $1.0 billion, respectively.

Net realized losses on investments for the three months ended March 31, 2022 and 2021, are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| Available for sale fixed maturity securities: | | |
| Gross realized gains | $ 3,465 | $ 2,367 |
| Gross realized losses | (2,006) | (8,196) |
| Net credit loss (provision) release | (7,356) | (1,437) |
| | (5,897) | (7,266) |
| Mortgage loans on real estate: | | |
| Decrease (increase) in allowance for credit losses | (5,245) | 2,515 |
| Gain (loss) on sale of mortgage loans | (1,985) | 168 |
| | (7,230) | 2,683 |
| | $ (13,127) | $ (4,583) |

Realized losses on available for sale fixed maturity securities in 2022 and 2021 were realized primarily due to strategies to reposition the fixed maturity security portfolio that result in improved net investment income, credit risk or duration profiles as they pertain to our asset liability management. Realized gains and losses on sales are determined on the basis of specific identification of investments based on the trade date.

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

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

- the extent to which the fair value has been less than amortized cost or cost;
- whether the issuer is current on all payments and all contractual payments have been made as agreed;
- the remaining payment terms and the financial condition and near-term prospects of the issuer;
- the lack of ability to refinance due to liquidity problems in the credit market;
- the fair value of any underlying collateral;
- the existence of any credit protection available;
- our intent to sell and whether it is more likely than not we would be required to sell prior to recovery for debt securities;
- consideration of rating agency actions; and
- changes in estimated cash flows of mortgage and asset backed securities.

We determine whether an allowance for credit loss should be established for debt securities by assessing pertinent facts and circumstances surrounding each security. Where the decline in fair value of debt securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and we anticipate recovery of all contractual or expected cash flows, we do not consider these investments to have credit loss because we do not intend to sell these investments and it is not more likely than not we will be required to sell these investments before a recovery of amortized cost, which may be maturity.

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

If we do not intend to sell and it is not more likely than not we will be required to sell the debt security but also do not expect to recover the entire amortized cost basis of the security, a credit loss would be recognized in operations for the amount of the expected credit loss. We determine the amount of expected credit loss by calculating the present value of the cash flows expected to be collected discounted at each security's acquisition yield based on our consideration of whether the security was of high credit quality at the time of acquisition. The difference between the present value of expected future cash flows and the amortized cost basis of the security is the amount of credit loss recognized in operations. The recognized credit loss is limited to the total unrealized loss on the security (i.e., the fair value floor).

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

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

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

We do not measure a credit loss allowance on accrued interest receivable as we write off any accrued interest receivable balance to net investment income in a timely manner when we have concerns regarding collectability.

Amounts on available for sale fixed maturities that are deemed to be uncollectible are written off and removed from the allowance for credit loss. A write-off may also occur if we intend to sell a security or when it is more likely than not we will be required to sell the security before the recovery of its amortized cost.

The following table provides a rollforward of the allowance for credit loss:

| | Three Months Ended March 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | United States Municipalities, States and Territories | Corporate Securities | Commercial Mortgage Backed Securities | Residential Mortgage Backed Securities | Other Asset Backed Securities | Total |
| | (Dollars in thousands) | | | | | |
| Beginning balance | $ 2,776 | $ — | $ — | $ 70 | $ — | $ 2,846 |
| Additions for credit losses not previously recorded | — | 3,825 | — | 336 | — | 4,161 |
| Change in allowance on securities with previous allowance | (767) | — | — | 337 | — | (430) |
| Reduction for securities sold during the period | — | — | — | — | — | — |
| Ending balance | $ 2,009 | $ 3,825 | $ — | $ 743 | $ — | $ 6,577 |

| | Three Months Ended March 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | United States Municipalities, States and Territories | Corporate Securities | Commercial Mortgage Backed Securities | Residential Mortgage Backed Securities | Other Asset Backed Securities | Total |
| | (Dollars in thousands) | | | | | |
| Beginning balance | $ 2,844 | $ 60,193 | $ — | $ 1,734 | $ — | $ 64,771 |
| Additions for credit losses not previously recorded | — | 705 | — | 111 | — | 816 |
| Change in allowance on securities with previous allowance | (53) | 1,327 | — | (653) | — | 621 |
| Reduction for securities sold during the period | — | (6,510) | — | — | — | (6,510) |
| Ending balance | $ 2,791 | $ 55,715 | $ — | $ 1,192 | $ — | $ 59,698 |

### 4. Mortgage Loans on Real Estate

Our financing receivables consist of the following three portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our mortgage loan portfolios are summarized in the following table. There were commitments outstanding of $444.2 million at March 31, 2022.

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | (Dollars in thousands) | |
| Commercial mortgage loans: | | |
| Principal outstanding | $ 3,610,872 | $ 3,633,131 |
| Deferred fees and costs, net | (4,873) | (4,629) |
| Amortized cost | 3,605,999 | 3,628,502 |
| Valuation allowance | (24,587) | (17,926) |
| Commercial mortgage loans, carrying value | 3,581,412 | 3,610,576 |
| | | |
| Agricultural mortgage loans: | | |
| Principal outstanding | 464,431 | 408,135 |
| Deferred fees and costs, net | (1,344) | (1,136) |
| Amortized cost | 463,087 | 406,999 |
| Valuation allowance | (558) | (519) |
| Agricultural mortgage loans, carrying value | 462,529 | 406,480 |
| | | |
| Residential mortgage loans: | | |
| Principal outstanding | 1,669,897 | 1,652,910 |
| Deferred fees and costs, net | 1,432 | 1,468 |
| Unamortized discounts and premiums, net | 23,726 | 22,143 |
| Amortized cost | 1,695,055 | 1,676,521 |
| Valuation allowance | (4,124) | (5,579) |
| Residential mortgage loans, carrying value | 1,690,931 | 1,670,942 |
| Mortgage loans, carrying value | $ 5,734,872 | $ 5,687,998 |

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

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Principal | Percent | Principal | Percent |
| | (Dollars in thousands) | | | |
| **Geographic distribution** | | | | |
| East | $ 596,667 | 16.5 % | $ 614,406 | 16.9 % |
| Middle Atlantic | 296,015 | 8.2 % | 293,494 | 8.1 % |
| Mountain | 459,562 | 12.7 % | 452,818 | 12.5 % |
| New England | 59,996 | 1.7 % | 60,172 | 1.6 % |
| Pacific | 884,983 | 24.5 % | 863,879 | 23.8 % |
| South Atlantic | 758,905 | 21.0 % | 785,679 | 21.6 % |
| West North Central | 225,801 | 6.3 % | 235,864 | 6.5 % |
| West South Central | 328,943 | 9.1 % | 326,819 | 9.0 % |
| | $ 3,610,872 | 100.0 % | $ 3,633,131 | 100.0 % |
| **Property type distribution** | | | | |
| Office | $ 353,011 | 9.8 % | $ 315,374 | 8.7 % |
| Medical Office | 10,688 | 0.3 % | 10,827 | 0.3 % |
| Retail | 997,613 | 27.6 % | 1,016,101 | 28.0 % |
| Industrial/Warehouse | 900,747 | 24.9 % | 924,779 | 25.4 % |
| Apartment | 850,404 | 23.6 % | 864,580 | 23.8 % |
| Hotel | 285,010 | 7.9 % | 283,500 | 7.8 % |
| Mixed Use/Other | 213,399 | 5.9 % | 217,970 | 6.0 % |
| | $ 3,610,872 | 100.0 % | $ 3,633,131 | 100.0 % |

Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of $464.4 million and $408.1 million as of March 31, 2022 and December 31, 2021, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of $1.7 billion and $1.7 billion as of March 31, 2022 and December 31, 2021, respectively. These loans are collateralized by the related properties and diversified as to location within the United States.

Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Interest income is included in Net investment income on our consolidated statements of operations. Accrued interest receivable, which was $35.2 million and $37.0 million as of March 31, 2022 and December 31, 2021, respectively, is included in Accrued investment income on our consolidated balance sheets.

*Loan Valuation Allowance*

We establish a valuation allowance to provide for the risk of credit losses inherent in our mortgage loan portfolios. The valuation allowance is maintained at a level believed adequate by management to absorb estimated expected credit losses. The valuation allowance is based on amortized cost, which excludes accrued interest receivable. We do not measure a credit loss allowance on accrued interest receivable as we write off any uncollectible accrued interest receivable balances to net investment income in a timely manner. We did not charge off any uncollectible accrued interest receivable on our commercial, agricultural or residential mortgage loan portfolios for the three month periods ended March 31, 2022 or 2021, respectively.

The valuation allowances for each of our mortgage loan portfolios are estimated by deriving probability of default and recovery rate assumptions based on the characteristics of the loans in each portfolio, historical economic data and loss information, and current and forecasted economic conditions. Key loan characteristics impacting the estimate for our commercial mortgage loan portfolio include the current state of the borrower’s credit quality, which considers factors such as loan-to-value (“LTV”) and debt service coverage (“DSC”) ratios, loan performance, underlying collateral type, delinquency status, time to maturity, and original credit scores. Key loan characteristics impacting the estimate for our agricultural and residential mortgage loan portfolios include delinquency status, time to maturity, original credit scores and LTV ratios.

The following table represents a rollforward of the valuation allowance on our mortgage loan portfolios:

| | Three Months Ended March 31, 2022 | | | |
|---|---|---|---|---|
| | Commercial | Agricultural | Residential | Total |
| | (Dollars in thousands) | | | |
| Beginning allowance balance | $ (17,926) | $ (519) | $ (5,579) | $ (24,024) |
| Charge-offs | — | — | — | — |
| Recoveries | — | — | — | — |
| Change in provision for credit losses | (6,661) | (39) | 1,455 | (5,245) |
| Ending allowance balance | $ (24,587) | $ (558) | $ (4,124) | $ (29,269) |

| | Three Months Ended March 31, 2021 | | | |
|---|---|---|---|---|
| | Commercial | Agricultural | Residential | Total |
| | (Dollars in thousands) | | | |
| Beginning allowance balance | $ (25,529) | $ (2,130) | $ (3,370) | $ (31,029) |
| Charge-offs | — | — | — | — |
| Recoveries | — | — | — | — |
| Change in provision for credit losses | (610) | 1,691 | 1,434 | 2,515 |
| Ending allowance balance | $ (26,139) | $ (439) | $ (1,936) | $ (28,514) |

Charge-offs include allowances that have been established on loans that were satisfied either by taking ownership of the collateral or by some other means such as discounted pay-off or loan sale. When ownership of the property is taken it is recorded at the lower of the loan's carrying value or the property's fair value (based on appraised values) less estimated costs to sell. The real estate owned is recorded as a component of Other investments and the loan is recorded as fully paid, with any allowance for credit loss that has been established charged off. Fair value of the real estate is determined by third party appraisal. There is no real estate held in Other investments as of March 31, 2022 or December 31, 2021. Recoveries are situations where we have received a payment from the borrower in an amount greater than the carrying value of the loan (principal outstanding less specific allowance).

*Credit Quality Indicators*

We evaluate the credit quality of our commercial and agricultural mortgage loans by analyzing LTV and DSC ratios and loan performance. We evaluate the credit quality of our residential mortgage loans by analyzing loan performance.

LTV and DSC ratios for our commercial mortgage loans are originally calculated at the time of loan origination and are updated annually for each loan using information such as rent rolls, assessment of lease maturity dates and property operating statements, which are reviewed in the context of current leasing and in place rents compared to market leasing and market rents. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our commercial mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at March 31, 2022 and December 31, 2021.

The amortized cost of our commercial mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at March 31, 2022 and December 31, 2021 (by year of origination):

| | 2022 | | 2021 | | 2020 | | 2019 | | 2018 | | Prior | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of March 31, 2022:** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** |
| **Debt Service Coverage Ratio:** | | | | | | | **(Dollars in thousands)** | | | | | | | |
| Greater than or equal to 1.5 | $ 78,485 | 64 % | $ 259,927 | 65 % | $ 421,975 | 59 % | $ 462,591 | 61 % | $ 344,612 | 57 % | $ 968,571 | 46 % | $ 2,536,161 | 55 % |
| Greater than or equal to 1.2 and less than 1.5 | — | — % | 12,698 | 67 % | 58,438 | 65 % | 127,455 | 69 % | 95,119 | 67 % | 251,192 | 60 % | 544,902 | 64 % |
| Greater than or equal to 1.0 and less than 1.2 | — | — % | 320,504 | 45 % | 17,648 | 82 % | 69,336 | 72 % | 2,799 | 44 % | 47,592 | 58 % | 457,879 | 52 % |
| Less than 1.0 | 12,491 | 60 % | — | — % | 3,240 | 60 % | 3,614 | 50 % | 13,948 | 76 % | 33,764 | 61 % | 67,057 | 63 % |
| **Total** | $ 90,976 | 63 % | $ 593,129 | 54 % | $ 501,301 | 61 % | $ 662,996 | 64 % | $ 456,478 | 60 % | $ 1,301,119 | 50 % | $ 3,605,999 | 56 % |

| | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | | Prior | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2021:** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** |
| **Debt Service Coverage Ratio:** | | | | | | | | | | | | | | |
| Greater than or equal to 1.5 | $ 260,623 | 64 % | $ 454,828 | 60 % | $ 464,059 | 61 % | $ 344,170 | 58 % | $ 246,854 | 52 % | $ 758,494 | 45 % | $ 2,529,028 | 55 % |
| Greater than or equal to 1.2 and less than 1.5 | 12,836 | 67 % | 58,960 | 66 % | 128,301 | 70 % | 89,293 | 66 % | 135,818 | 66 % | 129,833 | 57 % | 555,041 | 65 % |
| Greater than or equal to 1.0 and less than 1.2 | 318,636 | 45 % | 17,762 | 82 % | 69,684 | 72 % | 11,937 | 75 % | 6,343 | 60 % | 42,125 | 58 % | 466,487 | 53 % |
| Less than 1.0 | — | — % | 3,289 | 61 % | 26,147 | 63 % | 14,051 | 76 % | 13,385 | 73 % | 21,074 | 54 % | 77,946 | 65 % |
| **Total** | $ 592,095 | 54 % | $ 534,839 | 61 % | $ 688,191 | 64 % | $ 459,451 | 60 % | $ 402,400 | 58 % | $ 951,526 | 47 % | $ 3,628,502 | 56 % |

LTV and DSC ratios for our agricultural mortgage loans are calculated at the time of loan origination and are evaluated annually for each loan using land value averages. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our agricultural mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at March 31, 2022 and December 31, 2021.

The amortized cost of our agricultural mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at March 31, 2022 and December 31, 2021 (by year of origination):

| | 2022 | | 2021 | | 2020 | | 2019 | | 2018 | | Prior | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of March 31, 2022:** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** |
| **Debt Service Coverage Ratio:** | | | | | | | **(Dollars in thousands)** | | | | | | | |
| Greater than or equal to 1.5 | $ 37,099 | 37 % | $ 62,058 | 53 % | $ 78,431 | 56 % | $ 11,553 | 48 % | $ 25,000 | 11 % | $ — | — % | $ 214,141 | 46 % |
| Greater than or equal to 1.2 and less than 1.5 | 22,719 | 55 % | 95,201 | 55 % | 101,189 | 42 % | 3,301 | 22 % | — | — % | — | — % | 222,410 | 48 % |
| Greater than or equal to 1.0 and less than 1.2 | 6,925 | 76 % | 7,357 | 43 % | 4,064 | 36 % | 1,434 | 43 % | — | — % | — | — % | 19,780 | 53 % |
| Less than 1.0 | — | — % | — | — % | 6,756 | 46 % | — | — % | — | — % | — | — % | 6,756 | 46 % |
| **Total** | $ 66,743 | 47 % | $ 164,616 | 54 % | $ 190,440 | 48 % | $ 16,288 | 43 % | $ 25,000 | 11 % | $ — | — % | $ 463,087 | 48 % |

| | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | | Prior | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2021:** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** | **Amortized Cost** | **Average LTV** |
| **Debt Service Coverage Ratio:** | | | | | | | | | | | | | | |
| Greater than or equal to 1.5 | $ 62,548 | 54 % | $ 80,919 | 56 % | $ 11,645 | 49 % | $ 25,000 | 11 % | $ — | — % | $ — | — % | $ 180,112 | 49 % |
| Greater than or equal to 1.2 and less than 1.5 | 95,738 | 55 % | 102,958 | 43 % | 3,335 | 22 % | — | — % | — | — % | — | — % | 202,031 | 48 % |
| Greater than or equal to 1.0 and less than 1.2 | 7,478 | 44 % | 4,092 | 36 % | 4,734 | 50 % | — | — % | — | — % | — | — % | 16,304 | 44 % |
| Less than 1.0 | — | — % | 8,552 | 59 % | — | — % | — | — % | — | — % | — | — % | 8,552 | 59 % |
| **Total** | $ 165,764 | 54 % | $ 196,521 | 49 % | $ 19,714 | 45 % | $ 25,000 | 11 % | $ — | — % | $ — | — % | $ 406,999 | 48 % |

We closely monitor loan performance for our commercial, agricultural and residential mortgage loan portfolios. Aging of financing receivables is summarized in the following table (by year of origination):

| | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | Total |
|---|---|---|---|---|---|---|---|
| **As of March 31, 2022:** | | | | (Dollars in thousands) | | | |
| **Commercial mortgage loans** | | | | | | | |
| Current | $ 90,976 | $ 593,129 | $ 501,301 | $ 662,996 | $ 456,478 | $ 1,301,119 | $ 3,605,999 |
| 30 - 59 days past due | — | — | — | — | — | — | — |
| 60 - 89 days past due | — | — | — | — | — | — | — |
| Over 90 days past due | — | — | — | — | — | — | — |
| **Total commercial mortgage loans** | $ 90,976 | $ 593,129 | $ 501,301 | $ 662,996 | $ 456,478 | $ 1,301,119 | $ 3,605,999 |
| **Agricultural mortgage loans** | | | | | | | |
| Current | $ 66,743 | $ 164,616 | $ 190,440 | $ 16,288 | $ 25,000 | $ — | $ 463,087 |
| 30 - 59 days past due | — | — | — | — | — | — | — |
| 60 - 89 days past due | — | — | — | — | — | — | — |
| Over 90 days past due | — | — | — | — | — | — | — |
| **Total agricultural mortgage loans** | $ 66,743 | $ 164,616 | $ 190,440 | $ 16,288 | $ 25,000 | $ — | $ 463,087 |
| **Residential mortgage loans** | | | | | | | |
| Current | $ 172,104 | $ 1,002,004 | $ 332,075 | $ 48,951 | $ 9,669 | $ 572 | $ 1,565,375 |
| 30 - 59 days past due | 47,750 | 12,618 | 14,235 | 14,311 | — | — | 88,914 |
| 60 - 89 days past due | — | 21,040 | 5,133 | 101 | 2,029 | — | 28,303 |
| Over 90 days past due | — | 5,194 | 7,269 | — | — | — | 12,463 |
| **Total residential mortgage loans** | $ 219,854 | $ 1,040,856 | $ 358,712 | $ 63,363 | $ 11,698 | $ 572 | $ 1,695,055 |

| | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2021:** | | | | (Dollars in thousands) | | | |
| **Commercial mortgage loans** | | | | | | | |
| Current | $ 592,095 | $ 534,839 | $ 688,191 | $ 459,451 | $ 402,400 | $ 951,526 | $ 3,628,502 |
| 30 - 59 days past due | — | — | — | — | — | — | — |
| 60 - 89 days past due | — | — | — | — | — | — | — |
| Over 90 days past due | — | — | — | — | — | — | — |
| **Total commercial mortgage loans** | $ 592,095 | $ 534,839 | $ 688,191 | $ 459,451 | $ 402,400 | $ 951,526 | $ 3,628,502 |
| **Agricultural mortgage loans** | | | | | | | |
| Current | $ 165,764 | $ 196,521 | $ 19,714 | $ 25,000 | $ — | $ — | $ 406,999 |
| 30 - 59 days past due | — | — | — | — | — | — | — |
| 60 - 89 days past due | — | — | — | — | — | — | — |
| Over 90 days past due | — | — | — | — | — | — | — |
| **Total agricultural mortgage loans** | $ 165,764 | $ 196,521 | $ 19,714 | $ 25,000 | $ — | $ — | $ 406,999 |
| **Residential mortgage loans** | | | | | | | |
| Current | $ 1,092,438 | $ 454,532 | $ 67,380 | $ 16,898 | $ 751 | $ — | $ 1,631,999 |
| 30 - 59 days past due | 10,284 | 12,363 | 11,373 | 427 | — | — | 34,447 |
| 60 - 89 days past due | 1,838 | 1,090 | 102 | — | — | — | 3,030 |
| Over 90 days past due | 679 | 5,459 | 907 | — | — | — | 7,045 |
| **Total residential mortgage loans** | $ 1,105,239 | $ 473,444 | $ 79,762 | $ 17,325 | $ 751 | $ — | $ 1,676,521 |

Commercial, agricultural and residential mortgage loans are considered nonperforming when they become 90 days or more past due. When loans become nonperforming, we place them on non-accrual status and discontinue recognizing interest income. If payments are received on a nonperforming loan, interest income is recognized to the extent it would have been recognized if normal principal and interest would have been received timely. If payments are received to bring a nonperforming loan back to less than 90 days past due, we will resume accruing interest income on that loan. There were 34 loans in non-accrual status at March 31, 2022 and 13 loan in non-accrual status at December 31, 2021. During the three months ended March 31, 2022 and 2021 we recognized no interest income on loans which were in non-accrual status at the respective period end.

*Troubled Debt Restructuring*

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

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

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

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

Mortgage loan workouts, refinances or restructures that are classified as TDRs are individually evaluated and measured for impairment. There were no mortgage loans that we determined to be a TDR at March 31, 2022 and December 31, 2021.

