QuickLinks -- Click here to rapidly navigate through this document

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 June 30, 2003

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

For the transition period from ______________ to ______________

Commission File Number: 0-25985

American Equity Investment Life Holding Company

(Exact name of registrant as specified in its charter)

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

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

(515) 221-0002
(Telephone)

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

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

Yes ☒ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☒

APPLICABLE TO CORPORATE ISSUERS:

Shares of common stock outstanding at July 29, 2003: 14,331,088

PART I.—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2003	December 31, 2002
Assets		
Cash and investments:		
Fixed maturity securities:		
Available for sale, at market (amortized cost: 2003—$3,105,060; 2002—$3,796,914)	$ 3,085,017	$ 3,753,144
Held for investment, at amortized cost (market: 2003—$1,871,535; 2002—$1,151,337)	1,874,065	1,149,510
Equity securities, available for sale, at market (cost: 2003—$54,674; 2002—$18,051)	55,674	17,006
Mortgage loans on real estate	465,278	334,339
Derivative instruments	90,103	52,313
Policy loans	298	295
Cash and cash equivalents	15,071	21,163
Total cash and investments	5,585,506	5,327,770
Premiums due and uncollected	1,487	1,371
Accrued investment income	22,695	36,716

Receivables from related parties		16,342		20,949
Property, furniture, and equipment, less allowances for depreciation of $3,976 in 2003 and $4,011 in 2002		1,513		1,675
Deferred policy acquisition costs		618,343		595,450
Deferred income tax asset		40,311		50,711
Federal income taxes recoverable		6,995		—
Other assets		37,029		4,814
Assets held in separate account		2,722		2,810
Total assets	$	6,332,943	$	6,042,266

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

		June 30, 2003		December 31, 2002
Liabilities and Stockholders' Equity				
Liabilities:				
Policy benefit reserves:				
Traditional life and accident and health insurance products	$	37,211	$	33,089
Annuity and single premium universal life products		5,829,914		5,419,276
Other policy funds and contract claims		47,080		35,644
Amounts due to related party under General Agency Commission and Servicing Agreement		30,977		40,345
Other amounts due to related parties		27,490		4,363
Notes payable		35,667		43,333
Amounts due to reinsurer		682		10,908
Amounts due under repurchase agreements		100,000		241,731
Federal income taxes payable		—		8,187
Other liabilities		25,735		24,616
Liabilities related to separate account		2,722		2,810
Total liabilities		6,137,478		5,864,302
Minority interests in subsidiaries:				
Company-obligated mandatorily redeemable preferred securities ofsubsidiary trusts		100,747		100,486
Stockholders' equity:				
Series Preferred Stock, par value $1 per share, 2,000,000 shares authorized; 625,000 shares of 1998 Series A Participating Preferred Stock issued and outstanding		625		625
Common Stock, par value $1 per share, 75,000,000 shares authorized; issued and outstanding: 2003—14,331,088 shares; 2002—14,438,452 shares		14,331		14,438
Additional paid-in capital		56,220		56,811
Accumulated other comprehensive loss		(4,866)		(11,944)
Retained earnings		28,408		17,548
Total stockholders' equity		94,718		77,478
Total liabilities and stockholders' equity	$	6,332,943	$	6,042,266

See accompanying notes.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
		2003		2002		2003		2002
Revenues:								
Traditional life and accident and health insurance premiums	$	3,256	$	4,383	$	6,858	$	7,320
Annuity and single premium universal life product charges		5,494		3,459		11,225		6,476
Net investment income		84,182		76,592		174,824		144,178
Realized gains (losses) on investments		7,592		569		7,788		(518)
Change in fair value of derivatives		33,053		(34,314)		19,091		(43,986)
Total revenues		133,577		50,689		219,786		113,470
Benefits and expenses:								
Insurance policy benefits and change in future policy benefits		3,261		2,703		5,584		5,024
Interest credited to account balances		56,111		42,801		109,815		79,023
Change in fair value of embedded derivatives		39,290		(22,756)		41,234		(17,411)
Interest expense on notes payable		369		539		804		1,096
Interest expense on General Agency Commission and Servicing Agreement		804		949		1,713		1,999
Interest expense on amounts due under repurchase agreements		—		—		436		—