**5. Variable Interest Entities**

We have relationships with various types of entities which may be VIEs. Certain VIEs are consolidated in our financial results.

*Consolidated Variable Interest Entities*

We are invested in two entities that invest in real estate properties. One is an investment company real estate limited partnership which owns various limited liability companies that invest in residential real estate properties and the other is an investment company real estate limited liability company that invests in multifamily real estate properties. Both entities are VIEs as each legal entity’s equity investors have insufficient equity at risk and lack of power to direct the activities that most significantly impact the economic performance of each entity. We determined we are the primary beneficiary of both entities as a result of our power to control the entities through our significant ownership. Due to the nature of these real estate investments, the investment balance will fluctuate based on changes in the fair value of the properties as well as when purchases and sales of properties are made.

We are invested in two limited partnership feeder funds which each invest in a separate limited partnership fund. One fund holds infrastructure credit assets and the other holds tech-centric middle-market loans. In both cases, the feeder fund limited partnerships are VIEs, and we determined we are the primary beneficiary as a result of our significant ownership of the limited partnerships and our obligation to absorb losses or receive benefits from the VIEs. We have consolidated the assets and liabilities of the limited partnerships, which primarily consist of an equity interest in a limited partnership.

The carrying amounts of our consolidated VIE assets, which can only be used to settle obligations of the consolidated VIEs, and liabilities of consolidated VIEs for which creditors do not have recourse were as follows:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Total Assets | Total Liabilities | Total Assets | Total Liabilities |
| | (Dollars in thousands) | | | |
| Real estate investments | $ 543,435 | $ 64,598 | $ 363,229 | $ 20,168 |
| Limited partnership funds | 350,621 | — | 168,711 | — |
| | $ 894,056 | $ 64,598 | $ 531,940 | $ 20,168 |

*Unconsolidated Variable Interest Entities*

We provided debt funding to special purpose vehicles, which is used to acquire and hold loans made to middle market companies. These legal entities are deemed VIEs because there is insufficient equity at risk. We have determined we are not the primary beneficiary as we do not control the activities that most significantly impact the economic performance of the VIEs. Our investments in these VIEs are reported in Fixed maturity securities, available for sale in the Consolidated Balance Sheets.

We provided funding to a limited partnership which purchased a residential business purpose loan originator. The limited partnership was deemed a VIE, however, we are not the primary beneficiary due to our lack of control of the limited partnership. Our investment in this VIE is reported in Other investments in the Consolidated Balance Sheets.

The carrying value and maximum loss exposure for our unconsolidated VIEs were as follows:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Asset Carrying Value | Maximum Exposure to Loss | Asset Carrying Value | Maximum Exposure to Loss |
| | (Dollars in thousands) | | | |
| Fixed maturity securities, available for sale | $ 481,348 | $ 481,348 | $ 459,681 | $ 459,681 |
| Other investments | 345,000 | 345,000 | 345,000 | 345,000 |

### 6. Derivative Instruments

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

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | (Dollars in thousands) | |
| **Assets** | | |
| **Derivative instruments** | | |
| Call options | $ 640,578 | $ 1,276,574 |
| Warrants | 1,835 | 906 |
| | $ 642,413 | $ 1,277,480 |
| **Liabilities** | | |
| **Policy benefit reserves - annuity products** | | |
| Fixed index annuities - embedded derivatives, net | $ 6,770,915 | $ 7,964,961 |
| **Funds withheld for reinsurance liabilities** | | |
| Reinsurance related embedded derivative | (204,806) | (2,362) |
| | $ 6,566,109 | $ 7,962,599 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| **Change in fair value of derivatives:** | | |
| Call options | $ (478,448) | $ 396,276 |
| Warrants | 929 | 29 |
| | $ (477,519) | $ 396,305 |
| **Change in fair value of embedded derivatives:** | | |
| Fixed index annuities - embedded derivatives | $ (1,308,123) | $ (377,121) |
| Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting | 116,918 | 94,708 |
| Reinsurance related embedded derivative | (202,444) | — |
| | $ (1,393,649) | $ (282,413) |

The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represents the total change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date, less the change in fair value of our fixed index annuities embedded derivatives that is presented as Level 3 liabilities in *Note 2 - Fair Values of Financial Instruments*.

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

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

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

| | | | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|---|
| **Counterparty** | **Credit Rating (S&P)** | **Credit Rating (Moody's)** | **Notional Amount** | **Fair Value** | **Notional Amount** | **Fair Value** |
| | | | **(Dollars in thousands)** | | | |
| Bank of America | A+ | Aa2 | $ 3,392,015 | $ 25,419 | $ 3,556,256 | $ 99,229 |
| Barclays | A | A1 | 4,021,050 | 96,179 | 4,213,658 | 157,865 |
| Canadian Imperial Bank of Commerce | A+ | Aa2 | 3,496,022 | 78,800 | 3,956,329 | 141,540 |
| Citibank, N.A. | A+ | Aa3 | 2,573,024 | 16,407 | 3,190,833 | 115,860 |
| Credit Suisse | A+ | A1 | 3,655,865 | 40,370 | 3,716,868 | 113,295 |
| J.P. Morgan | A+ | Aa2 | 5,181,335 | 47,659 | 4,482,832 | 105,899 |
| Morgan Stanley | A+ | Aa3 | 2,911,156 | 11,199 | 2,223,743 | 47,950 |
| Royal Bank of Canada | AA- | A1 | 4,247,259 | 85,839 | 3,567,972 | 100,472 |
| Societe Generale | A | A1 | 2,373,286 | 39,953 | 2,548,072 | 86,494 |
| Truist | A | A2 | 2,170,979 | 52,640 | 2,547,808 | 94,924 |
| Wells Fargo | A+ | Aa2 | 5,917,801 | 141,532 | 5,820,381 | 206,403 |
| Exchange traded | | | 281,721 | 4,581 | 266,601 | 6,643 |
| | | | $ 40,221,513 | $ 640,578 | $ 40,091,353 | $ 1,276,574 |

As of March 31, 2022 and December 31, 2021, we held $0.7 billion and $1.3 billion, respectively, of cash and cash equivalents and other investments from counterparties for derivative collateral, which is included in Other liabilities on our Consolidated Balance Sheets. This derivative collateral limits the maximum amount of economic loss due to credit risk that we would incur if parties to the call options failed completely to perform according to the terms of the contracts to $4.6 million and $8.5 million at March 31, 2022 and December 31, 2021, respectively.

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

We cede certain fixed index annuity product liabilities to a third party reinsurer on a modified coinsurance basis which results in an embedded derivative. The obligation to pay the total return on the assets supporting liabilities associated with this reinsurance agreement represents a total return swap. The fair value of the total return swap is based on the unrealized gains and losses of the underlying assets held in the modified coinsurance portfolio. The reinsurance related embedded derivative is reported in Funds withheld for reinsurance liabilities on the Consolidated Balance Sheets and the change in the fair value of the embedded derivative is reported in Change in fair value of embedded derivatives on the Consolidated Statements of Operations.

**7. Notes Payable**

Notes payable includes the following:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | (Dollars in thousands) | |
| Senior notes due 2027 | | |
| Principal | $ 500,000 | $ 500,000 |
| Unamortized debt issue costs | (3,371) | (3,537) |
| Unamortized discount | (204) | (213) |
| | $ 496,425 | $ 496,250 |

On June 16, 2017, we issued $500 million aggregate principal amount of senior unsecured notes due 2027 which bear interest at 5.0% per year and will mature on June 15, 2027 (the "2027 Notes"). The 2027 Notes were issued at a $0.3 million discount, which is being amortized over the term of the 2027 Notes using the effective interest method. Contractual interest is payable semi-annually in arrears each June 15th and December 15th. The initial transaction fees and costs totaling $5.8 million were capitalized as deferred financing costs and are being amortized over the term of the 2027 Notes using the effective interest method.

**8. Commitments and Contingencies**

We are occasionally involved in litigation, both as a defendant and as a plaintiff. In addition, state and federal regulatory bodies, such as state insurance departments, the Securities and Exchange Commission ("SEC") and the Department of Labor, regularly make inquiries and conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws and the Employee Retirement Income Security Act of 1974, as amended.

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

There can be no assurance that any pending or future litigation will not have a material adverse effect on our business, financial condition, or results of operations.

In addition to our commitments to fund mortgage loans, we have unfunded commitments at March 31, 2022 to limited partnerships of $1.2 billion and to fixed maturity securities of $13.4 million.

Through our FHLB membership, we have issued funding agreements to the FHLB in exchange for cash advances. As of March 31, 2022, we had $200.0 million of FHLB funding agreements outstanding. We are required to provide collateral in excess of the funding agreement amounts outstanding. The fixed maturity security investments pledged for collateral had a fair value of $940.7 million at March 31, 2022.

## 9. Earnings Per Common Share and Stockholders' Equity

*Earnings Per Common Share*

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands, except per share data) | |
| **Numerator:** | | |
| Net income available to common stockholders - numerator for earnings per common share | $ 555,304 | $ 271,765 |
| **Denominator:** | | |
| Weighted average common shares outstanding | 96,866,125 | 95,734,851 |
| Effect of dilutive securities: | | |
| Stock options and deferred compensation agreements | 612,265 | 181,054 |
| Restricted stock and restricted stock units | 474,923 | 299,760 |
| Denominator for earnings per common share - assuming dilution | 97,953,313 | 96,215,665 |
| Earnings per common share | $ 5.73 | $ 2.84 |
| Earnings per common share - assuming dilution | $ 5.67 | $ 2.82 |

There were no options to purchase shares of our common stock outstanding excluded from the computation of diluted earnings per common share during the three months ended March 31, 2022, as the exercise price of all options outstanding was less than the average market price of our common shares. During the three months ended March 31, 2021, there were 100,000 options to purchase shares of our common stock outstanding, with an exercise price of $30.50, excluded from the computation of diluted earnings per share.

*Stockholders' Equity*

On June 10, 2020, we issued 12,000 shares of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B ("Series B") with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $290.3 million.

On November 21, 2019 we issued 16,000 shares of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A ("Series A") with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $388.9 million.

Dividends on the Series A and Series B preferred stock are payable on a non-cumulative basis only when, as and if declared, quarterly in arrears on the first day of March, June, September and December of each year, commencing on March 1, 2020 for Series A and on December 1, 2020 for Series B. For the three months ended March 31, 2022, we paid dividends totaling $5.9 million on the Series A preferred stock and $5.0 million on the Series B preferred stock, respectively. For the three months ended March 31, 2021, we paid dividends totaling $5.9 million on the Series A preferred stock and $5.0 million on the Series B preferred stock, respectively. The Series A and Series B preferred stock rank senior to our common stock with respect to dividends, to the extent declared, and in liquidation, to the extent of the liquidation preference. The Series A and Series B preferred stock are not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions.

*Brookfield Asset Management Equity Investment*

On October 18, 2020, we announced an agreement with Brookfield Asset Management, Inc. and its affiliated entities (collectively, "Brookfield") under which Brookfield would acquire up to a 19.9% ownership interest of common stock in the Company. The equity investment by Brookfield took place in two stages: an initial purchase of a 9.9% equity interest at $37.00 per share which closed on November 30, 2020 with Brookfield purchasing 9,106,042 shares, and a second purchase of an additional 6,775,000 shares which were issued to Brookfield at $37.33 per share in January of 2022 as regulatory approval related to the second equity investment was received in December of 2021. Brookfield also received the right to nominate one candidate for the Company's Board of Directors following the initial equity investment.

*Share Repurchase Program*

On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program. On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock. The purpose of the share repurchase program is to both offset dilution from the issuance of shares to Brookfield and to institute a regular cash return program for shareholders.

From the 2020 inception of the share repurchase program through March 31, 2022, we have repurchased approximately 13.6 million shares of our common stock at an average price of $32.73 per common share, including 4.5 million shares repurchased during the first quarter of 2022. As of March 31, 2022, we had $556 million remaining under our share repurchase program. Through April 30, 2022, we have repurchased approximately 15.3 million shares of our common shares at an average price of $33.43 per common share and have approximately $489 million remaining under our share repurchase program.

*Treasury Stock*

As of March 31, 2022, we held 14,326,518 shares of treasury stock with a carrying value of $438.6 million. As of December 31, 2021, we held 9,936,715 shares of treasury stock with a carrying value of $260.6 million.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis reviews our unaudited consolidated financial position at March 31, 2022, and the unaudited consolidated results of operations for the three month periods ended March 31, 2022 and 2021, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with our 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 our Annual Report on Form 10-K for the year ended December 31, 2021. Interim operating results for the three months ended March 31, 2022 are not necessarily indicative of the results expected for the entire year. Preparation of financial statements requires use of management estimates and assumptions.

### Cautionary Statement Regarding Forward-Looking Information

All statements, trend analysis and other information contained in this report and elsewhere (such as in filings by us with the SEC, press releases, presentations by us or management or oral statements) may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended. Forward-looking statements give expectations or forecasts of future events and do not relate strictly to historical or current facts. They may relate to markets for our products, trends in our operations or financial results, strategic alternatives, future operations, strategies, plans, partnerships, investments, share buybacks and other financial developments. They use words and terms such as anticipate, assume, believe, can, continue, could, enable, estimate, expect, foreseeable, goal, improve, intend, likely, may, model, objective, opportunity, outlook, plan, potential, project, risk seek, should, strategy, sustainable, target, will, would, and other words and terms of similar meaning or that are otherwise tied to future periods or future performance, in each case in all forms of speech and derivative forms, or similar words, as well as any projections of future events or results. Forward-looking statements, by their nature, are subject to a variety of assumptions, risks, and uncertainties that could cause actual results to differ materially from the results projected. Many of these risks and uncertainties cannot be controlled by the Company. Factors that may cause our actual decisions or results to differ materially from those contemplated by these forward-looking statements include, among other things:

- results differing from assumptions, estimates, and models.
- interest rate condition changes.
- investment losses or failures to grow as quickly as expected due to market, credit, liquidity, concentration, default, and other risks.
- option costs increases.
- counterparty credit risks.
- third parties service-provider failures to perform or to comply with legal or regulatory requirements.
- poor attraction and retention of customers or distributors due to competitors’ greater resources, broader array of products, and higher ratings.
- information technology and communication systems failures or security breaches.
- credit or financial strength downgrades.
- inability to raise additional capital to support our business and sustain our growth on favorable terms.
- U.S. and global capital market and economic deterioration due to major public health issues, including the COVID-19 pandemic, political or social developments, or otherwise.
- failure to authorize and pay dividends on our preferred stock.
- subsidiaries’ inability to pay dividends or make other payments to us.
- failure at reinsurance, investment management, or third-party capital arrangements.
- failure to prevent excessive risk-taking.
- failure of policies and procedures to protect from operational risks.
- increased litigation, regulatory examinations, and tax audits.
- changes to laws, regulations, accounting, and benchmarking standards.
- takeover or combination delays or deterrence by laws, corporate governance documents, or change-in-control agreements.
- effects of climate changes, or responses to it.
- failure of efforts to meet environmental, social, and governance standards and to enhance sustainability.

For a detailed discussion of these and other factors that might affect our performance, see Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021. 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 disclosed or anticipated by the Company will not materially adversely affect our results of operations or plans. Investors are cautioned not to place undue reliance on any forward-looking statements made by us or on our behalf.

### Our Business and Profitability

We specialize in the sale of individual annuities (primarily fixed and fixed index deferred annuities) through independent marketing organizations ("IMOs"), agents, banks and broker-dealers. Fixed and fixed index annuities are an important product for Americans looking to fund their retirement needs as annuities have the ability to provide retirees a paycheck for life.

Under U.S. GAAP, premium collections for deferred annuities are reported as deposit liabilities instead of as revenues. Similarly, cash payments to policyholders are reported as decreases in the liabilities for policyholder account balances and not as expenses. Sources of revenues for products accounted for as deposit liabilities are net investment income, surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders, net realized gains (losses) on investments and changes in fair value of derivatives. Components of expenses for products accounted for as deposit liabilities are interest sensitive and index product benefits (primarily interest credited to account balances and changes in the liability for lifetime income benefit riders), changes in fair value of embedded derivatives, amortization of deferred sales inducements and deferred policy acquisition costs, other operating costs and expenses and income taxes.

Our profitability depends in large part upon:

- the amount of assets under our management,
- investment spreads we earn on our policyholder account balances,
- our ability to manage our investment portfolio to maximize returns and minimize risks such as interest rate changes and defaults or credit losses,
- our ability to appropriately price for lifetime income benefit riders offered on certain of our fixed rate and fixed index annuity policies,
- our ability to manage interest rates credited to policyholders and costs of the options purchased to fund the annual index credits on our fixed index annuities,
- our ability to manage the costs of acquiring new business (principally commissions paid to agents and distribution partners and bonuses credited to policyholders),
- our ability to manage our operating expenses, and
- income taxes.

While the business looks considerably different today than it did when it was started back in 1995, the themes have been consistent. We offer our customers simple fixed and fixed index annuity products, which we primarily sell through independent insurance agents in the IMO distribution channel. We have consistently been a leader in the IMO market. We benefit from two secular trends: the demographic trends of people retiring or getting close to retirement who want to accumulate wealth through index based investing while protecting their principal and the need of retirees and pre-retirees to have a way to deaccumulate their wealth into income for life. A traditional brokerage based equity bond portfolio can’t really meet these unique needs, but a fixed index annuity can as part of holistic financial plan. Finally, there is a scarcity value to what we do: that is originating billions of dollars of annuity funding each year at scale from the IMO channel, which is generally longer term funding than that achieved through sales in the bank and broker dealer channel.

In the past decade, the fixed and fixed index annuity market has seen many new entrants and as a result has become more competitive. Adding to that, low interest rates have made it more difficult for traditional, core investment grade fixed income asset allocations to support return expectations on annuity liabilities.

With these changes in the macro environment, we began to implement an updated strategy, referred to as AEL 2.0, after having undertaken a thorough review of our business in 2020. AEL 2.0 is designed to capitalize on the scarcity value of our annuity origination and couple it with an “open architecture” investment management platform for investing the annuity assets. Our approach to investment management is to partner with best in class investment management firms across a wide array of asset classes and capture part of the asset management value chain economics for our shareholders. This will enable us to operate at the intersection of both asset management and insurance. Our updated strategy focuses on four key pillars: Go-to-Market, Investment Management, Capital Structure and Foundational Capabilities.

During the first quarter of 2022, we continued to make significant progress in the execution of the AEL 2.0 strategy. Key areas of progress include the following:

- We transitioned the management of assets for our Bermuda reinsurer to Conning, Inc. In addition, we continued to re-tool our investment management platform, expanded our underwriting and risk capital allocation lens for additional sectors, and expanded our capabilities in multi-family real estate investing through a new joint venture. We also continued to create and expand relationships with specialty asset managers to target certain sub-sectors and began leveraging those partnerships to invest in private assets. As of March 31, 2022, we have approximately $8.4 billion invested in private assets with a clear path to our goal of ramping to a 30% to 40% allocation to private assets over time.

- We executed an agreement with North End Re (Cayman) SPC (“North End Re”), a wholly owned subsidiary of Brookfield Reinsurance to expand our income products that will fund the additional $6 billion in capacity that exists under the reinsurance treaty signed with North End Re in 2021.

- We repurchased 4.5 million shares of Company common stock at an average price of $39.29.

- We established a new five-year credit agreement for $300 million in unsecured delayed draw term loan commitments. This agreement is part of our plans for access to liquidity for general corporate purposes as we continue to implement AEL 2.0. There have been no loans drawn on this agreement to date.

In the next few years, we expect to migrate to a capital efficient business model with increased fee-like earnings. We will scale our investments into higher returning private assets, grow reinsured liabilities to side-cars to grow return on asset earnings, and write new business that converts us from the traditional spread based return on equity model to a “fee like” return on assets model through reinsurance.

During the first quarter of 2022, an additional 6,775,000 shares were issued to Brookfield at $37.33 per share, the Company's adjusted book value as of September 30, 2021. The additional issuance increased Brookfield's total combined ownership to approximately 16% of the Company's common stock.

On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program. On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock. The purpose of the share repurchase program is to both offset dilution from the issuance of shares to Brookfield and to institute a regular capital return program for shareholders. From the 2020 inception of the share repurchase program through March 31, 2022, we have repurchased approximately 13.6 million shares of our common stock at an average price of $32.73 per common share. Through April 30, 2022, we have repurchased approximately 15.3 million shares of our common shares at an average price of $33.43 per common share and have approximately $489 million remaining under our share repurchase program.

Earnings from products accounted for as deposit liabilities are primarily generated from the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholder, or the "investment spread." Our investment spread is summarized as follows:

| | **Three Months Ended March 31,** | |
|---|---|---|
| | **2022** | **2021** |
| Average yield on invested assets | 4.15% | 3.58% |
| Aggregate cost of money | 1.64% | 1.58% |
| Aggregate investment spread | 2.51% | 2.00% |
| | | |
| Impact of: | | |
| Investment yield - additional prepayment income | 0.03% | 0.11% |
| Cost of money benefit from over hedging | 0.03% | 0.02% |

The cost of money for fixed index annuities and average crediting rates for fixed rate annuities are computed based upon policyholder account balances and do not include the impact of amortization of deferred sales inducements. See Critical Accounting Policies - Deferred Policy Acquisition Costs and Deferred Sales Inducements included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2021. With respect to our fixed index annuities, the cost of money includes the average crediting rate on amounts allocated to the fixed rate strategy and expenses we incur to fund the annual index credits. Proceeds received upon expiration of call options purchased to fund annual index credits are recorded as part of the change in fair value of derivatives, and are largely offset by an expense for interest credited to annuity policyholder account balances. See Critical Accounting Policies - Policy Liabilities for Fixed Index Annuities and Financial Condition - Derivative Instruments included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2021.

Average yield on invested assets increased primarily as a result of strong returns on partnerships and other mark to market assets, lower cash balances and the ramp in private assets partly offset by lower prepayment income. See **Net investment income**. The aggregate cost of money increased primarily due to an increase in options costs as compared to the prior period. We have the flexibility to reduce our crediting rates if necessary and could decrease our cost of money by approximately 68 basis points if we reduce current rates to guaranteed minimums.

## Results of Operations for the Three Months Ended March 31, 2022 and 2021

Annuity deposits by product type collected during the three months ended March 31, 2022 and 2021, were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| American Equity Investment Life Insurance Company: | | |
| Fixed index annuities | $ 755,980 | $ 516,995 |
| Annual reset fixed rate annuities | 1,062 | 2,167 |
| Multi-year fixed rate annuities | 2,345 | 787,192 |
| Single premium immediate annuities | 13,453 | 13,959 |
| | 772,840 | 1,320,313 |
| Eagle Life Insurance Company: | | |
| Fixed index annuities | 126,754 | 148,836 |
| Annual reset fixed rate annuities | 7 | 162 |
| Multi-year fixed rate annuities | 2,340 | 965,425 |
| | 129,101 | 1,114,423 |
| Consolidated: | | |
| Fixed index annuities | 882,734 | 665,831 |
| Annual reset fixed rate annuities | 1,069 | 2,329 |
| Multi-year fixed rate annuities | 4,685 | 1,752,617 |
| Single premium immediate annuities | 13,453 | 13,959 |
| Total before coinsurance ceded | 901,941 | 2,434,736 |
| Coinsurance ceded | 213,563 | 3,048 |
| Net after coinsurance ceded | $ 688,378 | $ 2,431,688 |

Annuity deposits before and after coinsurance ceded decreased 63% and 72%, respectively, during the first quarter of 2022 compared to the same period in 2021. The decrease in sales for the three months ended March 31, 2022 compared to the same period in 2021 was driven by a reduction in sales of multi-year fixed rate annuity products at both American Equity Life and Eagle Life. Sales of fixed index annuities increased by 33% as compared to the same period in 2021. The growth in fixed index annuity sales follows the product refreshes at both American Equity Life and Eagle Life during the second half of 2021. Our 2022 sales strategy is to focus on sales of fixed index annuities.

Prior to January 1, 2021, we had been ceding 80% of the annuity deposits received from certain multi-year rate guaranteed annuities and 20% of certain fixed index annuities sold by Eagle Life through broker/dealers and banks to an unaffiliated reinsurer. Beginning January 1, 2021, no new business is being ceded to the unaffiliated reinsurer. Effective July 1, 2021, we ceded 100% of an in-force block of fixed index annuities and began ceding 75% of certain fixed index annuities issued after July 1, 2021 to North End Re which caused the increase in coinsurance ceded premiums for the three months ended March 31, 2022 compared to the same period in 2021.

**Net income available to common stockholders** increased to $555.3 million in the first quarter of 2022 compared to $271.8 million for the same period in 2021**.** The increase in net income available to common stockholders for the three months ended March 31, 2022 was driven primarily by an increase in net investment income, a decrease in the change in fair value of embedded derivatives and a decrease in interest sensitive and index product benefits. These changes were offset by a decrease in the change in fair value of derivatives and increases in amortization of deferred sales inducements and deferred policy acquisition costs.

Net income available to common stockholders for the three months ended March 31, 2022 was positively impacted by an increase in the aggregate investment spread as previously noted. Net income, in general, is impacted by the volume of business in force and the investment spread earned on this business. The average amount of annuity account balances outstanding (net of annuity liabilities ceded under coinsurance agreements) decreased 3% to $53.2 billion for the first quarter of 2022 compared to $54.9 billion for the same period in 2021. Our investment spread measured in dollars was $346.4 million for the first quarter of 2022 compared to $275.6 million for the same period in 2021. Investment income for the first quarter of 2022 was positively impacted by strong returns on partnerships and other mark to market assets, lower cash balances and the ramp in private assets. Our investment spread has been negatively impacted by the extended low interest rate environment and by holding higher levels of cash and cash equivalents (see **Net investment income**). The higher levels of cash and cash equivalent holdings decreased in the fourth quarter of 2021 and the first quarter of 2022 with the execution of the reinsurance treaty with North End Re and the investment of cash balances above our target levels.

Net income is also impacted by the change in fair value of derivatives and embedded derivatives, which fluctuates from period to period based upon changes in fair values of call options purchased to fund the annual index credits for fixed index annuities and changes in interest rates used to discount the embedded derivative liability. Net income for the three months ended March 31, 2022 was positively impacted by a decrease in expected index credits on the next policy anniversary dates resulting from decreases in the fair value of the call options acquired to fund these index credits and a net increase in the discount rates use to estimate the fair value of our embedded derivative liabilities, the impact of which was partially offset by increases in amortization of deferred policy acquisition costs and deferred sales inducements related to the change in fair value of derivatives and embedded derivatives. Net income for the three months ended March 31, 2021 was positively impacted by a net increase in the discount rates used to estimate the fair value of our embedded derivative liabilities, the impact of which was partially offset by increases in amortization of deferred policy acquisition costs and deferred sales inducements related to the change in fair value of derivatives and embedded derivatives. See **Change in fair value of derivatives**, **Change in fair value of embedded derivatives**, **Amortization of deferred sales inducements** and **Amortization of deferred policy acquisition costs**.

**Non-GAAP operating income available to common stockholders, a non-GAAP financial measure,** increased to $89.9 million in the first quarter of 2022 compared to $41.4 million for the same period in 2021.

In addition to net income available to common stockholders, we have consistently utilized non-GAAP operating income available to common stockholders, a non-GAAP financial measure commonly used in the life insurance industry, as an economic measure to evaluate our financial performance. Non-GAAP operating income available to common stockholders equals net income available to common stockholders adjusted to eliminate the impact of items that fluctuate from quarter to quarter in a manner unrelated to core operations, and we believe measures excluding their impact are useful in analyzing operating trends. The most significant adjustments to arrive at non-GAAP operating income available to common stockholders eliminate the impact of fair value accounting for our fixed index annuity business and are not economic in nature but rather impact the timing of reported results. We believe the combined presentation and evaluation of non-GAAP operating income available to common stockholders together with net income available to common stockholders provides information that may enhance an investor's understanding of our underlying results and profitability.

Non-GAAP operating income available to common stockholders is not a substitute for net income available to common stockholders determined in accordance with GAAP. The adjustments made to derive non-GAAP operating income available to common stockholders are important to understand our overall results from operations and, if evaluated without proper context, non-GAAP operating income available to common stockholders possesses material limitations. As an example, we could produce a low level of net income available to common stockholders or a net loss available to common stockholders in a given period, despite strong operating performance, if in that period we experience significant net realized losses from our investment portfolio. We could also produce a high level of net income available to common stockholders in a given period, despite poor operating performance, if in that period we generate significant net realized gains from our investment portfolio. As an example of another limitation of non-GAAP operating income available to common stockholders, it does not include the decrease in cash flows expected to be collected as a result of credit losses on financial assets. Therefore, our management reviews net realized investment gains (losses) and analyses of our net investment income, including impacts related to credit losses, in connection with their review of our investment portfolio. In addition, our management examines net income available to common stockholders as part of their review of our overall financial results.

The adjustments made to net income available to common stockholders to arrive at non-GAAP operating income available to common stockholders for the three months ended March 31, 2022 and 2021 are set forth in the table that follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| Reconciliation from net income available to common stockholders to non-GAAP operating income available to common stockholders: | | |
| Net income available to American Equity Investment Life Holding Company common stockholders | $ 555,304 | $ 271,765 |
| Adjustments to arrive at non-GAAP operating income available to common stockholders: | | |
| Net realized losses on financial assets, including credit losses | 10,285 | 3,516 |
| Change in fair value of derivatives and embedded derivatives | (603,354) | (297,634) |
| Income taxes | 127,661 | 63,794 |
| Non-GAAP operating income available to common stockholders | $ 89,896 | $ 41,441 |

The amounts disclosed in the reconciliation above are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and accretion of lifetime income benefit rider reserves where applicable.

The increase in non-GAAP operating income available to common stockholders for the three months ended March 31, 2022 compared to the same period in 2021 was primarily attributable to an increase in aggregate investment spread as previously noted. The increase in investment spread was partially offset by a greater increase in the liability for future benefits to be paid for lifetime income benefit riders and an increase in other operating costs and expenses during the three months ended March 31, 2022 compared to the same period in 2021. See **Net investment income**, **Interest sensitive and index product benefits** and **Other operating costs and expenses**.

**Annuity product charges** (surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders) decreased 13% to $52.4 million in the first quarter of 2022 compared to $60.1 million for the same period in 2021. The components of annuity product charges are set forth in the table that follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| Surrender charges | $ 15,541 | $ 19,481 |
| Lifetime income benefit riders (LIBR) fees | 36,814 | 40,601 |
| | $ 52,355 | $ 60,082 |
| | | |
| Withdrawals from annuity policies subject to surrender charges | $ 267,336 | $ 260,658 |
| Average surrender charge collected on withdrawals subject to surrender charges | 5.8 % | 7.5 % |
| | | |
| Fund values on policies subject to LIBR fees | $ 4,558,943 | $ 5,304,479 |
| Weighted average per policy LIBR fee | 0.81 % | 0.77 % |

The decrease in annuity product charges is attributable to lower average surrender charges collected on withdrawals subject to surrender charges and a decrease in fees assessed for lifetime income benefit riders due to a smaller volume of business in force subject to the fee slightly offset by an increase in the average fees being charged as compared to the prior period. The smaller volume of business subject to the fee is primarily due to the execution of the North End Re reinsurance treaty which was effective on July 1, 2021. See **Interest sensitive and index product benefits** below for corresponding expense recognized on lifetime income benefit riders.

**Net investment income** increased 14% to $567.4 million in the first quarter of 2022 compared to $497.2 million for the same period in 2021. The increase was principally attributable to an increase in the average yield earned on average invested assets during the three months ended March 31, 2022 compared to the same period in 2021.. Average invested assets excluding derivative instruments (on an amortized cost basis) decreased 2% to $54.7 billion for the first quarter of 2022 compared to $55.7 billion for the same period in 2021.

The average yield earned on average invested assets was 4.15% for the first quarter of 2022 compared to 3.58% for the same period in 2021. The increase in yield earned on average invested assets for the three months ended March 31, 2022 compared to the same period in 2021 was primarily due to strong returns on partnerships and other mark to market assets, lower average cash balances and the ramp in private assets partly offset by lower prepayment income. Cash and cash equivalents holdings averaged $1.7 billion during the three months ended March 31, 2022, compared to $8.6 billion during the three months ended March 31, 2021. As of March 31, 2022, we held approximately $576 million of cash and cash equivalents in our investment portfolios which is towards the low end of our stated target portfolio allocation of 1% to 2% of our investment portfolio in cash and cash equivalents.

The expected return on investments purchased during the three months ended March 31, 2022 was 3.58%, net of third-party investment management expenses, including $887 million of privately sourced assets with an expected return of 5.41%.

**Change in fair value of derivatives** primarily consists of call options purchased to fund annual index credits on fixed index annuities. The components of change in fair value of derivatives are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| Call options: | | |
| Gain on option expiration | $ 51,787 | $ 178,066 |
| Change in unrealized gains/losses | (530,235) | 218,210 |
| Warrants | 929 | 29 |
| | $ (477,519) | $ 396,305 |

The differences between the change in fair value of derivatives between periods for call options are primarily due to the performance of the indices upon which our call options are based which impacts the level of gains on call option expirations, the fair values of those call options and changes in the fair values of those call options between periods. The change in gain on option expiration and unrealized gains/losses on call options for the three months ended March 31, 2022 compared to the same period in 2021 is due to equity market performance in the first quarter of 2022 compared to the same period in 2021. A substantial portion of our call options are based upon the S&P 500 Index with the remainder based upon other equity and bond market indices. The range of index appreciation (after applicable caps, participation rates and asset fees) for options expiring during the three months ended March 31, 2022 and 2021 is as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| S&P 500 Index | | |
| Point-to-point strategy | 0.6% - 12.5% | 0.0% - 42.6% |
| Monthly average strategy | 1.0% - 8.6% | 0.0% - 29.4% |
| Monthly point-to-point strategy | 0.0% - 12.9% | 0.0% - 21.7% |
| Volatility control index point-to-point strategy | 0.0% - 7.3% | 0.0% - 8.1% |
| Fixed income (bond index) strategies | 0.0% - 5.1% | 0.0% - 10.0% |

The change in fair value of derivatives is also influenced by the aggregate cost of options purchased. The aggregate cost of options for the three months ended March 31, 2022 was higher than for the same period in 2021 as option costs increased during the first quarter of 2022. The aggregate cost of options is also influenced by the amount of policyholder funds allocated to the various indices and market volatility which affects option pricing. See Critical Accounting Policies - Policy Liabilities for Fixed Index Annuities included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2021.

**Net realized gains (losses) on investments** includes gains and losses on the sale of securities and other investments and changes in allowances for credit losses on our securities and mortgage loans on real estate. Net realized gains (losses) on investments fluctuate from year to year primarily due to changes in the interest rate and economic environment and the timing of the sale of investments. See *Note 3 - Investments* and *Note 4 - Mortgage Loans on Real Estate* to our unaudited consolidated financial statements and Financial Condition - Credit Losses for a detailed presentation of the types of investments that generated the gains (losses) as well as discussion of credit losses on our securities recognized during the periods presented and Financial Condition - Investments and *Note 4 - Mortgage Loans on Real Estate* to our unaudited consolidated financial statements for discussion of credit losses recognized on mortgage loans on real estate.

Securities sold at losses are generally due to our long-term fundamental concern with the issuers' ability to meet their future financial obligations or to improve our risk or duration profiles as they pertain to our asset liability management.

**Other revenue** was $8.6 million for the three months ended March 31, 2022 and primarily consists of $2.9 million related to asset liability management fees and $5.7 million of amortization related to the deferred gain associated with the cost of reinsurance. Both of these items are associated with the North End Re reinsurance treaty which was effective July 1, 2021.

**Interest sensitive and index product benefits** decreased 22% to $372.7 million in the first quarter of 2022 compared to $476.6 million for the same period in 2021. The components of interest sensitive and index product benefits are summarized as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| | **(Dollars in thousands)** | |
| Index credits on index policies | $ 224,385 | $ 345,737 |
| Interest credited (including changes in minimum guaranteed interest for fixed index annuities) | 62,791 | 58,123 |
| Lifetime income benefit riders | 85,486 | 72,735 |
| | $ 372,662 | $ 476,595 |

The decrease in index credits for the three months ended March 31, 2022 compared to the same period in 2021 was due to changes in the level of appreciation of the underlying indices (see discussion above under **Change in fair value of derivatives**) and the amount of funds allocated by policyholders to the respective index options. Total proceeds received upon expiration of the call options purchased to fund the annual index credits were $228.1 million for the three months ended March 31, 2022, compared to $349.1 million for the same period in 2021. The increase in interest credited for the three months ended March 31, 2022 compared to the same period in 2021 was due to increases in single premium deferred annuity products that receive a fixed rate of interest partially offset by a reduction in interest credited to funds allocated to the fixed option within our fixed index annuities due to a decrease in the net average balance allocated to the fixed option. The increase in benefits recognized for lifetime income benefit riders for the three months ended March 31, 2022 compared to the same period in 2021 was primarily due to the impact on the calculation of the lifetime income benefit rider reserve of actual results compared to expected results for items such as gross profits, lifetime income benefit rider election rates and the level of index credits. The net impact of updating expected results with actual results led to a larger increase in the lifetime income benefit rider reserve for the three months ended March 31, 2022 compared to the same period in 2021. This was partially offset by a decrease in fund value of policies with lifetime income benefit riders as a result of the North End Re reinsurance treaty, which correlates to the decrease in fees discussed in **Annuity product charges.**

The liability (net of coinsurance ceded) for lifetime income benefit riders was $2.5 billion and $2.8 billion at March 31, 2022 and December 31, 2021, respectively which includes the impact of unrealized gains and losses on available for sale securities on the liability for lifetime income benefit riders of $64.6 million and $482.8 million at March 31, 2022 and December 31, 2021, respectively.

**Amortization of deferred sales inducements** is based on historical, current and future expected gross profits. The changes in amortization from period to period are the result of differences in actual gross profits compared to expected or modeled gross profits and changes to the underlying business. The increase in amortization after gross profit adjustments for the three months ended March 31, 2022 compared to the same period in 2021 was primarily due to an increase in actual gross profits for the three months ended March 31, 2022 compared to the same period in 2021. Bonus products represented 64% and 75% of our net annuity account values at March 31, 2022 and March 31, 2021, respectively. The amount of amortization is affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business and amortization associated with net realized gains (losses) on investments. Fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts. The change in fair value of the embedded derivatives will not correspond to the change in fair value of the derivatives (purchased call options), because the purchased call options are one-year options while the options valued in the fair value of embedded derivatives cover the expected lives of the contracts which typically exceed ten years.

Amortization of deferred sales inducements is summarized as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| Amortization of deferred sales inducements before gross profit adjustments | $ 53,184 | $ 53,187 |
| Gross profit adjustments: | | |
| Fair value accounting for derivatives and embedded derivatives | 91,337 | 70,245 |
| Net realized losses on investments | (976) | (457) |
| Amortization of deferred sales inducements after gross profit adjustments | $ 143,545 | $ 122,975 |

**Change in fair value of embedded derivatives** includes changes in the fair value of our fixed index annuity embedded derivatives (see *Note 6 - Derivative Instruments* to our unaudited consolidated financial statements). The components of change in fair value of embedded derivatives are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| Fixed index annuities - embedded derivatives | $ (1,308,123) | $ (377,121) |
| Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting | 116,918 | 94,708 |
| Reinsurance related embedded derivative | (202,444) | — |
| | $ (1,393,649) | $ (282,413) |

The change in fair value of the fixed index annuity embedded derivatives resulted from (i) changes in the expected index credits on the next policy anniversary dates, which are related to the change in fair value of the call options acquired to fund those index credits discussed above in **Change in fair value of derivatives**; (ii) changes in the expected annual cost of options we will purchase in the future to fund index credits beyond the next policy anniversary; (iii) changes in the discount rates used in estimating our embedded derivative liabilities; and (iv) the growth in the host component of the policy liability. The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represent the total change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date, less the change in fair value of our fixed index annuities embedded derivative. See Critical Accounting Policies - Policy Liabilities for Fixed Index Annuities included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2021.

The primary reason for the decrease in the change in fair value of the fixed index annuity embedded derivatives during the three months ended March 31, 2022 compared to the same period of 2021 was due to a decrease in expected index credits on the next policy anniversary dates resulting from a decrease in the fair value of the call options acquired to fund the index credits during the three months ended March 31, 2022 compared to an increase in the expected index credits resulting from an increase in the fair value of the call options acquired to fund these index credits during the three months ended March 31, 2021 and a larger increase in the net discount rate during the three months ended March 31, 2022 compared to the same period in 2021. The discount rates used in estimating our embedded derivative liabilities fluctuate based on the changes in the general level of risk free interest rates and our own credit spread.

The reinsurance agreement executed in 2021 with North End Re to cede certain fixed index annuity product liabilities on a modified coinsurance basis contains an embedded derivative. The fair value of this embedded derivative is based on the unrealized gains and losses of the underlying assets held in the modified coinsurance portfolio which decreased during the three months ended March 31, 2022. See *Note 6 - Derivative Instruments* for discussion on this embedded derivative.

**Amortization of deferred policy acquisition costs** is based on historical, current and future expected gross profits. The changes in amortization from period to period are the result of differences in actual gross profits compared to expected or modeled gross profits and changes to the underlying business. The increase in amortization after gross profit adjustments for the three months ended March 31, 2022 compared to the same period in 2021 was primarily due to an increase in actual gross profits for the three months ended March 31, 2022 compared to the same period in 2021. The amount of amortization is affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business and amortization associated with net realized gains (losses) on investments. As discussed above, fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts.

Amortization of deferred policy acquisition costs is summarized as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| Amortization of deferred policy acquisition costs before gross profit adjustments | $ 74,633 | $ 78,657 |
| Gross profit adjustments: | | |
| Fair value accounting for derivatives and embedded derivatives | 152,516 | 125,920 |
| Net realized losses on investments | (1,723) | (754) |
| Amortization of deferred policy acquisition costs after gross profit adjustments | $ 225,426 | $ 203,823 |

**Other operating costs and expenses** increased 4% to $58.1 million in the first quarter of 2022 compared to $55.9 million for the same period in 2021 and are summarized as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (Dollars in thousands) | |
| Salary and benefits | $ 36,187 | $ 27,953 |
| Risk charges | 2,880 | 12,042 |
| Other | 19,053 | 15,870 |
| Total other operating costs and expenses | $ 58,120 | $ 55,865 |

Salary and benefits for the three months ended March 31, 2022 increased $8.2 million compared to the same period in 2021. This increase was primarily a result of an increase in salary and benefits of $6.3 million and an increase of $1.7 million related to expense recognized under our equity and cash incentive compensation programs ("incentive compensation programs") for the three months ended March 31, 2022 compared to the same period in 2021. The increase in salary and benefits was primarily due to an increased number of employees related to our continued growth and implementation of AEL 2.0. The increase in expenses related to our incentive compensation programs was primarily due to an increase in the expected payouts due to a larger number of employees participating in the programs.

Risk charges decreased for the three months ended March 31, 2022 compared to the same period in 2021. The decrease in risk charge expense for the three months ended March 31, 2022 is due to the recapture of an existing reinsurance agreement which was replaced with a new agreement with a lower risk charge.