Other interest expense	65	771	138	888
Amortization of deferred policy acquisition costs	15,442	10,756	26,932	17,890
Other operating costs and expenses	6,628	6,661	12,827	9,966
Total benefits and expenses	121,970	42,424	199,483	98,475
Income before income taxes, minority interests	11,607	8,265	20,303	14,995
Income tax expense	3,363	2,152	5,721	3,762
Income before minority interests	8,244	6,113	14,582	11,233
Minority interests in subsidiaries:				
Earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts	1,861	1,862	3,722	3,724
Net income	$ 6,383	$ 4,251	$ 10,860	$ 7,509
Earnings per common share	$ 0.39	$ 0.26	$ 0.67	$ 0.46
Earnings per common share—assuming dilution	$ 0.37	$ 0.23	$ 0.61	$ 0.41

See accompanying notes.

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance at January 1, 2002	$ 625	$ 14,517	$ 57,452	$ (33,531)	$ 3,504	$ 42,567
Comprehensive income:						
Net income for period	—	—	—	—	7,509	7,509
Change in net unrealized investment gains/losses	—	—	—	15,194	—	15,194
Total comprehensive income						22,703
Issuance of 34,228 shares of common stock	—	34	103	—	—	137
Acquisition of 109,000 shares of common stock	—	(109)	(678)	—	—	(787)
Balance at June 30, 2002	$ 625	$ 14,442	$ 56,877	$ (18,337)	$ 11,013	$ 64,620
Balance at January 1, 2003	$ 625	$ 14,438	$ 56,811	$ (11,944)	$ 17,548	$ 77,478
Comprehensive income:						
Net income for period	—	—	—	—	10,860	10,860
Change in net unrealized investment gains/losses	—	—	—	7,078	—	7,078
Total comprehensive income						17,938
Acquisition of 1,369,500 shares of common stock	—	(1,369)	(7,533)	—	—	(8,902)
Transfer of 1,262,136 shares of common stock to the NMO Deferred Compensation Trust	—	1,262	6,942	—	—	8,204
Balance at June 30, 2003	$ 625	$ 14,331	$ 56,220	$ (4,866)	$ 28,408	$ 94,718

Total comprehensive income for the second quarter of 2003 was $15.5 million and was comprised of net income of $6.4 million and a decrease in net unrealized depreciation of available for sale fixed maturity securities and equity securities of $9.1 million.

Total comprehensive income for the second quarter of 2002 was $77.6 million and was comprised of net income of $4.3 million and a decrease in net unrealized depreciation of available for sale fixed maturity securities and equity securities of $73.3 million.

See accompanying notes.

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

	Six months ended June 30,	
	2003	2002
Operating activities		
Net income	$ 10,860	$ 7,509
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		

Adjustments related to interest sensitive products:		
Interest credited to account balances	109,815	79,023
Annuity and single premium universal life product charges	(11,225)	(6,476)
Change in fair value of embedded derivatives	41,234	(17,411)
Increase in traditional life insurance and accident and health reserves	4,122	4,681
Policy acquisition costs deferred	(48,622)	(87,870)
Amortization of deferred policy acquisition costs	26,932	17,890
Provision for depreciation and other amortization	566	553
Amortization of discount and premiums on fixed maturity securities	(86,474)	(53,539)
Realized losses (gains) on investments	(7,788)	518
Change in fair value of derivatives	(19,091)	43,986
Deferred income taxes	6,588	(662)
Reduction of amounts due to related party under General Agency Commission and Servicing Agreement	(9,368)	(8,939)
Changes in other operating assets and liabilities:		
Accrued investment income	14,021	(8,297)
Receivables from related parties	4,607	4,277
Federal income taxes recoverable/payable	(15,182)	6,339
Other policy funds and contract claims	11,436	7,811
Other amounts due to related parties	22,300	(3,469)
Other liabilities	9,288	(3,345)
Other	(910)	1,248
Net cash provided (used in) by operating activities	63,109	(16,173)
Investing Activities		
Sales, maturities, or repayments of investments:		
Fixed maturity securities—available for sale	1,710,151	455,737
Fixed maturity securities—held for investment	553,741	—
Equity securities—available for sale	10,579	1,175
Mortgage loans on real estate	4,121	1,037
Derivative instruments	15,886	4,626
	2,294,478	462,575
Acquisition of investments:		
Fixed maturity securities—available for sale	(995,283)	(828,983)
Fixed maturity securities—held for investment	(1,239,181)	(215,161)
Equity securities—available for sale	(47,078)	(4,229)
Mortgage loans on real estate	(135,060)	(75,640)
Derivative instruments	(33,758)	(47,933)
Policy loans	(3)	(13)
	(2,450,363)	(1,171,959)
Purchases of property, furniture and equipment	(285)	(421)
Net cash used in investing activities	(156,170)	(709,805)