Other expenses increased for the three months ended March 31, 2022 compared to the same period in 2021 primarily as a result of increases in travel and agent conference related expenses as we continue to emerge from the COVID-19 pandemic, non-deferrable marketing and sales expenses, depreciation and maintenance expenses primarily related to software and hardware assets and premium taxes.

We expect the level of other operating costs and expenses to settle into the $60 million per quarter range for the foreseeable future as we continue to execute on the AEL 2.0 strategy.

**Income tax expense** was $155.1 million in the first quarter of 2022 compared to $78.5 million for the same period in 2021. The changes in income tax expense were primarily due to changes in income before income taxes as well as changes in the effective income tax rates. The effective income tax rates were 21.5% and 21.7% for the three months ended March 31, 2022 and 2021, respectively.

Income tax expense and the resulting effective tax rate are based upon two components of income (loss) before income taxes ("pretax income") that are taxed at different tax rates. Life insurance income is generally taxed at a statutory rate of approximately 21.5% reflecting the absence of state income taxes for substantially all of the states that the life insurance subsidiaries do business in. The income (loss) for the parent company and other non-life insurance subsidiaries (the "non-life insurance group") is generally taxed at a statutory tax rate of 28.7% reflecting the combined federal and state income tax rates. The effective income tax rates resulting from the combination of the income tax provisions for the life and non-life sources of income (loss) vary from period to period based primarily on the relative size of pretax income from the two sources.

### Financial Condition

*Investments*

Our investment strategy is to maximize current income and total investment return through active management while maintaining a responsible asset allocation strategy containing high credit quality investments and providing adequate liquidity to meet our cash obligations to policyholders and others. Our investment strategy is also reflective of insurance statutes, which regulate the type of investments that our life subsidiaries are permitted to make and which limit the amount of funds that may be used for any one type of investment.

As previously noted, as part of our AEL 2.0 investment pillar, we intend to ramp up our allocation to private assets in part by partnering with proven asset managers in our focus expansion sectors of commercial real estate, residential real estate including mortgages and single family rental homes, infrastructure debt and equity, middle market lending and lending to revenue, technology and software sector companies.

The composition of our investment portfolio is summarized as follows:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Carrying Amount | Percent | Carrying Amount | Percent |
| | (Dollars in thousands) | | | |
| Fixed maturity securities: | | | | |
| United States Government full faith and credit | $ 38,666 | 0.1 % | $ 37,793 | 0.1 % |
| United States Government sponsored agencies | 174,845 | 0.3 % | 1,040,953 | 1.7 % |
| United States municipalities, states and territories | 3,812,510 | 6.5 % | 3,927,201 | 6.5 % |
| Foreign government obligations | 405,166 | 0.7 % | 402,545 | 0.7 % |
| Corporate securities | 33,873,527 | 57.8 % | 34,660,234 | 57.4 % |
| Residential mortgage backed securities | 1,210,559 | 2.1 % | 1,125,049 | 1.9 % |
| Commercial mortgage backed securities | 4,769,867 | 8.1 % | 4,840,311 | 8.0 % |
| Other asset backed securities | 5,376,980 | 9.2 % | 5,271,857 | 8.7 % |
| Total fixed maturity securities | 49,662,120 | 84.8 % | 51,305,943 | 85.0 % |
| Mortgage loans on real estate | 5,734,872 | 9.8 % | 5,687,998 | 9.4 % |
| Real estate investments | 510,188 | 0.9 % | 337,939 | 0.6 % |
| Derivative instruments | 642,413 | 1.1 % | 1,277,480 | 2.1 % |
| Other investments | 1,999,113 | 3.4 % | 1,767,144 | 2.9 % |
| | $ 58,548,706 | 100.0 % | $ 60,376,504 | 100.0 % |

*Fixed Maturity Securities*

Our fixed maturity security portfolio is managed to minimize risks such as interest rate changes and defaults or credit losses while earning a sufficient and stable return on our investments. The largest portion of our fixed maturity securities are in investment grade (typically NAIC designation 1 or 2) publicly traded or privately placed corporate securities.

A summary of our fixed maturity securities by NRSRO ratings is as follows:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| Rating Agency Rating | Carrying Amount | Percent of Fixed Maturity Securities | Carrying Amount | Percent of Fixed Maturity Securities |
| | (Dollars in thousands) | | | |
| Aaa/Aa/A | $ 27,771,213 | 55.9 % | $ 28,275,431 | 55.2 % |
| Baa | 20,986,780 | 42.3 % | 21,875,939 | 42.6 % |
| Total investment grade | 48,757,993 | 98.2 % | 50,151,370 | 97.8 % |
| Ba | 711,175 | 1.4 % | 930,384 | 1.8 % |
| B | 104,496 | 0.2 % | 118,065 | 0.2 % |
| Caa | 32,177 | 0.1 % | 39,354 | 0.1 % |
| Ca and lower | 56,279 | 0.1 % | 66,770 | 0.1 % |
| Total below investment grade | 904,127 | 1.8 % | 1,154,573 | 2.2 % |
| | $ 49,662,120 | 100.0 % | $ 51,305,943 | 100.0 % |

The NAIC's Securities Valuation Office ("SVO") is responsible for the day-to-day credit quality assessment of securities owned by state regulated insurance companies. The purpose of such assessment and valuation is for determining regulatory capital requirements and regulatory reporting. Insurance companies report ownership to the SVO when such securities are eligible for regulatory filings. The SVO conducts credit analysis on these securities for the purpose of assigning a NAIC designation and/or unit price. Typically, if a security has been rated by an NRSRO, the SVO utilizes that rating and assigns a NAIC designation based upon the following system:

| NAIC Designation | NRSRO Equivalent Rating |
|---|---|
| 1 | Aaa/Aa/A |
| 2 | Baa |
| 3 | Ba |
| 4 | B |
| 5 | Caa |
| 6 | Ca and lower |

The NAIC introduced 20 NAIC designation modifiers that are applied to each NAIC designation to determine a security's NAIC designation category. New risk-based capital charges for each of the 20 designated categories for reporting were effective beginning December 31, 2021.

For most of the bonds held in our portfolio the NAIC designation matches the NRSRO equivalent rating. However, for certain loan-backed and structured securities, as defined by the NAIC, the NAIC rating is not always equivalent to the NRSRO rating presented in the previous table. The NAIC has adopted revised rating methodologies for certain loan-backed and structured securities comprised of non-agency residential mortgage backed securities ("RMBS") and commercial mortgage backed securities ("CMBS"). The NAIC’s objective with the revised rating methodologies for these structured securities is to increase the accuracy in assessing expected losses and use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from structured securities.

The use of this process by the SVO may result in certain non-agency RMBS and CMBS being assigned an NAIC designation that is different than the equivalent NRSRO rating. The NAIC designations for non-agency RMBS and CMBS are based on security level expected losses as modeled by an independent third party (engaged by the NAIC) and the statutory carrying value of the security, including any purchase discounts or impairment charges previously recognized. Evaluation of non-agency RMBS and CMBS held by insurers using the NAIC rating methodologies is performed on an annual basis.

Our fixed maturity security portfolio is managed to minimize risks such as defaults or impairments while earning a sufficient and stable return on our investments. Our strategy with respect to our fixed maturity securities portfolio has been to invest primarily in investment grade securities. Investment grade is NAIC 1 and 2 securities and Baa3/BBB- and better securities on the NRSRO scale. We expect this strategy to meet the objective of minimizing risk while also managing asset capital charges on a regulatory capital basis.

A summary of our fixed maturity securities by NAIC designation is as follows:

| | March 31, 2022 | | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| NAIC Designation | Amortized Cost | Fair Value | Carrying Amount | Percent of Total Carrying Amount | Amortized Cost | Fair Value | Carrying Amount | Percent of Total Carrying Amount |
| | (Dollars in thousands) | | | | (Dollars in thousands) | | | |
| 1 | $ 27,701,587 | $ 28,064,072 | $ 28,064,072 | 56.5 % | $ 26,157,531 | $ 28,785,839 | $ 28,785,839 | 56.1 % |
| 2 | 20,740,585 | 20,701,013 | 20,701,013 | 41.7 % | 19,758,594 | 21,396,020 | 21,396,020 | 41.7 % |
| 3 | 772,726 | 748,881 | 748,881 | 1.6 % | 909,311 | 941,210 | 941,210 | 1.9 % |
| 4 | 117,725 | 122,867 | 122,867 | 0.2 % | 133,070 | 147,160 | 147,160 | 0.3 % |
| 5 | 3,259 | 3,259 | 3,259 | — % | 16,496 | 15,357 | 15,357 | — % |
| 6 | 29,033 | 22,028 | 22,028 | — % | 24,181 | 20,357 | 20,357 | — % |
| | $ 49,364,915 | $ 49,662,120 | $ 49,662,120 | 100.0 % | $ 46,999,183 | $ 51,305,943 | $ 51,305,943 | 100.0 % |

The amortized cost and fair value of fixed maturity securities at March 31, 2022, by contractual maturity, are presented in *Note 3 - Investments* to our unaudited consolidated financial statements in this Form 10-Q, which is incorporated by reference in this Item 2.

*Unrealized Losses*

The amortized cost and fair value of fixed maturity securities that were in an unrealized loss position were as follows:

| | Number of Securities | Amortized Cost | Unrealized Losses, Net of Allowance | Allowance for Credit Losses | Fair Value |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **March 31, 2022** | | | | | |
| Fixed maturity securities, available for sale: | | | | | |
| United States Government full faith and credit | 13 | $ 28,723 | $ (724) | $ — | $ 27,999 |
| United States Government sponsored agencies | 1 | 13,692 | (2,224) | — | 11,468 |
| United States municipalities, states and territories | 242 | 1,276,496 | (94,613) | (2,009) | 1,179,874 |
| Foreign government obligations | 24 | 273,503 | (21,236) | — | 252,267 |
| Corporate securities | 2,003 | 13,927,731 | (984,070) | (3,825) | 12,939,836 |
| Residential mortgage backed securities | 136 | 557,515 | (22,822) | (743) | 533,950 |
| Commercial mortgage backed securities | 519 | 3,432,873 | (127,451) | — | 3,305,422 |
| Other asset backed securities | 843 | 4,350,056 | (114,585) | — | 4,235,471 |
| | 3,781 | $ 23,860,589 | $ (1,367,725) | $ (6,577) | $ 22,486,287 |
| **December 31, 2021** | | | | | |
| Fixed maturity securities, available for sale: | | | | | |
| United States Government full faith and credit | 2 | $ 1,041 | $ (34) | $ — | $ 1,007 |
| United States Government sponsored agencies | 6 | 760,060 | (90) | — | 759,970 |
| United States municipalities, states and territories | 42 | 190,471 | (3,042) | (2,776) | 184,653 |
| Foreign government obligations | 3 | 43,704 | (843) | — | 42,861 |
| Corporate securities | 600 | 2,530,864 | (38,442) | — | 2,492,422 |
| Residential mortgage backed securities | 74 | 280,044 | (2,093) | (70) | 277,881 |
| Commercial mortgage backed securities | 108 | 944,407 | (17,719) | — | 926,688 |
| Other asset backed securities | 592 | 3,172,613 | (50,107) | — | 3,122,506 |
| | 1,427 | $ 7,923,204 | $ (112,370) | $ (2,846) | $ 7,807,988 |

The unrealized losses at March 31, 2022 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at December 31, 2021, and the continued impact the COVID-19 pandemic had on credit markets. Approximately 97% and 85% of the unrealized losses on fixed maturity securities shown in the above table for March 31, 2022 and December 31, 2021, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

The increase in unrealized losses from December 31, 2021 to March 31, 2022 was primarily due to an increase in treasury yields during the three months ended March 31, 2022. The 10-year U.S. Treasury yields at March 31, 2022 and December 31, 2021 were 2.32% and 1.52%, respectively. The 30-year U.S. Treasury yields at March 31, 2022 and December 31, 2021 were 2.44% and 1.90%, respectively.

The following table sets forth the composition by credit quality (NAIC designation) of fixed maturity securities with gross unrealized losses:

| NAIC Designation | Carrying Value of Securities with Gross Unrealized Losses | Percent of Total | Gross Unrealized Losses (1) | Percent of Total |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| **March 31, 2022** | | | | |
| 1 | $ 12,448,541 | 55.4 % | $ (712,830) | 52.1 % |
| 2 | 9,452,120 | 42.0 % | (616,967) | 45.1 % |
| 3 | 512,724 | 2.3 % | (32,628) | 2.4 % |
| 4 | 55,444 | 0.2 % | (3,564) | 0.3 % |
| 5 | — | — % | — | — % |
| 6 | 17,458 | 0.1 % | (1,736) | 0.1 % |
| | $ 22,486,287 | 100.0 % | $ (1,367,725) | 100.0 % |
| **December 31, 2021** | | | | |
| 1 | $ 4,174,438 | 53.5 % | $ (37,884) | 33.7 % |
| 2 | 3,197,575 | 41.0 % | (57,354) | 51.0 % |
| 3 | 376,996 | 4.8 % | (13,723) | 12.2 % |
| 4 | 33,229 | 0.4 % | (1,083) | 1.0 % |
| 5 | 9,506 | 0.1 % | (1,140) | 1.0 % |
| 6 | 16,244 | 0.2 % | (1,186) | 1.1 % |
| | $ 7,807,988 | 100.0 % | $ (112,370) | 100.0 % |

(1) Gross unrealized losses have been adjusted to reflect the allowance for credit loss of $6.6 million and $2.8 million as of March 31, 2022 and December 31, 2021, respectively.

Our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 3,781 and 1,427 securities, respectively) have been in a continuous unrealized loss position at March 31, 2022 and December 31, 2021, along with a description of the factors causing the unrealized losses is presented in *Note 3 - Investments* to our unaudited consolidated financial statements in this Form 10-Q, which is incorporated by reference in this Item 2.

The amortized cost and fair value of fixed maturity securities in an unrealized loss position and the number of months in a continuous unrealized loss position (fixed maturity securities that carry an NRSRO rating of BBB/Baa or higher are considered investment grade) were as follows:

| | Number of Securities | Amortized Cost, Net of Allowance (1) | Fair Value | Gross Unrealized Losses, Net of Allowance (1) |
|---|---|---|---|---|
| | | | (Dollars in thousands) | |
| **March 31, 2022** | | | | |
| Fixed maturity securities, available for sale: | | | | |
| Investment grade: | | | | |
| Less than six months | 3,331 | $ 21,283,120 | $ 20,050,463 | $ (1,232,657) |
| Six months or more and less than twelve months | 47 | 229,623 | 211,037 | (18,586) |
| Twelve months or greater | 297 | 1,717,713 | 1,639,158 | (78,555) |
| Total investment grade | 3,675 | 23,230,456 | 21,900,658 | (1,329,798) |
| Below investment grade: | | | | |
| Less than six months | 37 | 229,114 | 218,192 | (10,922) |
| Six months or more and less than twelve months | 3 | 4,968 | 3,959 | (1,009) |
| Twelve months or greater | 66 | 389,474 | 363,478 | (25,996) |
| Total below investment grade | 106 | 623,556 | 585,629 | (37,927) |
| | 3,781 | $ 23,854,012 | $ 22,486,287 | $ (1,367,725) |
| **December 31, 2021** | | | | |
| Fixed maturity securities, available for sale: | | | | |
| Investment grade: | | | | |
| Less than six months | 1,024 | $ 5,582,431 | $ 5,536,216 | $ (46,215) |
| Six months or more and less than twelve months | 39 | 132,110 | 130,156 | (1,954) |
| Twelve months or greater | 281 | 1,752,779 | 1,705,640 | (47,139) |
| Total investment grade | 1,344 | 7,467,320 | 7,372,012 | (95,308) |
| Below investment grade: | | | | |
| Less than six months | 12 | 43,808 | 43,057 | (751) |
| Six months or more and less than twelve months | 7 | 28,544 | 25,706 | (2,838) |
| Twelve months or greater | 64 | 380,686 | 367,213 | (13,473) |
| Total below investment grade | 83 | 453,038 | 435,976 | (17,062) |
| | 1,427 | $ 7,920,358 | $ 7,807,988 | $ (112,370) |

(1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of $6.6 million and $2.8 million as of March 31, 2022 and December 31, 2021, respectively.

The amortized cost and fair value of fixed maturity securities (excluding United States Government and United States Government sponsored agency securities) segregated by investment grade (NRSRO rating of BBB/Baa or higher) and below investment grade that had unrealized losses greater than 20% and the number of months in a continuous unrealized loss position were as follows:

| | Number of Securities | Amortized Cost, Net of Allowance (1) | Fair Value | Gross Unrealized Losses, Net of Allowance (1) |
|---|---|---|---|---|
| | | | (Dollars in thousands) | |
| **March 31, 2022** | | | | |
| Investment grade: | | | | |
| Less than six months | 1 | $ 10,646 | $ 5,855 | $ (4,791) |
| Six months or more and less than twelve months | — | — | — | — |
| Twelve months or greater | — | — | — | — |
| Total investment grade | 1 | 10,646 | 5,855 | (4,791) |
| Below investment grade: | | | | |
| Less than six months | 70 | 514,567 | 422,904 | (91,663) |
| Six months or more and less than twelve months | — | — | — | — |
| Twelve months or greater | — | — | — | — |
| Total below investment grade | 70 | 514,567 | 422,904 | (91,663) |
| | 71 | $ 525,213 | $ 428,759 | $ (96,454) |
| | | | | |
| **December 31, 2021** | | | | |
| Investment grade: | | | | |
| Less than six months | — | $ — | $ — | $ — |
| Six months or more and less than twelve months | — | — | — | — |
| Twelve months or greater | — | — | — | — |
| Total investment grade | — | — | — | — |
| Below investment grade: | | | | |
| Less than six months | — | — | — | — |
| Six months or more and less than twelve months | — | — | — | — |
| Twelve months or greater | — | — | — | — |
| Total below investment grade | — | — | — | — |
| | — | $ — | $ — | $ — |

(1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of $6.6 million and $2.8 million as of March 31, 2022 and December 31, 2021, respectively.

The amortized cost and fair value of fixed maturity securities, by contractual maturity, that were in an unrealized loss position are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

| | Available for sale | |
|---|---|---|
| | Amortized Cost | Fair Value |
| | (Dollars in thousands) | |
| **March 31, 2022** | | |
| Due in one year or less | $ 23,087 | $ 22,766 |
| Due after one year through five years | 2,296,021 | 2,217,092 |
| Due after five years through ten years | 3,441,123 | 3,276,775 |
| Due after ten years through twenty years | 3,268,371 | 3,025,381 |
| Due after twenty years | 6,491,543 | 5,869,430 |
| | 15,520,145 | 14,411,444 |
| Residential mortgage backed securities | 557,515 | 533,950 |
| Commercial mortgage backed securities | 3,432,873 | 3,305,422 |
| Other asset backed securities | 4,350,056 | 4,235,471 |
| | $ 23,860,589 | $ 22,486,287 |
| **December 31, 2021** | | |
| Due in one year or less | $ 762,035 | $ 761,590 |
| Due after one year through five years | 509,458 | 505,312 |
| Due after five years through ten years | 546,453 | 535,258 |
| Due after ten years through twenty years | 638,205 | 627,275 |
| Due after twenty years | 1,069,989 | 1,051,478 |
| | 3,526,140 | 3,480,913 |
| Residential mortgage backed securities | 280,044 | 277,881 |
| Commercial mortgage backed securities | 944,407 | 926,688 |
| Other asset backed securities | 3,172,613 | 3,122,506 |
| | $ 7,923,204 | $ 7,807,988 |

*International Exposure*

We hold fixed maturity securities with international exposure. As of March 31, 2022, 11.5% of the carrying value of our fixed maturity securities was comprised of corporate debt securities of issuers based outside of the United States and debt securities of foreign governments. Our fixed maturity securities with international exposure are primarily denominated in U.S. dollars. Our investment professionals analyze each holding for credit risk by economic and other factors of each country and industry. The following table presents our international exposure in our fixed maturity portfolio by country or region:

| | March 31, 2022 | | |
|---|---|---|---|
| | Amortized Cost | Carrying Amount/ Fair Value | Percent of Total Carrying Amount |
| | (Dollars in thousands) | | |
| Europe | $ 2,417,640 | $ 2,447,197 | 4.9 % |
| Asia/Pacific | 461,785 | 469,183 | 0.9 % |
| Latin America | 271,796 | 273,595 | 0.6 % |
| Non-U.S. North America | 1,456,147 | 1,471,361 | 3.0 % |
| Australia & New Zealand | 365,755 | 361,059 | 0.7 % |
| Other | 718,852 | 714,793 | 1.4 % |
| | $ 5,691,975 | $ 5,737,188 | 11.5 % |

All of the securities presented in the table above are investment grade (NAIC designation of either 1 or 2), except for the following:

| | March 31, 2022 | |
|---|---|---|
| | Amortized Cost | Carrying Amount/ Fair Value |
| | (Dollars in thousands) | |
| Europe | $ 27,540 | $ 26,690 |
| Asia/Pacific | 90 | 85 |
| Latin America | 31,657 | 33,002 |
| Non-U.S. North America | 39,820 | 39,469 |
| Australia & New Zealand | 59 | 55 |
| Other | 42,129 | 42,728 |
| | $ 141,295 | $ 142,029 |

*Watch List*

At each balance sheet date, we identify invested assets which have characteristics (i.e., significant unrealized losses compared to amortized cost and industry trends) creating uncertainty as to our future assessment of credit losses. As part of this assessment, we review not only a change in current price relative to its amortized cost but the issuer's current credit rating and the probability of full recovery of principal based upon the issuer's financial strength. For corporate issuers, we evaluate the financial stability and quality of asset coverage for the securities relative to the term to maturity for the issues we own. For asset-backed securities, we evaluate changes in factors such as collateral performance, default rates, loss severities and expected cash flows. At March 31, 2022, the amortized cost and fair value of securities on the watch list (all fixed maturity securities) are as follows:

| General Description | Number of Securities | Amortized Cost | Allowance for Credit Losses | Amortized Cost, Net of Allowance | Net Unrealized Losses, Net of Allowance | Fair Value |
|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | |
| Corporate securities - Public securities | 2 | $ 726 | $ — | $ 726 | $ (600) | $ 126 |
| Corporate securities - Private placement securities | 1 | 10,646 | (3,825) | 6,821 | (966) | 5,855 |
| Residential mortgage backed securities | 16 | 29,030 | (743) | 28,287 | (1,424) | 26,863 |
| Commercial mortgage backed securities | 12 | 143,502 | — | 143,502 | (875) | 142,627 |
| Other asset backed securities | 1 | 3,259 | — | 3,259 | — | 3,259 |
| United States municipalities, states and territories | 5 | 19,062 | (2,009) | 17,053 | — | 17,053 |
| | 37 | $ 206,225 | $ (6,577) | $ 199,648 | $ (3,865) | $ 195,783 |

We expect to recover the unrealized losses, net of allowances, as we did not have the intent to sell and it was not more likely than not that we would be required to sell these securities prior to recovery of the amortized cost basis, net of allowances. Our analysis of these securities and their credit performance at March 31, 2022 is as follows:

Corporate securities: The corporate securities included on the watch list primarily include a security in the utilities industry that is under financial stress due to the impact of power outages.

Structured securities: The structured securities included on the watch list have generally experienced higher levels of stress due to the impact COVID-19 is having on the economy.

United States municipalities, states and territories: The decline in value of these securities, which are related to senior living facilities in the Southeastern region of the United States, is primarily due to the financial strain COVID-19 is having on this industry.

*Credit Losses*

We have a policy and process to identify securities in our investment portfolio for which we recognize credit loss. See *Note 3 - Investments* to our unaudited consolidated financial statements.

During the three months ended March 31, 2022, we recognized $7.4 million of credit losses which includes $3.8 million of credit loss on a corporate security and $3.7 million on structured securities on which we had the intent to sell such securities as of March 31, 2022 partially offset by a $0.1 million net reduction in credit losses on certain other securities.

During the three months ended March 31, 2021, we recognized $1.4 million of credit losses which includes $2 million of credit losses on corporate securities partially offset by a $0.6 million net reduction in credit losses on residential mortgage back securities.

Several factors led us to believe that full recovery of amortized cost is not expected on the securities for which we recognized credit losses. A discussion of these factors, our policy and process to identify securities that could potentially have credit loss is presented in *Note 3 - Investments* to our unaudited consolidated financial statements in this Form 10-Q, which is incorporated by reference in this Item 2.

*Mortgage Loans on Real Estate*

Our financing receivables consist of three mortgage loan portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our commercial mortgage loan portfolio consists of loans with an outstanding principal balance of $3.6 billion and $3.6 billion as of March 31, 2022 and December 31, 2021, respectively. This portfolio consists of mortgage loans collateralized by the related properties and diversified as to property type, location and loan size. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of $464.4 million and $408.1 million as of March 31, 2022 and December 31, 2021, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of $1.7 billion and $1.7 billion as of March 31, 2022 and December 31, 2021, respectively. These loans are collateralized by the related properties and diversified as to location within the United States. Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances.

At March 31, 2022 and December 31, 2021, the largest principal amount outstanding for any single commercial mortgage loan was $83.0 million and $81.5 million, respectively, and the average loan size was $5.3 million and $5.3 million, respectively. In addition, the average loan-to-value ratio for commercial and agricultural mortgage loans combined was 51.9% and 52.3% at March 31, 2022 and December 31, 2021, respectively, based upon the underwriting and appraisal at the time the loan was made. This loan-to-value ratio is indicative of our conservative underwriting policies and practices for originating mortgage loans and may not be indicative of collateral values at the current reporting date. Our current practice is to only obtain market value appraisals of the underlying collateral at the inception of the loan unless we identify indicators of impairment in our ongoing analysis of the portfolio, in which case, we either calculate a value of the collateral using a capitalization method or obtain a third party appraisal of the underlying collateral. The commercial mortgage loan portfolio is summarized by geographic region and property type in *Note 4 - Mortgage Loans on Real Estate* to our unaudited consolidated financial statements in this Form 10-Q, incorporated by reference in this Item 2.

In the normal course of business, we commit to fund mortgage loans up to 90 days in advance. At March 31, 2022, we had commitments to fund commercial mortgage loans totaling $132.9 million, with interest rates ranging from 3.43% to 4.30%. During 2022 and 2021, due to historically low interest rates, the commercial mortgage loan industry has been very competitive. This competition has resulted in a number of borrowers refinancing with other lenders. For the three months ended March 31, 2022, we received $34.9 million in cash for loans being paid in full compared to $56.2 million for the three months ended March 31, 2021. Some of the loans being paid off have either reached their maturity or are nearing maturity; however, some borrowers are paying the prepayment fee and refinancing at a lower rate. As March 31, 2022, we had commitments to fund agricultural mortgage loans totaling $89.5 million with interest rates ranging from 3.65% to 4.73%, and had commitments to fund residential mortgage loans totaling $221.8 million with interest rates ranging from 7.00% to 12.00%.

See *Note 4 - Mortgage Loans on Real Estate* to our unaudited consolidated financial statements, incorporated by reference, for a presentation of our valuation allowance, foreclosure activity and troubled debt restructure analysis. We have a process by which we evaluate the credit quality of each of our mortgage loans. This process utilizes each loan's loan-to-value and debt service coverage ratios as primary metrics. See *Note 4 - Mortgage Loans on Real Estate* to our unaudited consolidated financial statements, incorporated by reference, for a summary of our portfolio by loan-to-value and debt service coverage ratios.

We closely monitor loan performance for our commercial, agricultural and residential mortgage loan portfolios. Commercial, agricultural and residential loans are considered nonperforming when they are 90 days or more past due. Aging of financing receivables is summarized in the following table:

| | Current | 30-59 days past due | 60-89 days past due | Over 90 days past due | Total |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| **As of March 31, 2022:** | | | | | |
| Commercial mortgage loans | $ 3,605,999 | $ — | $ — | $ — | $ 3,605,999 |
| Agricultural mortgage loans | 463,087 | — | — | — | 463,087 |
| Residential mortgage loans | 1,565,375 | 88,914 | 28,303 | 12,463 | 1,695,055 |
| Total mortgage loans | $ 5,634,461 | $ 88,914 | $ 28,303 | $ 12,463 | $ 5,764,141 |
| **As of December 31, 2021:** | | | | | |
| Commercial mortgage loans | $ 3,628,502 | $ — | $ — | $ — | $ 3,628,502 |
| Agricultural mortgage loans | 406,999 | — | — | — | 406,999 |
| Residential mortgage loans | 1,631,999 | 34,447 | 3,030 | 7,045 | 1,676,521 |
| Total mortgage loans | $ 5,667,500 | $ 34,447 | $ 3,030 | $ 7,045 | $ 5,712,022 |

*Derivative Instruments*

Our derivative instruments primarily consist of call options purchased to provide the income needed to fund the annual index credits on our fixed index annuity products. 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 credit default swap rate. We have no performance obligations related to the call options.

None of our derivatives qualify for hedge accounting, thus, any change in the fair value of the derivatives is recognized immediately in the consolidated statements of operations. A presentation of our derivative instruments along with a discussion of the business strategy involved with our derivatives is included in *Note 6 - Derivative Instruments* to our unaudited consolidated financial statements in this Form 10-Q, which is incorporated by reference in this Item 2.

**Liquidity and Capital Resources**

Our insurance subsidiaries generally have adequate cash flows from annuity deposits and investment income to meet their policyholder and other obligations. Net cash flows from annuity deposits and funds returned to policyholders as surrenders, withdrawals and death claims were $(316.8) million for the three months ended March 31, 2022 compared to $1,389.5 million for the three months ended March 31, 2021, with the decrease attributable to a $1,742.8 million decrease in net annuity deposits after coinsurance and a $36.5 million (after coinsurance) decrease in funds returned to policyholders. We continue to invest the net proceeds from policyholder transactions and investment activities in high quality fixed maturity securities and mortgage loans. We have a highly liquid investment portfolio that can be used to meet policyholder and other obligations as needed. In addition, we intend to hold approximately 1% to 2% of our investment portfolio in cash and cash equivalents.

We, as the parent company, are a legal entity separate and distinct from our subsidiaries, and have no business operations. We need liquidity primarily to service our debt (senior notes and subordinated debentures issued to a subsidiary trust), pay operating expenses and pay dividends to common and preferred stockholders. Our assets consist primarily of the capital stock and surplus notes of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our subsidiaries, such as payments under our investment advisory agreements and tax allocation agreement with our subsidiaries. We expect these sources provide adequate cash flow for us to meet our current and reasonably foreseeable future obligations.

The ability of our life insurance subsidiaries to pay dividends or distributions, including surplus note payments, will be limited by applicable laws and regulations of the states in which our life insurance subsidiaries are domiciled, which subject our life insurance subsidiaries to significant regulatory restrictions. These laws and regulations require, among other things, our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay.

Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory capital and surplus at the preceding December 31. For 2022, up to $407.9 million can yet be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In addition, dividends and surplus note payments may be made only out of statutory earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities in the life subsidiary's state of domicile. American Equity Life had $2.5 billion of statutory earned surplus at March 31, 2022.

The maximum distribution permitted by law or contract is not necessarily indicative of an insurer's actual ability to pay such distributions, which may be constrained by business and regulatory considerations, such as the impact of such distributions on surplus, which could affect the insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends or make other distributions. Further, state insurance laws and regulations require that the statutory surplus of our life subsidiaries following any dividend or distribution must be reasonable in relation to their outstanding liabilities and adequate for their financial needs. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from rating agencies. Both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for our insurance subsidiaries which, in turn, could negatively affect the cash available to us from insurance subsidiaries. As of March 31, 2022, we estimate American Equity Life has sufficient statutory capital and surplus, combined with capital available to the holding company, to maintain its insurer financial strength rating. However, this capital may not be sufficient if significant future losses are incurred or a rating agency modifies its rating criteria and access to additional capital could be limited.

Cash and cash equivalents of the parent holding company at March 31, 2022, were $474.4 million. We also have the ability to issue equity, debt or other types of securities through one or more methods of distribution. The terms of any offering would be established at the time of the offering, subject to market conditions. On February 15, 2022, we established a new five-year credit agreement for $300 million in unsecured delayed draw term loan commitments. This agreement is part of our plans for access to liquidity for general corporate purposes as we continue to implement our strategic transformation to an at-scale origination, spread and capital light fee-based business, and to manage capital to grow as well as produce returns for shareholders. There have been no loans drawn on this agreement to date.

In January 2022, American Equity Life became a member of the Federal Home Loan Bank of Des Moines ("FHLB") which provides access to collateralized borrowings and other FHLB products. We may also issue funding agreements to the FHLB. Both the collateralized borrowings and funding agreements require us to pledge qualified assets as collateral. Obligations arising from funding agreements, which totaled $200 million as of March 31, 2022 are used in investment spread activities.

**New Accounting Pronouncements**

See *Note 1 - Significant Accounting Policies* to our unaudited consolidated financial statements in this Form 10-Q, which is incorporated by reference in this Item 2.

**Regulatory Developments**

*Financial Strength Ratings*

Standard & Poor's ("S&P") has proposed insurance company capital analysis changes. S&P proposes to discount the value of certain assets that have no S&P rating, and more heavily discount the value of assets without a rating from either of two of its competitors, Moody's or Fitch, as well. If S&P adopts these changes, we may need to re-evaluate and restructure our assets, raise capital, hold more capital, change our investment strategies, or suffer a ratings change.

*Investments Regulation*

The Iowa Insurance Division has proposed streamlining and clarifying changes to Iowa law on admitted assets. The changes would, if approved by the legislature, conform Iowa law more closely to NAIC models. For example, it would allow certain currently-excluded assets to be admitted, eliminate certain Iowa-specific valuation formulae, and eliminate some limitations on securities and real estate investments. If the legislature enacts these changes, we would review and reconfigure our investments in light of the new requirements and opportunities they pose. We do not expect legislative consideration, if any, until at least 2023.

*Privacy and Cybersecurity*

The SEC has proposed new cybersecurity disclosure rules for public companies. Under the proposed rule, registrants would have to disclose information about material cybersecurity incidents on a Current Report on Form 8-K within four days of concluding that the incident is material, and update that disclosure at points of its analysis and response to the incident. Registrants would also have to disclose aspects of cybersecurity risk management annually, including governance processes and Board and management responsibilities, and director cybersecurity expertise.

*Other U.S. Federal Initiatives*

The SEC has proposed new climate-related disclosure rules for public companies. Among other things, the proposed rules would require registrant disclosure on (1) governance of climate-related risks; (2) climate-related impacts on strategy, business model and outlook; (3) climate-related risk management; (4) greenhouse gas ("GHG") emissions; and (5) any internal carbon price or climate-related targets and goals. Large accelerated filers, such as us, would also have to obtain attestation by an independent third party of certain of their GHG emissions metrics. The proposed rules would also require registrants to include climate-related financial statement metrics (which would consist of disaggregated climate-related impacts on existing financial statement line items) and related disclosures in a note to audited financial statements, subject to adequate internal controls and to audit by an independent registered public accounting firm. Depending on the ultimate rules the SEC adopts, the cost and other impacts of such a rule on us may be significant.

The SEC has proposed new rules related to trading plans under Rule 10b5-1. The rules would require a registrant 30-day "cooling off" period between plan adoption and the first transaction under the plan; limit registrants to a single plan for a class of securities, such as common stock, at any given time. The SEC has also proposed new daily registrant disclosure of securities repurchases. Depending on the ultimate rules the SEC adopts, the cost and other impacts of such rules on us may be significant.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

We seek to maximize the total return on our fixed maturity securities through active investment management. Accordingly, we have determined that our available for sale portfolio of fixed maturity securities is available to be sold in response to: (i) changes in market interest rates, (ii) changes in relative values of individual securities and asset sectors, (iii) changes in prepayment risks, (iv) changes in credit quality outlook for certain securities, (v) liquidity needs, and (vi) other factors.

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 fair 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 (caps, participation rates or asset fee rates for fixed index annuities) on substantially all of our annuity liabilities at least annually (subject to minimum guaranteed values). Substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. In addition, a significant amount of our fixed index annuity policies and many of our annual reset fixed rate deferred annuities were issued with a lifetime income benefit rider which we believe improves the persistency of such annuity products. 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 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.

If interest rates were to increase 10% (24 basis points) from levels at March 31, 2022, we estimate that the fair value of our fixed maturity securities would decrease by approximately $1,010.6 million. The impact on stockholders' equity of such decrease (net of income taxes and certain adjustments for changes in amortization of deferred policy acquisition costs and deferred sales inducements and policy benefit reserves) would be a decrease of $416.6 million in accumulated other comprehensive income and a decrease in stockholders' equity. The 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. However, any such decreases in the fair value of our fixed maturity securities (unless related to credit concerns of the issuer requiring recognition of a credit loss) would generally be realized only if we were required to sell such securities at losses prior to their maturity to meet our liquidity needs, which we manage using the surrender and withdrawal provisions of our annuity contracts and through other means. See Financial Condition - Liquidity for Insurance Operations included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2021 for a further discussion of the liquidity risk.

The amortized cost of fixed maturity securities that are callable at the option of the issuer, excluding securities with a make-whole provision, was $2.5 billion as of March 31, 2022. We have reinvestment risk related to these redemptions to the extent we cannot reinvest the net proceeds in assets with credit quality and yield characteristics similar to the redeemed bonds. Such reinvestment risk typically occurs in a declining rate environment. In addition, we have $3.8 billion of floating rate fixed maturity securities as of March 31, 2022. Generally, interest rates on these floating rate fixed maturity securities are based on the 3 month LIBOR rate and are reset quarterly. Should rates decline to levels which tighten the spread between our average portfolio yield and average cost of interest credited on annuity liabilities, we have the ability to reduce crediting rates (caps, participation rates or asset fees for fixed index annuities) on most of our annuity liabilities to maintain the spread at our targeted level. At March 31, 2022, approximately 92% of our annuity liabilities were subject to annual adjustment of the applicable crediting rates at our discretion, limited by minimum guaranteed crediting rates specified in the policies. At March 31, 2022, approximately 18% of our annuity liabilities were at minimum guaranteed crediting rates.

We purchase call options on the applicable indices to fund the annual index credits on our fixed index annuities. These options are primarily one-year instruments purchased to match the funding requirements of the underlying policies. Fair value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for fixed index products. The difference between proceeds received at expiration of these options and index credits, as shown in the following table, is primarily due to under or over-hedging as a result of policyholder behavior being different than our expectations.

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| | **(Dollars in thousands)** | |
| Proceeds received at expiration of options related to such credits | $ 228,092 | $ 349,119 |
| Annual index credits to policyholders on their anniversaries | 224,385 | 345,737 |

On the anniversary dates of the index policies, we purchase new one-year call options to fund the next annual index credits. The risk associated with these prospective purchases is the uncertainty of the cost, which will determine whether we are able to earn our spread on our fixed index business. We manage this risk through the terms of our fixed index annuities, which permit us to change caps, participation rates and asset fees, subject to contractual features. By modifying caps, participation rates or asset fees, we can limit option costs to budgeted amounts, except in cases where the contractual features would prevent further modifications. Based upon actuarial testing which we conduct as a part of the design of our fixed index products and on an ongoing basis, we believe the risk that contractual features would prevent us from controlling option costs is not material.

**Item 4. Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

In accordance with the Securities Exchange Act Rules 13a-15(e) and 15d-15(e), our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded the design and operation of our disclosure controls and procedures were effective as of March 31, 2022 in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

See *Note 8 - Commitments and Contingencies* to the unaudited consolidated financial statements in this Form 10-Q, which is incorporated by reference in this Item 1, for any required disclosure.

### Item 1A. Risk Factors

We describe certain factors that may affect our business or operations under "Risk Factors" in Part I, Item 1A, of our 2021 Annual Report on Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In January 2022, we issued 6,775,000 shares of our common stock to Brookfield Asset Management Reinsurance Partners Ltd. (together with its affiliates, "Brookfield Reinsurance") at $37.33 per share, our adjusted book value as of September 30, 2021. The issuance was exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Section 4(a)(2) of the Securities Act. Brookfield Reinsurance represented to us that it is an “accredited investor” as defined in Rule 501 of the Securities Act and that it is acquiring the common stock for investment purposes and not with a view to, or for sale in connection with, any distribution thereof.

**Issuer Purchases of Securities**

The following table presents the amount of our share purchase activity for the periods indicated:

| Period | Total Number of Shares Purchased (shares) | Average Price Paid Per Share (dollars) | Total Number of Shares Purchased as Part of Publicly Announced Program (a) (shares) | Approximate Dollar Value of Shares That May Yet Be Purchased Under Program (dollars in thousands) |
|---|---|---|---|---|
| January 1, 2022 - January 31, 2022 | 1,066,600 | $ 41.75 | 1,066,600 | $ 691,054 |
| February 1, 2022 - February 28, 2022 | 1,545,923 | $ 41.32 | 1,545,923 | $ 627,176 |
| March 1, 2022 - March 31, 2022 | 1,839,628 | $ 38.56 | 1,839,628 | $ 556,236 |
| Total | 4,452,151 | | 4,452,151 | |

(a) On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program. On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock.

We repurchased approximately 6.3 million shares of our common stock, for approximately $250 million, from January 1 through April 30, 2022..

### Item 4. Mine Safety Disclosures.

None.

### Item 5. Other Information

None.

## Item 6. Exhibits

Note Regarding Reliance on Statements in Our Contracts and Other Exhibits: We include agreements and other exhibits to this report to provide information regarding their terms and not to provide any other factual or disclosure information about us, our subsidiaries or affiliates, or the other parties to the agreements, or for any other purpose. The agreements and other exhibits may contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement or other arrangement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have in many cases been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or other exhibit, or such other date or dates as may be specified in the document and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

| Exhibit Number | Description |
|---|---|
| 10.1 * | Form of 2022-2024 Performance-Based Employee Restricted Stock Unit Award Agreement under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan |
| 10.2 * | Form of 2022 Time-Based Employee Restricted Stock Unit Award Agreement (Two- or Three-Year Cliff) under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan |
| 10.3 * | Form of 2022 Time-Based Employee Restricted Stock Unit Award Agreement (Two-Year Ratable) under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan |
| 10.4 * | Second Amendment to the American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan, effective January 1, 2022 |
| 10.5 * | Deferred Long-Term Incentive Cash Plan, effective January 1, 2022 |
| 31.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | The following materials from American Equity Investment Life Holding Company's Quarterly Report on Form 10-Q for the period ended March 31, 2022 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Loss, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Unaudited Consolidated Financial Statements. |
| 104 | The cover page from American Equity Investment Life Holding Company's Quarterly Report on Form 10-Q for the period ended March 31, 2022 formatted in iXBRL and contained in Exhibit 101. |

* Denotes management contract or compensatory plan.

**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 9, 2022

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ Dewayne Lummus

Dewayne Lummus
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer and Duly Authorized Officer)

**Exhibit 10.1**

2022-2024 PERFORMANCE BASED AWARD

**EMPLOYEE RESTRICTED STOCK UNIT AWARD AGREEMENT**

This Employee Restricted Stock Unit Award Agreement (this "Agreement"), dated as of [[GRANTDATE]] (the "Date of Grant"), is made by and between the Company, and [[FIRSTNAME]] [[LASTNAME]] (the "Participant"). Capitalized terms not defined herein shall have the meaning ascribed to them in the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (the "Plan"). Except where the context indicates otherwise, references to the Company shall include any successor to the Company.