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

	Six months ended June 30, 2003	Six months ended June 30, 2002
Financing activities		
Receipts credited to annuity and single premium universal life policyholder account balances	$ 492,356	$ 841,996
Return of annuity and single premium universal life policyholder account balances	(236,771)	(145,098)
Financing fees incurred and deferred	(91)	—
Decrease in amounts due under repurchase agreements	(141,731)	—
Repayments of notes payable	(7,666)	(6,667)
Amounts due to reinsurers	(10,226)	(1,364)
Net acquisition of common stock	(8,902)	(650)
Net cash provided by financing activities	86,969	688,217
Decrease in cash and cash equivalents	(6,092)	(37,761)
Cash and cash equivalents at beginning of period	21,163	184,130
Cash and cash equivalents at end of period	$ 15,071	$ 146,369
Supplemental disclosures of cash flow information		
Cash paid (received) during period for:		
Interest on notes payable and repurchase agreements	$ 1,338	$ 2,109
Income taxes—life subsidiaries	14,315	(1,915)
Non-cash financing and investing activities:		

Bonus interest deferred as policy acquisition costs	15,233	13,560
Transfer of 1,262,136 shares of common stock to NMO Deferred Compensation Trust	8,204	—

See accompanying notes.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of American Equity Investment Life Holding Company (the Company) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by GAAP for complete financial statements. The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly our financial position and results of operations on a basis consistent with the prior audited financial statements. Operating results for the three-month and six-month periods ended June 30, 2003, are not necessarily indicative of the results that may be expected for the year ended December 31, 2003. For further information, refer to the consolidated financial statements and notes for the year ended December 31, 2002 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. Statement No. 150 must be applied immediately to instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the third quarter of 2003. Our company-obligated mandatorily redeemable preferred securities of subsidiary trusts, with an aggregate carrying value of $100.7 million at June 30, 2003, will be reclassified to liabilities upon adoption of this Statement. There will not be any adjustment to the carrying values of these instruments upon reclassification. Amounts previously classified as dividends from these financial instruments (approximately $1.9 million per quarter) will be recorded as interest expense upon adoption of Statement No. 150 on a prospective basis. The adoption of Statement No. 150 will not impact net income applicable to common stock or earnings per common share.

In June 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position (SOP) 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts". The SOP provides guidance on the accounting for sales inducements. We expect to adopt this SOP when it becomes effective in the first quarter of 2004 and will need to change our presentation of deferred expenses relating to sales inducements at the time.

Certain amounts in the unaudited consolidated financial statements for the period ended June 30, 2002 have been reclassified to conform to the financial statement presentation for June 30, 2003 and December 31, 2002.

2. General Agency Commission and Servicing Agreement

The Company has a General Agency Commission and Servicing Agreement with American Equity Investment Service Company (the Service Company), wholly owned by the Company's chairman, whereby, the Service Company acts as a national supervisory agent with responsibility for paying commissions to agents of the Company. This Agreement is more fully described in Note 8 to the Audited Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

During the six months ended June 30, 2003 and 2002, the Company paid renewal commissions to the Service Company of $11.1 million and $10.9 million, respectively, which were used to reduce the amount due under the General Agency Commission and Servicing Agreement, and amounts attributable to imputed interest.

As one of its sources of funds the Service Company borrowed money from the Company. At June 30, 2003 and December 31, 2002, the amounts receivable from the Service Company totaled $15.8 million and $20.5 million, respectively. Principal and interest are payable quarterly over the five years from the date of the advance.

3. Reinsurance

The Company has given notice of termination and recapture of all reserves subject to a reinsurance agreement with a subsidiary of Swiss Reinsurance Company ("Swiss Re"). This agreement is more fully described in Note 5 to the Audited Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. The termination and recapture is to be effective on September 30, 2003.

The Company has also entered into a reinsurance transaction with Hannover Life Reassurance Company ("Hannover") to be effective on September 30, 2003. This transaction and the underlying agreement are similar to the transaction with Hannover that was entered into during 2002. The 2002 transaction with Hannover is more fully described in Note 5 to the Audited Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Each of these transactions are treated as reinsurance under statutory accounting practices and as financial reinsurance under GAAP. The statutory surplus benefit that will be eliminated by the termination of the Swiss Re agreement will be replaced by the statutory surplus benefit provided by the new Hannover agreement. The termination of the Swiss Re agreement will result in the full repayment of the expense allowance allowed under the agreement which was previously being repaid ratably over a five-year period and is reported in the consolidated balance sheets as "Amounts due to Reinsurer".

4. Notes Payable

The Company amended its credit agreement during August 2003. The amended agreement requires that the financial strength ratings for American Equity Investment Life Insurance Company issued by A.M. Best and Standard & Poor's may not be less than the current financial strength ratings of B++ and BBB+, respectively. The line of credit is more fully described in Note 7 to the Audited Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

5. Retirement and Stock Compensation Plans

During the second quarter of 2003, the Company created a Rabbi Trust, the NMO Deferred Compensation Trust (the "Trust") and contributed 1,262,136 shares of its common stock to the Trust to fund the vested share liability as of January 1, 2003 established under the American Equity Investment NMO Deferred Compensation Plan. This Plan is more fully described in Note 10 to the Audited Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. In accordance with FASB's Emerging Issues Task Force Issue No. 97-14, *"Accounting for Deferred Compensation Arrangements where Amounts Earned are Held in a Rabbi Trust and Invested"*, the stock held in the Trust is included as part of common stock issued and outstanding.

6. Earnings Per Share

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

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six months Ended June 30, 2003	Six months Ended June 30, 2002
	(Dollars in thousands, except per share data)			
Numerator:				
Net income	$ 6,383	$ 4,251	$ 10,860	$ 7,509
Denominator:				
Weighted average common shares outstanding	14,372,382	14,523,636	14,405,234	14,518,555
Participating preferred stock	1,875,000	1,875,000	1,875,000	1,875,000
Denominator for earnings per common share	16,247,382	16,398,636	16,280,234	16,393,555
Effect of dilutive securities:				
Stock options, management subscription rights and warrants	377,812	831,632	377,812	835,448
Deferred compensation agreements	778,638	1,088,354	1,162,419	1,088,354
Denominator for earnings per common share—assuming dilution	17,403,832	18,318,622	17,820,465	18,317,357
Earnings per common share	$ 0.39	$ 0.26	$ 0.67	$ 0.46
Earnings per common share—assuming dilution	$ 0.37	$ 0.23	$ 0.61	$ 0.41

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

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

Management's discussion and analysis reviews our consolidated financial position at June 30, 2003, and the consolidated results of operations for the periods ended June 30, 2003 and 2002, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto appearing elsewhere in this Form 10-Q, and the audited consolidated financial statements, notes thereto and selected consolidated financial data appearing in our Annual Report on Form 10-K for the year ended December 31, 2002.

All statements, trend analyses and other information contained in this report and elsewhere (such as in filings by us with the Securities and Exchange Commission, press releases, presentations by us or our management or oral statements) relative to markets for our products and trends in our operations or financial results, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors include, among other things:

- general economic conditions and other factors, including prevailing interest rate levels and stock and credit market performance which may affect (among other things) our ability to sell our products, our ability to access capital resources and the costs associated therewith, the market value of our investments and the lapse rate and profitability of policies
- customer response to new products and marketing initiatives
- mortality and other factors which may affect the profitability of our products
- changes in Federal income tax laws and regulations which may affect the relative income tax advantages of our products
- increasing competition in the sale of annuities
- regulatory changes or actions, including those relating to regulation of financial services affecting (among other things) bank sales and underwriting of insurance products and regulation of the sale, underwriting and pricing of products
- the risk factors or uncertainties listed from time to time in our private placement memorandums or filings with the Securities and Exchange Commission

Results of Operations

Three and Six Months Ended June 30, 2003 and 2002

Premiums and deposits (before and net of coinsurance) collected during the six months ended June 30, 2003 and 2002, by product category, were as follows:

Product Type	Six months ended June 30, 2003	Six months ended June 30, 2002	Six months ended June 30, 2003	Six months ended June 30, 2002
	(Dollars in thousands) (Before coinsurance)		(Dollars in thousands) (Net of coinsurance)	
Equity Index Annuities:				

Index Strategies	$ 307,148	$ 456,064	$ 187,212	$ 275,628
Fixed Strategy	163,813	328,109	99,846	198,297
	470,961	784,173	287,058	473,925
Fixed Rate Annuities:				
Single-Year Rate Guaranteed	283,240	288,868	172,088	174,833
Multi-Year Rate Guaranteed	33,210	193,238	33,210	193,238
	316,450	482,106	205,298	368,071
Life Insurance	6,493	6,925	6,493	6,925
Accident and Health	365	395	365	395
Variable Annuities	—	28	—	28
	$ 794,269	$ 1,273,627	$ 499,214	$ 849,344

For information related to our coinsurance agreement, see Note 5 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

The reduction in annuity deposits in 2003 resulted from actions taken by us to manage our capital position, including reductions in our interest crediting rates on both new and existing annuities, reductions in sales commissions and suspension of sales of certain annuity products. We will continue to monitor our levels of production and take such actions as we believe appropriate to help maintain our rate of production within the range that our statutory capital and surplus of our life subsidiaries will support.

Our net income increased 50% to $6.4 million for the second quarter of 2003, and 45% to $10.9 million for the six months ended June 30, 2003, compared to $4.3 million and $7.5 million for the same period in 2002. The growth in net income is directly tied to: (i) growth in our assets, (ii) decreases in interest crediting rates, and (iii) realized gains on sales of investments.

Annuity and single premium universal life product charges (surrender charges assessed against policy withdrawals and mortality and expense charges assessed against single premium universal life policyholder account balances) increased 59% to $5.5 million for the second quarter of 2003, and 73% to $11.2 million for the six months ended June 30, 2003 compared to $3.5 million and $6.5 million for the same periods in 2002. These increases are principally attributable to the growth in our annuity business and correspondingly, an increase in annuity policy withdrawals subject to surrender charges. Withdrawals from annuity and single premium universal life policies were $236.8 for the six months ended June 30, 2003 compared to $145.1 million for the same period in 2002.

Net investment income increased 10% to $84.2 million in the second quarter of 2003, and 21% to $174.8 million for the six months ended June 30, 2003 compared to $76.6 million and $144.2 million for the same periods in 2002. These increases are principally attributable to the growth in our annuity business and corresponding increases in our invested assets. Invested assets (amortized cost basis) increased 20% to $5,499.4 million at June 30, 2003 compared to $4,574.0 million at June 30, 2002, while the weighted average yield earned on average invested assets was 6.72% for the six months ended June 30, 2003 compared to 6.92% for the same period in 2002.

Realized gains (losses) on the sale of investments were $7.6 million in the second quarter of 2003 compared to $0.6 million for the same period in 2002. For the six months ended June 30, 2003, we had realized gains of $7.8 million compared to realized losses of $0.5 million for the same period in 2002. In the first six months of

2003, realized gains of $7.8 million included: (i) net realized gains of $10.7 million on the sale of certain corporate fixed maturity and equity securities and (ii) the write down of $2.9 million in the fair value of a security in recognition of an "other than temporary" impairment.

Change in fair value of derivatives that we hold to fund the annual index credits on our index annuities was an increase of $33.1 million in the second quarter of 2003, and an increase of $19.1 million for the six months ended June 30, 2003 compared to a decline of $34.3 million and a decline of $44.0 million for the same periods in 2002. The difference between the change in fair value of derivatives between the periods is primarily due to the performance of the indexes upon which our call options are based. The change in fair value of derivatives arises from SFAS No. 133, which requires that we mark to market the purchased call options we use to fund the annual index credits on our index annuities. We include this as a component of our revenues. See Critical Accounting Policies—Derivative Instruments—Equity Index Products included in Management's Discussion and Analysis found in the Annual Report on Form 10-K.