**WHEREAS,** the Company and certain Affiliates have adopted the Plan under which participants may receive Company restricted stock units that are subject to performance-based vesting conditions;

**WHEREAS,** the Compensation and Talent Management Committee of the Board of Directors of the Company (the "Committee") recommended restricted stock units ("RSUs") for the Participant under the Plan and the Board of Directors of the Company approved such RSUs, and pursuant to the terms of the award, the Participant shall receive the number of RSUs provided for herein;

**NOW, THEREFORE,** in consideration for the promises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Unit Award; Change in Control. The Company hereby grants to the Participant [[SHARESGRANTED]] RSUs (such number, the "Target Number" of RSUs) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award"). Notwithstanding any other provisions in this Agreement to the contrary, in the event of a Change in Control, the RSUs shall be treated in accordance with Section 10.1 and Section 10.2 of the Plan.

2. Restrictions. The RSUs may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered and shall be subject to a risk of forfeiture as described in Section 3 hereof until such restrictions have lapsed in accordance with Section 3 hereof. Upon any attempt by the Participant to transfer any of the RSUs or any rights in respect of the RSUs before the lapse of such restrictions, such RSUs and all of the rights related thereto, shall be immediately forfeited by the Participant without payment of any consideration. The restrictions applicable to the RSUs shall lapse only in accordance with Section 3 hereof.

3. Vesting/Forfeiture

   a. General. Subject to Sections 3(b) - (e) hereof, the restrictions applicable to the RSUs, as described in Section 2 hereof, shall lapse with respect to one-hundred percent (100%) of the RSUs at the end of the Performance Period (as defined herein).

   b. Participant Violation of Terms; Termination For Cause or Detrimental Activity. If, during the Performance Period, as determined at any time in the discretion of the Company or an Affiliate, the Participant violated any of the Participant's obligations under this Agreement, including those provided by Section 9 hereof, or the Participant violated any of the Participant's obligations under any separation agreement, or Participant's actions qualify or qualified for a Termination For Cause or Detrimental Activity (each as defined in the Plan), then no RSUs will be due the Participant from the Company.

   c. Death/Disability/Retirement During Performance Period. Subject to Section 3(b) hereof, in the event of a Termination during the Performance Period due to the Participant's death or Disability, or due to the Participant's Retirement, the restrictions applicable to the RSUs, as described in Section 2 hereof, shall lapse with respect to one-hundred percent (100%) of the RSUs.

   d. Termination During Performance Period With Final Separation Agreement.

      i. Subject to Section 3(b) hereof, in the event of (A) a Termination during the Performance Period and prior to an event described in Section 3(c) hereof, (B) the Participant is offered a separation agreement, (C) such separation agreement has become final and effective, and (D) the Company's Chief Executive Officer or Chief Human Resources Officer (or, in the case of a Participant who is an executive officer of the Company as provided in the charter of the Committee, the Committee or Board of Directors) determines as a matter of discretion to apply this Section 3(d), the RSUs shall immediately be forfeited and the Company or an Affiliate will make a Prorata RSU Cash Payment (as defined herein) to the Participant as soon as practicable after (and in no case more than seventy-four days after) the end of the Performance Period (the "Payment Date"); provided, however, that if, during the Performance Period, the Participant has violated, as determined at any time in the discretion of the Company, any of the Participant's obligations under the separation agreement, no payment will be due the Participant from the Company. The Participant understands that he or she (and not the Company or any Affiliate) shall be responsible for any tax liability that may arise with respect to any such payment, and that the Company or an Affiliate shall withhold from such payment for taxes and any other required items.

      ii. The Prorata RSU Cash Payment will be equal to:

         A. the lesser of the Target Number of RSUs and the number of RSUs produced by operation of Section 8 hereof; times

         B. the lesser of the closing price of a Share on the Date of Grant or the date of the Committee determination pursuant to Section 8 hereof; times

C. the number of anniversaries of the beginning of the Performance Period (as defined herein) that passed as of the day following Termination divided by the total number of years in the Performance Period.

e. Other Termination During Performance Period. If, during the Performance Period and prior to an event described in Section 3(b) - (d) hereof, Termination occurs for any reason, the RSUs shall immediately be forfeited without consideration.

4. Shareholder Rights. The RSUs are bookkeeping entries only. The Participant shall not have any privileges of a shareholder of the Company with respect to the RSUs awarded hereunder, including without limitation any right to vote shares of Common Stock underlying the RSUs or to receive dividends or other distributions in respect thereof (provided that any dividends or dividend equivalents on the RSUs shall only become payable on the same date on which the RSU from which the dividend equivalent right is derived is paid, subject to the terms hereof). All such dividend equivalent rights shall be subject to the same vesting requirements that apply to RSUs from which the dividend equivalent rights are derived.

5. Legend on Certificates. Certificates evidencing the RSUs awarded to the Participant hereunder shall bear such legends as the Company may determine in its sole discretion.

6. Securities Laws Requirements. The Company shall not be obligated to issue Common Stock to the Participant free of any restrictive legend described in Section 5 hereof or of any other restrictive legend, if such transfer, in the opinion of counsel for the Company, would violate the Securities Act of 1933, as amended (the "Securities Act") (or any other federal or state statutes having similar requirements as may be in effect at that time).

7. No Obligation to Register. The Company shall be under no obligation to register the RSUs pursuant to the Securities Act or any other federal or state securities laws.

8. Performance-Based Requirements. For the three-year period beginning January 1, 2022 and ended December 31, 2024 (the "Performance Period"), the Participant shall be credited with a number of RSUs equal to the Target Number of RSUs multiplied by a percentage that (1) will be determined by the Committee after the Performance Period based on the Company's achievement of financial performance objectives established for the Performance Period and (2) will be between 0% and 200%. The performance objectives and the methodology for establishing the number of RSUs to be credited are set forth in Exhibit A hereto. The Committee shall, following the end of the Performance Period, determine whether and the extent to which the performance objectives for the Performance Period have been satisfied and the number of RSUs to be credited to the Participant. Such determinations by the Committee shall be final and binding. Any RSUs that are not credited to the Participant in accordance with the foregoing provisions of this Section 8 hereof shall terminate upon the date of such determinations by the Committee.

9. Non-Solicitation of Employees and Others. Participant agrees that from the Date of Grant until the completion of all payments (whether Shares or Cash) pursuant to this Agreement, Participant will not solicit any employee, customer, vendor, consultant, Independent Marketing Organization (or individual affiliate with any such organizations) of the Company or any Affiliate to end, reduce the time or scope of, decline to renew, or decline to extend the sales or other business volume, time, or scope of such relationship. Participant also agrees that from the Date of Grant until the end of twelve (12) months following Termination, Participant will not, without the prior written consent of the Company, and to the extent such consent is limited or conditioned, be employed by, engaged by, or otherwise assist, either as an individual or as a partner, joint venturer, employee, agent, consultant, officer, trustee, director, owner, part-owner, shareholder (except for less than 1% ownership of the common stock of a publicly-traded company), or in any other capacity, directly or indirectly, providing the same or similar activities, skills, experience, or expertise Participant performed for the Company and its Affiliates to any entities that the Company identifies as a competitor in its Compensation Discussion and Analysis publicly disclosed to the U.S. Securities and Exchange Commission within twelve (12) months on or prior to Termination. These prohibitions shall apply to each entity and its parents, subsidiaries, affiliates, or agents, or any entity with 9.9% or greater direct or indirect economic interest in any of them.

10. Timing and Manner of Payment of RSUs.

a. Subject to Section 3 hereof, and except as otherwise provided in this Section 10 hereof, as soon as practicable after (and in no case more than seventy-four days after) the end of the Performance Period (the "Payment Date"), such RSUs whose restrictions have lapsed shall be paid by the Company delivering to the Participant a number of Shares equal to the number of RSUs that are non-forfeitable on that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Participant. Delivery of any certificates will be made to the Participant's last address reflected on the books of the Company and its Affiliates unless the Company is otherwise instructed in writing. The Participant shall not be required to pay any cash consideration for the RSUs or for any Shares received pursuant to the Award. Neither the Participant nor any of the Participant's successors, heirs, assigns or personal representatives shall have any further rights or interests in any RSUs that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the RSUs unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Shares are listed.

b. If, after the Performance Period, as determined at any time in the discretion of the Company or an Affiliate, the Participant violated any of the Participant's obligations under this Agreement, including those provided by Section 9 hereof, or the Participant violated any of the Participant's obligations under any separation agreement, or Participant's actions qualify or qualified for a Termination For Cause or Detrimental Activity (each as defined in the Plan), then no RSUs will be due the Participant from the Company.

11. Payments to "Specified Employees" Under Certain Circumstances. Notwithstanding the provisions of Section 3 and Section 4 hereof, if the Grantee is deemed a "specified employee" (as such term is described in Section 409A of the Code and the treasury regulations thereunder (the "Code")) at a time when such Grantee becomes eligible for payment upon a "separation from service" with the Company or any of its Affiliates, to the extent required to avoid taxation under Section 409A of the Code, such payments shall be made to the Grantee on the date that is six (6) months following such "separation from service," or upon the Grantee's death, if earlier.

12. Taxes. The Participant understands that he or she (and not the Company or any Affiliate) shall be responsible for any tax liability that may arise with respect to the RSUs granted under this Agreement. The Participant shall pay to the Company, or make provision satisfactory to the Company for payment of, any taxes or social insurance contributions required by law to be withheld with respect to the RSUs no later than the date of the event creating such tax liability. The Participant may satisfy the foregoing requirement by making a payment to the Company in cash or, in the Committee's discretion, such amount may be paid in whole or in part by electing to have the Company retain the Participant's Shares, with the retained Shares having a value equal to the amount of tax to be so withheld. Such Shares shall be valued at their Fair Market Value on the date of retention or delivery. If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to the RSUs as of the date of transfer of the RSUs rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, the Participant shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service.

13. Failure to Enforce Not a Waiver. The failure of the Company or an Affiliate to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

15. Incorporation of Plan. The Plan is hereby incorporated by reference and made a part hereof, and the RSUs and this Agreement shall be subject to all terms and conditions of the Plan and this Agreement.

16. Agreement Binding on Successors. The terms of this Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees.

17. No Assignment. Notwithstanding anything to the contrary in this Agreement, neither this Agreement nor any rights granted herein shall be assignable by the Participant.

18. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

19. Entire Agreement. This Agreement contains the entire agreement and understanding among the parties as to the subject matter hereof.

20. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such section hereof.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

22. Amendment. The Committee may amend the terms of this Agreement prospectively or retroactively at any time, but no such amendment shall impair the rights of the Participant hereunder without his or her consent.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**

By: /s/ [name]
[name]
[title]

**PARTICIPANT**

[[FIRSTNAME]] [[LASTNAME]]

[[SIGNATURE]]

[[SIGNATURE_DATE]]

## EXHIBIT A

**[omitted]**

**Exhibit 10.2**

2022 TIME BASED AWARD

**EMPLOYEE RESTRICTED STOCK UNIT**
**AWARD AGREEMENT**

This Employee Restricted Stock Unit Award Agreement (this "Agreement"), dated as of [[GRANTDATE]] (the "Date of Grant"), is made by and between the Company, and [[FIRSTNAME]] [[LASTNAME]] (the "Participant"). Capitalized terms not defined herein shall have the meaning ascribed to them in the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (the "Plan"). Except where the context indicates otherwise, references to the Company shall include any successor to the Company.

**WHEREAS,** the Company and certain Affiliates have adopted the Plan under which participants may receive Company restricted stock units that are subject to time-based vesting conditions;

**WHEREAS,** the Compensation and Talent Management Committee of the Board of Directors of the Company (the "Committee") recommended restricted stock units ("RSUs") for the Participant under the Plan and the Board of Directors of the Company approved such RSUs, and pursuant to the terms of the award, the Participant shall receive the number of RSUs provided for herein;

**NOW, THEREFORE,** in consideration for the promises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Unit Award; Change in Control. The Company hereby grants to the Participant [[SHARESGRANTED]] RSUs (such number, the "Number of RSUs) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award"). Notwithstanding any other provisions in this Agreement to the contrary, in the event of a Change in Control, the RSUs shall be treated in accordance with Section 10.1 and Section 10.2 of the Plan.

2. Restrictions. The RSUs may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered and shall be subject to a risk of forfeiture as described in Section 3 hereof until such restrictions have lapsed in accordance with Section 3 hereof. Upon any attempt by the Participant to transfer any of the RSUs or any rights in respect of the RSUs before the lapse of such restrictions, such RSUs and all of the rights related thereto, shall be immediately forfeited by the Participant without payment of any consideration. The restrictions applicable to the RSUs shall lapse only in accordance with Section 3 hereof.

3. Vesting/Forfeiture

   a. General. Subject to Sections 3(b) - (e) hereof, the restrictions applicable to the RSUs, as described in Section 2 hereof, shall lapse with respect to one-hundred percent (100%) of the RSUs on the [third (3d) /second (2d)] anniversary of the Date of Grant. The period from Date of Grant until the date the restrictions lapse in accordance with this Section 3(a) is the "Restriction Period."

   b. Participant Violation of Terms; Termination For Cause or Detrimental Activity. If, during the Restriction Period, as determined at any time in the discretion of the Company or an Affiliate, the Participant violated any of the Participant's obligations under this Agreement, including those provided by Section 9 hereof, or the Participant violated any of the Participant's obligations under any separation agreement, or Participant's actions qualify or qualified for a Termination For Cause or Detrimental Activity (each as defined in the Plan), then no RSUs will be due the Participant from the Company.

   c. Death/Disability/Retirement During Restriction Period. Subject to Section 3(b) hereof, in the event of a Termination during the Restriction Period due to the Participant's death or Disability, or due to the Participant's Retirement, the restrictions applicable to the RSUs, as described in Section 2 hereof, shall lapse with respect to one-hundred percent (100%) of the RSUs.

   d. Termination During Restriction Period With Final Separation Agreement.

      i. Subject to Section 3(b) hereof, in the event of (A) a Termination during the Restriction Period and prior to an event described in Section 3(c) hereof, (B) the Participant is offered a separation agreement, (C) such separation agreement has become final and effective, and (D) the Company's Chief Executive Officer or Chief Human Resources Officer (or, in the case of a Participant who is an executive officer of the Company as provided in the charter of the Committee, the Committee or Board of Directors) determines as a matter of discretion to apply this Section 3(d), the RSUs shall immediately be forfeited and the Company or an Affiliate will make a Prorata RSU Cash Payment (as defined herein) to the Participant as soon as practicable after (and in no case more than seventy-four days after) the end of the Restriction Period (the "Payment Date"); provided, however, that if, during the Restriction Period, the Participant has violated, as determined at any time in the discretion of the Company, any of the Participant's obligations under the separation agreement, no payment will be due the Participant from the Company. The Participant understands that he or she (and not the Company or any Affiliate) shall be responsible for any tax liability that may arise with respect to any such payment, and that the Company or an Affiliate shall withhold from such payment for taxes and any other required items.

      ii. The Prorata RSU Cash Payment will be equal to:

         A. the Number of RSUs; times

         B. the lesser of the closing price of a Share on the Date of Grant or the last day of the Restriction Period; times

C. the number of anniversaries of the beginning of the Restriction Period that passed as of the day following Termination divided by the total number of such anniversaries to and including the anniversary at the end of the Restriction Period.

e. Other Termination During Restriction Period. If, during the Restriction Period and prior to an event described in Section 3(b) - (d) hereof, Termination occurs for any reason, the RSUs shall immediately be forfeited without consideration.

4. Shareholder Rights. The RSUs are bookkeeping entries only. The Participant shall not have any privileges of a shareholder of the Company with respect to the RSUs awarded hereunder, including without limitation any right to vote shares of Common Stock underlying the RSUs or to receive dividends or other distributions in respect thereof (provided that any dividends or dividend equivalents on the RSUs shall only become payable on the same date on which the RSU from which the dividend equivalent right is derived is paid, subject to the terms hereof). All such dividend equivalent rights shall be subject to the same vesting requirements that apply to RSUs from which the dividend equivalent rights are derived.

5. Legend on Certificates. Certificates evidencing the RSUs awarded to the Participant hereunder shall bear such legends as the Company may determine in its sole discretion.

6. Securities Laws Requirements. The Company shall not be obligated to issue Common Stock to the Participant free of any restrictive legend described in Section 5 hereof or of any other restrictive legend, if such transfer, in the opinion of counsel for the Company, would violate the Securities Act of 1933, as amended (the "Securities Act") (or any other federal or state statutes having similar requirements as may be in effect at that time).

7. No Obligation to Register. The Company shall be under no obligation to register the RSUs pursuant to the Securities Act or any other federal or state securities laws.

8. [reserved].

9. Non-Solicitation of Employees and Others. Participant agrees that from the Date of Grant until the completion of all payments (whether Shares or Cash) pursuant to this Agreement, Participant will not solicit any employee, customer, vendor, consultant, Independent Marketing Organization (or individual affiliate with any such organizations) of the Company or any Affiliate to end, reduce the time or scope of, decline to renew, or decline to extend the sales or other business volume, time, or scope of such relationship. Participant also agrees that from the Date of Grant until the end of twelve (12) months following Termination, Participant will not, without the prior written consent of the Company, and to the extent such consent is limited or conditioned, be employed by, engaged by, or otherwise assist, either as an individual or as a partner, joint venturer, employee, agent, consultant, officer, trustee, director, owner, part-owner, shareholder (except for less than 1% ownership of the common stock of a publicly-traded company), or in any other capacity, directly or indirectly, providing the same or similar activities, skills, experience, or expertise Participant performed for the Company and its Affiliates to any entities that the Company identifies as a competitor in its Compensation Discussion and Analysis publicly disclosed to the U.S. Securities and Exchange Commission within twelve (12) months on or prior to Termination. These prohibitions shall apply to each entity and its parents, subsidiaries, affiliates, or agents, or any entity with 9.9% or greater direct or indirect economic interest in any of them.

10. Timing and Manner of Payment of RSUs.

a. Subject to Section 3 hereof, and except as otherwise provided in this Section 10 hereof, as soon as practicable after (and in no case more than seventy-four days after) the end of the Restriction Period (the "Payment Date"), such RSUs whose restrictions have lapsed shall be paid by the Company delivering to the Participant a number of Shares equal to the number of RSUs that are non-forfeitable on that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Participant. Delivery of any certificates will be made to the Participant's last address reflected on the books of the Company and its Affiliates unless the Company is otherwise instructed in writing. The Participant shall not be required to pay any cash consideration for the RSUs or for any Shares received pursuant to the Award. Neither the Participant nor any of the Participant's successors, heirs, assigns or personal representatives shall have any further rights or interests in any RSUs that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the RSUs unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Shares are listed.

b. If, after the Restriction Period, as determined at any time in the discretion of the Company or an Affiliate, the Participant violated any of the Participant's obligations under this Agreement, including those provided by Section 9 hereof, or the Participant violated any of the Participant's obligations under any separation agreement, or Participant's actions qualify or qualified for a Termination For Cause or Detrimental Activity (each as defined in the Plan), then no RSUs will be due the Participant from the Company.

11. Payments to "Specified Employees" Under Certain Circumstances. Notwithstanding the provisions of Section 3 and Section 4 hereof, if the Grantee is deemed a "specified employee" (as such term is described in Section 409A of the Code and the treasury regulations thereunder (the "Code")) at a time when such Grantee becomes eligible for payment upon a "separation from service" with the Company or any of its Affiliates, to the extent required to avoid taxation under Section 409A of the Code, such payments shall be made to the Grantee on the date that is six (6) months following such "separation from service," or upon the Grantee's death, if earlier.

12. Taxes. The Participant understands that he or she (and not the Company or any Affiliate) shall be responsible for any tax liability that may arise with respect to the RSUs granted under this Agreement. The Participant shall pay to the Company, or make provision satisfactory to the Company for payment of, any taxes or social insurance contributions required by law to be withheld with respect to the RSUs no later than the date of the event creating such tax liability. The Participant may satisfy the foregoing requirement by making a payment to the Company in cash or, in the Committee's discretion, such amount may be paid in whole or in part by electing to have the Company retain the Participant's Shares, with the retained Shares having a value equal to the amount of tax to be so withheld. Such Shares shall be valued at their Fair Market Value on the date of retention or delivery. If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to the RSUs as of the date of transfer of the RSUs rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, the Participant shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service.

13. Failure to Enforce Not a Waiver. The failure of the Company or an Affiliate to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

15. Incorporation of Plan. The Plan is hereby incorporated by reference and made a part hereof, and the RSUs and this Agreement shall be subject to all terms and conditions of the Plan and this Agreement.

16. Agreement Binding on Successors. The terms of this Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees.

17. No Assignment. Notwithstanding anything to the contrary in this Agreement, neither this Agreement nor any rights granted herein shall be assignable by the Participant.

18. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

19. Entire Agreement. This Agreement contains the entire agreement and understanding among the parties as to the subject matter hereof.

20. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such section hereof.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

22. Amendment. The Committee may amend the terms of this Agreement prospectively or retroactively at any time, but no such amendment shall impair the rights of the Participant hereunder without his or her consent.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**

By: /s/ [name]
[name]
[title]

**PARTICIPANT**

[[FIRSTNAME]] [[LASTNAME]]

[[SIGNATURE]]

[[SIGNATURE_DATE]]

**Exhibit 10.3**

2022 TIME BASED AWARD – 2 YEAR RATABLE

**EMPLOYEE RESTRICTED STOCK UNIT**
**AWARD AGREEMENT**

This Employee Restricted Stock Unit Award Agreement (this "Agreement"), dated as of [[GRANTDATE]] (the "Date of Grant"), is made by and between the Company, and [[FIRSTNAME]] [[LASTNAME]] (the "Participant"). Capitalized terms not defined herein shall have the meaning ascribed to them in the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (the "Plan"). Except where the context indicates otherwise, references to the Company shall include any successor to the Company.

**WHEREAS,** the Company and certain Affiliates have adopted the Plan under which participants may receive Company restricted stock units that are subject to time-based vesting conditions;

**WHEREAS,** the Compensation and Talent Management Committee of the Board of Directors of the Company (the "Committee") recommended restricted stock units ("RSUs") for the Participant under the Plan and the Board of Directors of the Company approved such RSUs, and pursuant to the terms of the award, the Participant shall receive the number of RSUs provided for herein;

**NOW, THEREFORE,** in consideration for the promises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Unit Award; Change in Control. The Company hereby grants to the Participant [[SHARESGRANTED]] RSUs (such number, the "Number" of RSUs) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award"). Notwithstanding any other provisions in this Agreement to the contrary, in the event of a Change in Control, the RSUs shall be treated in accordance with Section 10.1 and Section 10.2 of the Plan.

2. Restrictions. The RSUs may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered and shall be subject to a risk of forfeiture as described in Section 3 hereof until such restrictions have lapsed in accordance with Section 3 hereof. Upon any attempt by the Participant to transfer any of the RSUs or any rights in respect of the RSUs before the lapse of such restrictions, such RSUs and all of the rights related thereto, shall be immediately forfeited by the Participant without payment of any consideration. The restrictions applicable to the RSUs shall lapse only in accordance with Section 3 hereof.

3. Vesting/Forfeiture

   a. General. Subject to Sections 3(b) - (e) hereof, the restrictions applicable to the RSUs, as described in Section 2 hereof, shall lapse with respect to fifty percent (50%) of the RSUs on each of the first ($1^{st}$) and second (2d) anniversaries of the Date of Grant. The period from Date of Grant until the date the last restrictions lapse in accordance with this Section 3(a) is the "Restriction Period."

   b. Participant Violation of Terms; Termination For Cause or Detrimental Activity. If, during the Restriction Period, as determined at any time in the discretion of the Company or an Affiliate, the Participant violated any of the Participant's obligations under this Agreement, including those provided by Section 9 hereof, or the Participant violated any of the Participant's obligations under any separation agreement, or Participant's actions qualify or qualified for a Termination For Cause or Detrimental Activity (each as defined in the Plan), then no RSUs will be due the Participant from the Company.

   c. Death/Disability/Retirement During Restriction Period. Subject to Section 3(b) hereof, in the event of a Termination during the Restriction Period due to the Participant's death or Disability, or due to the Participant's Retirement, the restrictions applicable to the RSUs, as described in Section 2 hereof, whose restrictions have not yet lapsed shall lapse.

   d. [reserved].

   e. Other Termination During Restriction Period. If, during the Restriction Period and prior to an event described in Section 3(b) - (d) hereof, Termination occurs for any reason, the RSUs whose restrictions have not yet lapsed shall immediately be forfeited without consideration.

4. Shareholder Rights. The RSUs are bookkeeping entries only. The Participant shall not have any privileges of a shareholder of the Company with respect to the RSUs awarded hereunder, including without limitation any right to vote shares of Common Stock underlying the RSUs or to receive dividends or other distributions in respect thereof (provided that any dividends or dividend equivalents on the RSUs shall only become payable on the same date on which the RSU from which the dividend equivalent right is derived is paid, subject to the terms hereof). All such dividend equivalent rights shall be subject to the same vesting requirements that apply to RSUs from which the dividend equivalent rights are derived.

5. Legend on Certificates. Certificates evidencing the RSUs awarded to the Participant hereunder shall bear such legends as the Company may determine in its sole discretion.

6. Securities Laws Requirements. The Company shall not be obligated to issue Common Stock to the Participant free of any restrictive legend described in Section 5 hereof or of any other restrictive legend, if such transfer, in the opinion of counsel for the Company,

would violate the Securities Act of 1933, as amended (the "Securities Act") (or any other federal or state statutes having similar requirements as may be in effect at that time).

7. No Obligation to Register. The Company shall be under no obligation to register the RSUs pursuant to the Securities Act or any other federal or state securities laws.

8. [reserved].

9. Non-Solicitation of Employees and Others. Participant agrees that from the Date of Grant until the completion of all payments (whether Shares or Cash) pursuant to this Agreement, Participant will not solicit any employee, customer, vendor, consultant, Independent Marketing Organization (or individual affiliate with any such organizations) of the Company or any Affiliate to end, reduce the time or scope of, decline to renew, or decline to extend the sales or other business volume, time, or scope of such relationship. Participant also agrees that from the Date of Grant until the end of twelve (12) months following Termination, Participant will not, without the prior written consent of the Company, and to the extent such consent is limited or conditioned, be employed by, engaged by, or otherwise assist, either as an individual or as a partner, joint venturer, employee, agent, consultant, officer, trustee, director, owner, part-owner, shareholder (except for less than 1% ownership of the common stock of a publicly-traded company), or in any other capacity, directly or indirectly, providing the same or similar activities, skills, experience, or expertise Participant performed for the Company and its Affiliates to any entities that the Company identifies as a competitor in its Compensation Discussion and Analysis publicly disclosed to the U.S. Securities and Exchange Commission within twelve (12) months on or prior to Termination. These prohibitions shall apply to each entity and its parents, subsidiaries, affiliates, or agents, or any entity with 9.9% or greater direct or indirect economic interest in any of them.

10. Timing and Manner of Payment of RSUs.

a. Subject to Section 3 hereof, and except as otherwise provided in this Section 10 hereof, as soon as practicable after (and in no case more than seventy-four days after) the lapse of restrictions with respect to any RSUs (the "Payment Date"), such RSUs whose restrictions have lapsed shall be paid by the Company delivering to the Participant a number of Shares equal to the number of RSUs whose restrictions have lapsed and that are non-forfeitable on that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Participant. Delivery of any certificates will be made to the Participant's last address reflected on the books of the Company and its Affiliates unless the Company is otherwise instructed in writing. The Participant shall not be required to pay any cash consideration for the RSUs or for any Shares received pursuant to the Award. Neither the Participant nor any of the Participant's successors, heirs, assigns or personal representatives shall have any further rights or interests in any RSUs that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the RSUs unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Shares are listed.

b. If, after the Restriction Period, as determined at any time in the discretion of the Company or an Affiliate, the Participant violated any of the Participant's obligations under this Agreement, including those provided by Section 9 hereof, or the Participant violated any of the Participant's obligations under any separation agreement, or Participant's actions qualify or qualified for a Termination For Cause or Detrimental Activity (each as defined in the Plan), then no RSUs will be due the Participant from the Company.

11. Payments to "Specified Employees" Under Certain Circumstances. Notwithstanding the provisions of Section 3 and Section 4 hereof, if the Grantee is deemed a "specified employee" (as such term is described in Section 409A of the Code and the treasury regulations thereunder (the "Code")) at a time when such Grantee becomes eligible for payment upon a "separation from service" with the Company or any of its Affiliates, to the extent required to avoid taxation under Section 409A of the Code, such payments shall be made to the Grantee on the date that is six (6) months following such "separation from service," or upon the Grantee's death, if earlier.

12. Taxes. The Participant understands that he or she (and not the Company or any Affiliate) shall be responsible for any tax liability that may arise with respect to the RSUs granted under this Agreement. The Participant shall pay to the Company, or make provision satisfactory to the Company for payment of, any taxes or social insurance contributions required by law to be withheld with respect to the RSUs no later than the date of the event creating such tax liability. The Participant may satisfy the foregoing requirement by making a payment to the Company in cash or, in the Committee's discretion, such amount may be paid in whole or in part by electing to have the Company retain the Participant's Shares, with the retained Shares having a value equal to the amount of tax to be so withheld. Such Shares shall be valued at their Fair Market Value on the date of retention or delivery. If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to the RSUs as of the date of transfer of the RSUs rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, the Participant shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service.

13. Failure to Enforce Not a Waiver. The failure of the Company or an Affiliate to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

15. Incorporation of Plan. The Plan is hereby incorporated by reference and made a part hereof, and the RSUs and this Agreement shall be subject to all terms and conditions of the Plan and this Agreement.

16. Agreement Binding on Successors. The terms of this Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees.

17. No Assignment. Notwithstanding anything to the contrary in this Agreement, neither this Agreement nor any rights granted herein shall be assignable by the Participant.

18. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

19. Entire Agreement. This Agreement contains the entire agreement and understanding among the parties as to the subject matter hereof.

20. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such section hereof.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

22. Amendment. The Committee may amend the terms of this Agreement prospectively or retroactively at any time, but no such amendment shall impair the rights of the Participant hereunder without his or her consent.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**

By: /s/ [name]
[name]
[title]

**PARTICIPANT**

[[FIRSTNAME]] [[LASTNAME]]

[[SIGNATURE]]

[[SIGNATURE_DATE]]

**SECOND AMENDMENT**
**TO THE AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**
**AMENDED AND RESTATED SHORT-TERM INCENTIVE PLAN**

This amendment (the “Second Amendment”) to the American Equity Investment Life Holding Company (the “Company”) Amended and Restated Short-Term Incentive Plan (the “Plan”) is effective January 1, 2022. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

1. Amendment to Section III(T). Section III (T), “Selected Performance Objectives Outcomes” of the Plan is amended by deleting in its entirety the following sentence: “No more than forty percent (40%) of a Participant’s Selected Performance Objectives Outcomes may be determined by the Participant’s manager (or with respect to Participants for which the Committee has oversight pursuant to the Charter, the Committee) during each Award Year.”

2. Amendment to Section VI. Section VI, “Payment of Incentive Awards” of the Plan is amended by replacing each reference therein to “Committee” with the word “Administrator.”

3. Amendment to Section VI. Section VI, “Payment of Incentive Awards” of the Plan is amended by replacing the words “paid in December prior to the end of the Award Year” with the words “paid prior to the end of the Award Year (but with respect to Participants for which the Committee has oversight pursuant to the Charter, only in December prior to the end of the Award Year).”

4. Amendment to Section VI. Section VI, “Payment of Incentive Awards” of the Plan is amended by replacing the words “such excess amount shall be repaid to the Company by such Participant as soon as possible or the Company shall deduct such excess amount from any future salary amounts payable to the Participant” with the words “with respect to Participants for which the Committee has oversight pursuant to the Charter, such excess amount shall be repaid to the Company by such Participant as soon as possible or the Company shall deduct such excess amount from any future salary amounts payable to the Participant; and with respect to other Participants, the Administrator may in its discretion determine whether such excess amount shall be repaid to the Company by such Participant, and if so whether repaid as soon as possible or by the Company deducting such excess amount from any future salary amounts payable to the Participant.”

4. Effect on the Plan. Except as specifically amended by this Second Amendment, the Plan shall remain in full force and effect.

5. Governing Law. This Second Amendment shall be governed by and construed according to the laws of the State of Iowa.

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed as of the date first above written.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ Phyllis Zanghi
Name: Phyllis Zanghi
Title: Executive Vice President, Chief Legal Officer, and Secretary

**Deferred Long-Term Incentive Cash Plan**

1. Purpose and Effective Date. The purpose of the Plan is to provide an opportunity for Participants, a select group of highly compensated employees within the meaning of Section 201(2) and 301(a)(3) of ERISA, to accrue certain compensation and delay receipt of that compensation until a later date, at which time payment of the compensation will be made after adjustment for the simulated Earnings credited under the Plan. The Plan is intended to be administered in compliance with the Legal Deferral Requirements. The Plan is effective on and after January 1, 2022.

2. Plan Administration.

   2.1. The person operating in the role of Chief Human Resources Officer shall be the Plan Administrator and shall administer the Plan, subject, in all cases, to the limitations of Section 9 of the Plan.

   2.2. The Plan Administrator may establish, maintain, amend and rescind rules and regulations relating to the Plan, provide for conditions necessary or advisable related to Affiliates, interpret all communications related to the Plan and make all other determinations it deems necessary or advisable for the administration and interpretation of the Plan. The Plan Administrator may conform any provision of the Plan to the extent such provision is inconsistent with Legal Deferral Requirements.

   2.3. Determinations, interpretations and other actions made by the Plan Administrator shall be final, binding, and conclusive for all purposes and upon all individuals.

   2.4. The Plan Administrator may prescribe forms as the sole and exclusive means for Participants to take actions authorized or allowed under the Plan. The Plan Administrator may issue communications to Eligible Participants and Participants as it deems necessary or appropriate in connection with the Plan. Subject to Section 9 of the Plan, the Plan Administrator may, in its discretion, adjust the value of Deferred Compensation Accounts on a basis other than (a) as originally described in Plan materials to the Participant or (b) as previously applied to the Participant's Deferred Compensation Account, provided that basis is consistent with the Plan Administrator's interpretation of the Plan document.

   2.5. Except to the extent prohibited by law, communication and authorization of action by the Plan Administrator or a Participant through document or writing, including any form, document or writing that must be executed by any party may be in an electronic form of communication.

   2.6. The Plan Administrator may appoint agents or delegates, who may be officers or employees of the Company or an Affiliate, as it deems necessary or appropriate to assist it in administering the Plan and may grant authority to such agents to execute documents and take action on its behalf. The Plan Administrator may consult such legal counsel, consultants or other professionals as it deems desirable and may rely on any opinion received from such professional or from its agent. All expenses incurred in the administration of the Plan shall be paid by one or more Affiliates.

3. Participants and Participation. Eligible Participants will include (a) direct reports of the CEO including those who are Executive Officers, (b) any other employee of American Equity Investment Life Insurance Company or its Affiliates who is deemed, in the discretion of the Plan Administrator, to materially contribute to advancing the AEL strategy (including, but not limited to private asset investing). The Plan Administrator will determine the Participants for each Vintage in the first quarter of each calendar year that the Plan is in effect from among the total Eligible Participants. Participation in the Plan for any one calendar year does not ensure participation in any future year.

4. Deferral of Compensation.

   4.1. Each calendar year that the Plan is in effect will be referred to as a Vintage. Each calendar year the Company shall (a) set a target and maximum Overall Earnings Rate for the Private Asset equity investments purchased during that Vintage, (b) set the Amount Available for Deferred Compensation Awards, (c) calculate the earnings rate of the equity investments in Private Assets purchased during each Vintage, and (d) set the Award Amount for each individual Participant.

   4.2. Reserved.

   4.3. (a) With regard to each Executive Officer, the Award Amount that the Plan Administrator may allocate to each Deferred Compensation Account for any Vintage is 25% of the total value of that Participant's long-term incentive award opportunity, (b) with regard to Participants who are direct reports of the CEO or are Level Two Employees who are not Executive Officers, the maximum Award Amount that can be allocated to each Participant's Deferred Compensation Account for any Vintage is 50% of that Participant's combined short-term and long-term incentive award opportunity, (c) with regard to Participants who are not otherwise described in subsection 4.3 (a) or (b), the Award Amount allocated to each Participant's Deferred Compensation Account for any Vintage shall be determined in the discretion of the Plan Administrator and informed by: (i) the Participant's overall contribution to advancing the corporate strategy, (ii) the

Participant's performance against his/her personal goals for the year, and for Participants with job responsibilities tied to specific asset segments or classes, (iii) the performance of the underlying portfolio(s) to which s substantial portion of their job responsibilities are tied, and (iv) other factors that the Plan Administrator determines to be relevant.

4.4. In the fourth calendar year after the start of each Vintage, the Company will determine the Overall Earnings Rate for the Vintage and will apply it to the Award Amount that was allocated to each Participant's Deferred Compensation Account for that Vintage.

4.5. Amounts allocated to any Participant's Deferred Compensation Account will be expressed and tracked in US dollars. The total Award Amounts allocated to the aggregate Participants in each Vintage cannot exceed the Amount Available for Deferred Compensation Awards for that Vintage. The Plan Administrator may not allocate more than 5% of the total amount invested in Private Asset equity investments in the first year the Plan is effective. In each subsequent calendar year, the Plan Administrator may not allocate more than 10% of the total amount invested in Private Asset equity investments during that year. After the conclusion of each calendar year, the Plan Administrator shall validate that the total Award Amounts do not exceed the applicable cap. To the extent the total Award Amounts exceed the cap, the Plan Administrator shall reduce each Award Amount pro-rata.

4.6. Reserved. Conditions to be made to definition of Hardship Withdrawal.

4.7. For purposes of applying the Legal Deferral Requirements, to the extent any Deferred Compensation Account is to be paid in annual installments, such payments shall constitute a single payment.

5. Vesting.

5.1. Award Amounts. Participants employed by the Company will vest in Award Amounts allocated to their Deferred Compensation Accounts on the January 31$^{st}$ following the three year anniversary of the first day of each Vintage in which they were a Participant.

5.2. Earnings. Participants employed by the Company will vest in the Earnings attributable to the Vintage year and the two subsequent calendar years on January 31$^{st}$ following the day before the three year anniversary of the first day of each Vintage. Participants employed by the Company will vest in subsequent Earnings credited to any Deferred Compensation Account as and when such Earnings are credited.

5.3. Death, Disability. If a Participant dies while actively employed or ends employment while receiving disability benefits under (a) a disability program sponsored by the Company or (b) an individual disability insurance policy offered by an insurance company, then at the time that evidence of death or receipt of disability benefits under (a) or (b) has been received in a form acceptable by the Plan Administrator, the Participant shall fully vest in all amounts in his/her Deferred Compensation Account. Additionally, such Participant shall have a vested right to continued crediting of Earnings to the Participant's vested Deferred Compensation Account.

5.4. Retirement Eligibility. If a Participant ends employment with the Company voluntarily and not under circumstances that the Plan Administrator determines qualify as Cause, after the Participant has achieved five or more years of service with the Company and are age 50 or older, then that Participant will be deemed to be retirement eligible at the time their employment ends and that Participant will fully vest in all amounts in his/her Deferred Compensation Account as of the date his/her employment ends. Additionally, such Participant shall have a vested right to continued crediting of Earnings to the Participant's vested Deferred Compensation Account.

5.5. Severance. If a Participant ends employment with the Company with the offer of a Separation Agreement from the Company and that Separation Agreement is fully executed and becomes final under the terms of that Separation Agreement, then that Participant will fully vest in all amounts in his/her Deferred Compensation Account as of the date the Separation Agreement becomes final. Additionally, such Participant shall have a vested right to continued crediting of Earnings to the Participant's vested Deferred Compensation Account subject to continued compliance with all terms of the Separation Agreement.

5.6. Change in Control and Potential Change in Control. The terms of Section 9 of the Plan shall, if applicable, supersede the terms of this subsection 5.6.

5.7. Other Separations from Service. If a Participant ends employment under any circumstances that do not otherwise qualify for application of the other provisions described in this Article 5 at a time when the Participant is not fully vested, under the Plan's records, in any amount in his/her Deferred Compensation Account then such unvested amount shall be forfeit. Additionally, such Participant shall have no right to continued crediting of Earnings to any vested amounts in the Participant's Deferred Compensation Account.

5.8. Notwithstanding the terms of this Plan except Section 9 of the Plan, each Award Amount, all Earnings, and any amounts paid to any Participant shall be subject to the Company's compensation recoupment or "clawback" policy as in effect at the time of such acts, omissions or events giving rise to application of the recoupment or "clawback" policy.

6. Beneficiary Designation. The Plan Administrator shall prescribe a form on which each Participant may designate a beneficiary or beneficiaries (who may be named contingently, and among whom payments received under this Plan may be split as indicated by the individual) for purposes of receiving payment of Deferred Compensation Accounts under this Plan after the death of such individual. Each designation will be effective only upon its receipt by the Plan Administrator during the life of the individual making the designation and shall revoke all prior beneficiary designations by that individual related to this Plan. If no beneficiary or beneficiaries are designated under this Plan, then amounts payable under this plan will be paid to the beneficiary of the Participant's 401(k) plan sponsored by the Company, or if none, the Participant's estate.

7. Distribution of Deferred Compensation.

7.1. Means of Electing Distributions. In the calendar year before an individual is designated as a Plan Participant as it relates to a particular Vintage, Eligible Participants shall be provided with a Distribution Election Form by the Plan Administrator. A different Distribution Election Form will apply to each Vintage in which an individual is a Participant and any vested Earnings credited thereon. The Distribution Election Form will list the exclusive timing and forms of payment available under the Plan for the Vintage and associated Earnings to which the form applies. If payment from a Deferred Compensation Account is to be made in installments, then the amount of each installment payment will be determined by dividing the vested value of the Award Amounts associated with a Vintage and Earnings to which the Distribution Election Form applies, at the time the payment is due; by the number of remaining installments in which the deferred compensation under the Plan is to be paid until the last installment payment. If a Participant is a newly hired employee or during the first year that the Plan is effective, the Plan Administrator may solicit a Distribution Election Form on timing different than described in this subsection provided that timing is consistent with Legal Deferral Requirements.

7.2. Medium. The form of payment of all Deferred Compensation Accounts shall be cash payable in USD.

7.3. Timing and Form of Distribution. Only amounts credited to a Participant's Deferred Compensation Account and vested are eligible for distribution. The Distribution Election Form will allow Participants to choose (a) a Date Certain after the date that the Award Amount for any particular Vintage has vested, (in the second year the Plan is effective and later, such date certain may not be more than 15 years after the calendar year that the Distribution Election Form was offered to the Participant), or, (b) the End of Employment with the Company, for payment of the Award Amount and any vested Earnings associated with a Vintage. The Distribution Election Form will allow Participants to choose a form for payment that includes lump sum distribution or annual installment payments (up to a maximum of 15 years) for payment of the Award Amount and any vested Earnings associated with a Vintage.

7.3.1. Date Certain. If a Participant elects a Date Certain then distribution will commence on or after the date has arrived.

7.3.2. Death. If a Participant or former Participant dies on any date prior to completion of all payments from a Participant's Deferred Compensation Accounts, the unpaid portions of the Participant's Deferred Compensation Account shall become payable in a lump sum as soon as administratively practicable irrespective of any Distribution Election Form on file with the Plan Administrator.

7.3.3. End of Employment. If a Participant elects distribution of all or a portion of his/her Deferred Compensation Account on the end of their employment with the Company, then such distributions will commence as soon as practicable after the Plan Administrator can verify that employment with the Company ended (except that, in the case of a Key Employee, all remaining amounts in the Deferred Compensation Account shall be payable six (6) months following the end of the Participant's employment).

7.3.4. Redeferral. No later than 12 months prior to the date that payment of Award Amounts and associated Earnings from a Participant's Deferred Compensation Account associated with a particular Vintage would have commenced under the applicable Distribution Election Form, the Participant may request, complete and submit a redeferral form. The redeferral form will be consider applicable to a particular Vintage on the first day following twelve months from its submission to the Plan Administrator. In cases where the Participant elected to commence distributions on End of Employment with the Company, it can be difficult to know the date that is 12 months prior to the End of Employment. Any redeferral form completed and submitted to the Plan less than 12 months prior to the date that payment of deferred compensation would have commenced under the most recent applicable distribution election on file, will be disregarded by the Plan Administrator. If a Participant chooses to redefer then the new payment commencement date set in the redeferral form for commencement of deferred compensation payments associated with a particular Vintage cannot be less than 5 years from the date that was previously in effect on the most recent applicable election form. Additionally, if installment payments were chosen on the most recent applicable election form, then the Participant may choose to increase the number of installment payments (up to the maximum of allowed by the Plan Administrator) but a Participant may never decrease the number of installments from the number listed on the most recent applicable election form.

7.3.5. Distribution(s) of a Participant's Deferred Compensation Account shall be made on the earlier of the date payable or after any delays in payment required under Legal Deferral Requirements have passed. In no event shall American Equity Investment Life Insurance Company, any Affiliate or the Plan have an liability to anyone on account of payment being made later than the date payable due to administrative considerations or otherwise. Distributions will be processed as soon as administratively practicable after the applicable distribution date has occurred.

7.3.6. Notwithstanding any other terms of this Plan or any communications or election forms associated with this Plan, no payment of any Deferred Compensation Account shall be made at a time inconsistent with Legal Deferral Requirements.

7.3.7. To Whom Paid. All payments of a Participant's Deferred Compensation Accounts will be made to the Participant. If a Participant dies on any date prior to the date of the completion of all such payments, all unpaid value in the Participant's Deferred Compensation Accounts shall be paid consistent with Section 6.

7.3.8. Taxes. Payments under this Plan will be made after the withholding of any Federal, state, or local income, employment or other taxes legally obligated to be withheld, as determined by the Plan Administrator in its discretion. All tax liabilities arising out of deferrals under this Plan shall be the sole obligation of the Participant or his/her beneficiary, including but not limited to any tax liabilities arising out of violations of Legal Deferral Requirements. Withholding of any taxes or other items required by law may be made from each payment of a Participant's Deferred Compensation Account or from other payments due to the Participant from any Affiliate to the extent consistent with law. Payments will be tax reported on the tax form determined to be applicable by the Plan Administrator. Payments of deferred compensation from this Plan will generally be tax reported on form W-2 or any subsequent or updated form the Internal Revenue Service provides for the payment of wages.

7.3.9. No Loans and Assignments. The Plan shall make no loan, including any loan on account of any Deferred Compensation Account, to any Participant or any other person nor permit any Deferred Compensation Account to serve as the basis or security for any loan to any Participant or any other person. No Participant or any other person may sell, assign, transfer, pledge, commute, or encumber any Deferred Compensation Account or any other rights under this Plan.

7.3.10. Unliteral Payment Consistent with Law. In those circumstances permitted by law consistent with Legal Deferral Requirements, the Plan Administrator may, in its discretion, and regardless of the Participant's wishes, pay a Participant the value of the Participant's Deferred Compensation Accounts in whole or in part. No payment pursuant to this subsection shall be made in manner or at a time when prohibited under any applicable policy or law.

8. Hardship Withdrawals.

8.1. Upon the written request of an Eligible Associate or Participant, the Plan Administrator may, in its discretion and in light of any facts or considerations it deems appropriate, find that a Participant has suffered an Unforeseeable Emergency. In light of such a finding, the Plan Administrator may, to the extent the Plan Administrator determines necessary for the Participant to address the Unforeseeable Emergency, (a) avoid deferral of an Award Amount and instead pay such amount to the Participant in cash up to the maximum amount that would have been paid in cash under the Company’s short-term incentive plan; and/or (b) to the extent the Plan Administrator finds, in its discretion, that (a) is insufficient to address the Participant's Unforeseeable Emergency, make payment of all or a portion of the Participant's Deferred Compensation Accounts. The Plan Administrator shall provide the Eligible Associate or Participant with written notice of its determinations in response to the Eligible Associate's or Participant's request.

8.2. The relief granted the Participant under subsection 8.1 shall not exceed the amount necessary to satisfy the financial consequences of the Unforeseeable Emergency plus any amounts necessary to pay any of the Participant’s federal, state or local income taxes reasonably anticipated to result from the relief granted under section 8.1. In determining the amount to be distributed from the Plan on a finding of an Unforeseeable Emergency. the Plan Administrator shall require proof that the Participant has exhausted all other available sources of funding including, but not limited to, loans/withdrawals from any and all qualified pension plans, non-qualified deferred compensation plans, annuities, accounts, home equity, etc. and shall offset those available amounts from the amount distributed from this Plan. No accommodation pursuant to this Section

8.1 shall be implemented in manner or at a time when prohibited or punishable by any applicable policy or law.

8.3. If the Participant participates in any other deferred compensation plan by virtue of employment with the Company or any Affiliate, the Plan Administrator may coordinate the operation of this Section with the operation or similar provisions of any such other plan or prohibiting future deferrals into such plans.

8.4. To the extent that amounts are distributed from the Participant's Deferred Compensation Account by operation of this Section of the Plan, the Plan Administrator shall distribute from the Award Amounts and Earnings that have been vested under the Plan for the longest period of time. Any such distributed amounts will no longer be eligible for future Earnings to be credited under the Plan.

9. Potential Change in Control and Change in Control.

9.1. Notwithstanding any other terms of the Plan, no amendment or termination of the Plan which is adverse to the interests of a Participant will be of any effect as to such Participant if a Change of Control or Potential Change of Control occurs within 180 days of the date of execution of the amendment or termination.

9.2. Notwithstanding any other terms of the Plan, during a Potential Change in Control Period or a Change in Control Period:

9.2.1. the Plan may not be amended or terminated.

9.2.2. the Plan Administrator shall (i) administer, (ii) reasonably interpret, and (iii) exercise all of its powers, judgements, and discretion under the Plan, in each case so as to avoid harm to the interests of any Participant, including avoiding any violation of Legal Deferral Requirements;

9.2.3. the Plan Administrator may not adjust the value of Deferred Compensation Accounts on a basis other than as originally described in Plan materials to the Participant, except that the Plan Administrator may adjust the value of Deferred Compensation Accounts on a basis no less favorable to the Participant than the highest rate of adjustment applied to the Participant

9.2.4. the Plan Administrator shall amend the Plan as necessary to comply with Legal Deferral Requirements and avoid tax or other legal violations or penalties that will harm the interests of any Participant, unless patently unreasonable to do so; and

9.2.5. the Participant will be fully vested in all amounts in his/her Deferred Compensation Account shall have a vested right to continued crediting of Earnings to the Participant's vested Deferred Compensation Account, and once this subsection 9.2 is applicable to a Participant, no provision of Section 5, or any other Plan provision to the contrary shall apply.

9.3. The following definitions shall apply under this Section 9:

9.3.1. "Beneficial Ownership" shall have the meaning ascribed to such term under Rule 13d-3 under the Exchange Act.

9.3.2. "Board American Equity Investment Life Holding Company Board of Directors.

9.3.3. "Change in Control" shall have the meaning ascribed to such term under the Form of Change in Control Agreement in Exhibit 10.1 to the American Equity Investment Life Holding Company Form 8-K filed on December 14, 2012, including any applicable embedded defined terms therein.

9.3.4. "Change of Control Period" means the period of time beginning on the date of Change in Control and until the payment of all Deferred Compensation Accounts to all Participants.

9.3.5. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

9.3.6. "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act, as supplemented by Section 13(d)(3) of the Exchange Act, and shall include any group (within the meaning of Rule 13d-5(b) under the Exchange Act); provided, however, that "Person" shall not include (a) American Equity Investment Life Holding Company or any Affiliate, or (b) any employee benefit plan (including an employee stock ownership plan) sponsored by American Equity Investment Life Holding Company or any Affiliate.

9.3.7. “Potential Change in Control” means the public proposal or public statement of intent or consideration, by the Company or by any other person, of a transaction or intended actions the result of which would be a Change in Control.

9.3.8. “Potential Change in Control Period” means the period of time beginning on the date of a Potential Change in Control and until the earlier of a Change in Control or a good faith determination by the American Equity Investment Life Holding Company Compensation and Talent Management Committee that the Potential Change in Control is clearly unlikely to result in a Change in Control.

10. Nature of the Liability. All amounts deferred in this Plan or in any Participant's Deferred Compensation Account, irrespective of label, and including but not limited to, Award Amounts and Earnings, are for recordkeeping purposes only and do not create any right property, security, or interest in any assets of the Company, any Affiliate or any other party. All amounts deferred in this Plan or in Deferred Compensation Accounts accrued under this Plan are subject to the claims of general creditors of the Company Notwithstanding foregoing, if, in the discretion of the Plan Administrator, the Participant’s Deferred Compensation Account should be transferred from the Company to any Affiliate or from the Company or any Affiliate to a third party then employing the Participant ceases to be an Affiliate, the Plan Administrator may determine on, before or after the date of the transaction in which the Affiliate ceased to be an Affiliate, that the liabilities associated with some or all of the employees of that Affiliate who are Participants shall transfer from the Company to another entity that does or will employ the Participant or former Participant. Although the Plan is intended to be designed and administered in complete accordance with Legal Deferral Requirements, in no event shall the Company, any Affiliate, or the Plan have any liability to anyone for any taxes, penalties, or other losses on account of the Plan or its administration failing to comply with Legal Deferral Requirements.

11. No Guarantee of Employment. No Limitation on Employer Action. Nothing in this Plan shall interfere with or limit in any way the right of any employer to establish the terms and conditions of employment of any individual, including but not limited to compensation and benefits, or to terminate the employment of any individual, nor confer on any individual the right to continue in the employ of any employer. Nothing in this Plan shall limit the right of any employer to establish any other compensation or benefit plan. No Deferred Compensation Account shall be treated as compensation for purposes of a Participant's right under any other plan, policy, or program, except as stated or provided in such plan, policy, or program. Nothing in this Plan shall be construed to limit, impair, or otherwise affect the right of any entity to make adjustments, reorganizations, or changes to its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell, or transfer all or any part of its business or assets.

12. Term of Plan. This Plan shall be effective on and after January 1, 2022. and shall continue in effect unless and until it is terminated pursuant to its terms.

13. Governing Law. The Plan shall be construed in accordance with and governed by Iowa law, without regard to principles of conflict of laws.

14. Entire Plan; Third Party Beneficiaries. This Plan document is the entire expression of the Plan, and no other oral or written communication, other than documents authorized under this Plan and fulfilling its express terms, shall determine the terms of the Plan or the terms of any agreement between an Eligible Associate or Participant and an Affiliate with regard to the Plan or Deferred Compensation Accounts. There are no third-party beneficiaries to this Plan, other than Participants’ respective beneficiaries designated under the terms of this Plan.

15. Amendment and Termination Consistent with Law. To the extent permissible under law, including Legal Deferral Requirements and subject to the restrictions of Section 9 of the Plan, the Plan Administrator may amend, modify, suspend, or terminate this Plan at any time. Any such amendment or termination will not reduce the amount in Deferred Compensation Accounts accrued under this Plan prior to the execution of such amendment or termination. Furthermore, no amendments shall be made that could reduce or diminish vested amounts in Participant Deferred Compensation Accounts, modify the Earnings or Overall Earnings Rate applied to vested amounts under the Plan or any other means for adjusting the value of vested amounts in Deferred Compensation Accounts.

16. Qualified Domestic Relations Orders. After receipt and time for appropriate review, the Plan Administrator will recognize and make distributions or designations relating to any portion of a Participant's Deferred Compensation Accounts in favor of the Participant's spouse, former spouse or dependents to the extent such action is mandated by the terms of a qualified domestic relations order as defined in Section 414(p) of the Code. However, any such order may not require an amount, formulation or provision of benefits, distribution timing or forms of payment not otherwise permitted under the Plan. In cases where the qualified domestic relations order does not state a specific time and form for distribution of the interest of the spouse, former spouse or dependents, then the interest of such individuals will be paid directly to them in a lump sum as soon as administratively possible after the Plan Administrator reviews the court order and determines that it properly applies to the Plan.

17. Claims. Claims for benefits and appeals of denied claims under the Plan shall be administered in accordance with Section 503 of ERISA, regulations thereunder (and any other law that amends, supplements, or supersedes said section of ERISA), and any procedures adopted by the Plan Administrator. The claims procedures referenced above are incorporated in this Plan by this reference. For the avoidance of doubt, except as provided in Section 9 of the Plan, the Plan Administrator or his or her designee has full power and discretion to interpret and construe all terms, provisions, conditions and limitations of the Plan and to determine all questions arising out of or in connection with the provisions of the Plan, ambiguities in

Plan language and full power and discretion over administration of the Plan and to make any and all administrative decisions, policies and procedures in any and all cases. The decision of the Plan Administrator on a claim shall be final and binding on the Plan and its Participants.

18. Definitions. Capitalized terms in this Plan, and their forms, shall have following meanings:

18.1. “Affiliate” shall mean any corporation, partnership, limited liability company, trust or other entity which directly, or indirectly through one or more intermediaries, controls or is controlled by American Equity Investment Life Insurance Company or is a member of a controlled group of corporations, as defined in the Code, that includes American Equity Investment Life Insurance Company.

18.2. “Amount Available for Deferred Compensation Awards” shall mean the total or aggregate amount that can be allocated to individual Participant Deferred Compensation Accounts for any single Vintage. The Amount Available for Deferred Compensation Awards shall be zero for any Vintage where the target for Private Asset equities purchased under subsection 4.1(a) of the Plan has not been achieved. In Vintages where the target set in subsection 4.1(a) of the Plan has been met then the following maximums apply. For the first Vintage under the Plan, the maximum Amount Available for Deferred Compensation Awards shall be 5% of the total amount purchased in Private Asset equity investments during the calendar year that represents the Vintage. For the second Vintage under the Plan and beyond, the maximum Amount Available for Deferred Compensation Awards shall be 10% of the total amount purchased in Private Asset equity investments during the calendar year that represents the Vintage. The Company is under no obligation to allocate the full “Amount Available for Deferred Compensation Awards” and amounts unallocated or forfeited under the Plan do not increase the allocation of any other Participant.

18.3. “Award Amount” Shall mean the portion of the Amount Available for Deferred Compensation Awards that is allocated to an individual Participant’s Deferred Compensation Account in respect of any Vintage.

18.4. “Cause” shall have the same meaning as “For Cause” as defined the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan, as amended.

18.5. “Code” shall mean the Internal Revenue Code of the United States.

18.6. “Company” General references to the “Company” shall mean American Equity Investment Life Insurance Company and Affiliates. All determinations, certifications, standards, settings, values or other actions that must be taken under the Plan by the “Company” shall be done through the Company’s delegates. The Company’s delegate for all purposes assigned to it under this Plan is the Plan Administrator. The Plan Administrator, may, in turn exercise its delegation and other rights consistent with the Plan.

18.7. “Date Certain” shall mean a specific future date (including a minimum of month and year) chosen by the Participant for payment of deferred compensation under this Plan. By way of example, December 2026, is a Date Certain as is December 1, 2026. Participants may choose a different Date Certain for commencement of payment of each Vintage Award Amount or associated Earnings thereon. Participants must choose a Date Certain that is after the vesting of the Award Amount associated with a particular Vintage.

18.8. “Deferred Compensation Account” shall mean the notional recordkeeping account used to track the value of an individual Participant’s deferred compensation under this Plan. The Deferred Compensation Account includes, but is not limited to, tracking all Award Amounts and Earnings allocated under the Plan to any Participant. The value of each Deferred Compensation Account shall be adjusted as provided in this Plan.

18.9. “Distribution Election Form” shall mean the election form provided by the Plan Administrator to an Eligible Participant on which the Eligible Participant specifies the timing for commencement (Date Certain or End of Employment) and form (lump sum or installments over time not to exceed 15 years) for distribution of any vested Award Amount or vested Earnings credited thereon under the Plan and associated with a particular Vintage.

18.10. “Earnings” shall, for years one through three of each Vintage, equal the Overall Earnings Rate. The Overall Earnings Rate is applied in the calendar year following the day before the third anniversary of the first day of a Vintage. Annually, after the completion of each calendar year starting with the 4th anniversary of the first day of each Vintage, the Participant will continue to be credited with the annual rate of return earned by the Company and all Affiliates on Private Asset equity investments purchased during the Vintage multiplied by the same multiplier (0, 1, 2 or 2.5) that was set and applied to the Overall Earnings Rate. Except as noted in more specific Sections of the Plan, earnings will continue to be credited to each Participant until the date on which the Award Amount for that particular Vintage is distributed from the Plan to that Participant or beneficiary.

18.11. “Eligible Participant” shall mean employees described in Section 3 of the Plan.

18.12. “End of Employment” shall mean a separation from service under Code Section 409A.

18.13. “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

18.14. “Executive Officer” shall mean as defined in the Charter of the American Equity Investment Life Holding Company Compensation and Talent Management Committee.

18.15. “Key Employee” shall mean a specified employee as defined under Code section 409A, with a specified employee effective date as of September 30th of the prior calendar year as determined by the Plan Administrator.

18.16. “Legal Deferral Requirements” shall mean requirements under law to achieve deferral of income taxation, including but not limited to Code Section 409A and any regulations promulgated thereunder.

18.17. “Level Two Participant” shall mean an employee who is not an Executive Officer and who is a direct report of the CEO or a direct report of another employee who is themselves a direct report of the CEO.

18.18. “Overall Earnings Rate” shall mean the aggregate performance of Private Asset equity investments over the three-year period commencing on the first day of a Vintage and ending on the date that is the day before the three year anniversary of the commencement of the Vintage. If the aggregate three year performance is below target, then the Overall Earnings Rate shall be zero (0). If the aggregate three year performance is at target then the Overall Earnings Rate shall equal the annual rate of return earned by the Company and all Affiliates on Private Asset equity investments purchased during the Vintage. If the aggregate three year performance is above target then the Overall Earnings Rate shall equal the annual rate of return earned by the Company and all Affiliates on Private Asset equity investments purchased during the Vintage multiplied by 1.5. If the aggregate three year performance is at maximum then the Overall Earnings Rate shall equal the annual rate of return earned by the Company and all Affiliates on Private Asset equity investments purchased during the Vintage multiplied by 2.0. If the aggregate three year performance exceeds maximum then the Overall Earnings Rate shall equal the annual rate of return earned by the Company and all Affiliates on Private Asset equity investments purchased during the Vintage multiplied by 2.5. Once the Overall Earnings Rate for a Vintage is set by the Company it is applied to the Award Amount allocated to each Participant’s Deferred Compensation Account for a particular Vintage.

18.19. “Participant” shall refer to the employees described in Section 3 of the Plan.

18.20. “Plan” shall mean this American Equity Management Incentive Plan.

18.21. “Plan Administrator” shall mean the CHRO and or his/her designee.

18.22. “Private Assets” shall mean investments that are not publicly traded or listed on a public stock exchange and that are not part of the Company’s core fixed income investment portfolio. Private Asset equity investments are Private Asset investments that are structured and negotiated by the Company where the Company owns an equity or residual interest in an entity, special purpose vehicle, trust, division, fund, partnership, limited partnership or any form of corporation. Private Asset equity investments purchased during a calendar year or Vintage means the amount of the transaction that has funded resulting in an economic interest or right to a future economic interest in the vehicle being acquired by the Company by the end of that calendar year or Vintage.

18.23. “Unforeseeable Emergency” shall mean severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, in any case that is not or cannot be relieved by the Participant through reimbursement or compensation by insurance or otherwise, liquidation of the Participant's assets (to the extent such liquidation would not itself cause severe financial hardship), and in any case solely to the extent consistent with the grounds for action by the Plan Administrator under this Plan consistent with Legal Deferral Requirements.

18.24. “Vintage” shall refer to each calendar year for which the Plan is in effect.

IN WITNESS WHEREOF, this American Equity Management Incentive Plan is effective as stated above and is approved by:

PLAN ADMINISTRATOR

/s/ Phyllis Zanghi

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anant Bhalla, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Equity Investment Life Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | | | |
|---|---|---|---|
| Date: | May 9, 2022 | By: | /s/ Anant Bhalla |
| | | | Anant Bhalla |
| | | | Chief Executive Officer and President |
| | | | *(Principal Executive Officer)* |

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Axel Andre, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Equity Investment Life Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2022

By: /s/ Axel Andre
Axel Andre
Chief Financial Officer and Executive Vice President
*(Principal Financial Officer)*

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of American Equity Investment Life Holding Company (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Anant Bhalla, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2022

By: /s/ Anant Bhalla
Anant Bhalla
Chief Executive Officer and President
*(Principal Executive Officer)*

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of American Equity Investment Life Holding Company (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Axel Andre, Chief Financial Officer and Executive Vice President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2022

By: /s/ Axel Andre
Axel Andre
Chief Financial Officer and Executive Vice President
*(Principal Financial Officer)*