Interest credited to account balances increased 31% to $56.1 million in the second quarter of 2003, and 39% to $109.8 million for the six months ended June 30, 2003 compared to $42.8 million and $79.0 for the same periods in 2002. These increases are principally attributable to the increase in annuity liabilities, and also to the increased costs of funding the minimum guaranteed interest credited on our index policies, as described below. Such increases were offset in part by several reductions in interest crediting rates that we implemented in 2003 and 2002 in connection with our spread management process.

Weighted average crediting rates as of June 30, 2003 and 2002 for our annuity liabilities, are summarized as follows:

	Fixed Rate (without bonuses)	Fixed Rate (with bonuses)	Net Equity Index Costs
June 30, 2003	4.58%	5.15%	3.79%
June 30, 2002	5.37%	5.75%	3.54%

The above weighted average crediting rates for our fixed rate annuities include multi-year rate guaranteed, annually adjustable rate products and the portion of index annuity liabilities allocated to an annually adjustable fixed rate option. Such rates are disclosed with and without the impact of first-year bonuses paid to policyholders. Generally such bonuses are deducted from the commissions paid to sales agents on such products and deferred as policy acquisition costs. With respect to our index annuities, index costs represent the expenses we incur to fund the annual index credits and minimum guaranteed interest credited on the index business. Gains realized on such options are recorded as part of the change in fair value of derivatives, and are also reflected as an expense in interest credited to annuity policyholder account balances. In addition to the cost of options to fund the annual index credits on the index business, we credited to policyholder accounts minimum guarantees during the six months ended June 30, 2003 and 2002 on these contracts. The estimated weighted average cost of credits to policyholder accounts for these minimum guarantees on these contracts during the six months ended June 30, 2003 and 2002 was 0.27% and 0.24%, respectively. See Critical Accounting Policies—Derivatives Instruments—Equity Index Products and Note 1 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

Change in fair value of embedded derivatives increased to $39.3 million in the second quarter of 2003 and to $41.2 million for the six months ended June 30, 2003 compared to ($22.8) million and ($17.4) million for the same periods in 2002. These amounts arise from SFAS No. 133, which requires recognition of the change in estimated fair value of index annuity reserves. Under SFAS No. 133, the annual crediting liabilities on our index annuities are treated as a "series of embedded derivatives" over the life of the applicable contracts. We are required to estimate the fair value of these future liabilities by projecting the cost of the annual options we will purchase in the future to fund index credits. See Critical Accounting Policies—Derivative Instruments—Equity Index Products and Note 1 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

Amortization of deferred policy acquisition costs increased 44% to $15.4 million in the second quarter of 2003, and 50% to $26.9 million for the six months ended June 30, 2003 compared to $10.8 million and $17.9 million for the same periods in 2002. This increase is due to growth in our annuity business as discussed above. Additional amortization associated with realized gains on investments sold during the second quarter of 2003 was $3.7 million in the second quarter and first six months of 2003. See Notes 1 and 4 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

Other operating costs and expenses totaled $6.6 million in the second quarter of 2003 compared to $6.7 million for the same period in 2002. Other operating costs and expenses increased 29% to $12.8 million for the six months ended June 30, 2003 compared to $9.9 million for the same periods in 2002. This increase is principally attributable to increases in marketing expenses, employees and related salaries and costs of employment due to growth in our annuity business. In addition, during the first quarter of 2002 we received a refund of approximately $0.5 million as a result of the cancellation of our agents convention scheduled for the week of September 11, 2001, which reduced our other operating costs and expenses for the first six months of 2002.

Income tax expense increased 56% to $3.4 million in the second quarter of 2003, and 52% to $5.7 million for the six months ended June 30, 2003 compared to $2.2 million and $3.8 million for the same periods in 2002. The increase is principally due to an increase in pretax income. Our effective tax rate for the second quarter of 2003 and the six months ended June 2003 were 29% and 28%, respectively compared to 26% and 25% for the same periods in 2002. These effective income tax rates varied from the applicable statutory federal income tax rate of 35% principally due to (i) the impact of earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts; and (ii) the impact of state taxes on the federal income tax expense. See Note 6 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

Financial Condition

Investments

Cash and investments increased to $5,585.5 million at June 30, 2003 compared to $5,327.8 at December 31, 2002 as a result of the growth in our annuity business discussed above and a decrease in the unrealized loss on our available for sale fixed maturity and equity securities. At June 30, 2003, the fair value of our available for sale fixed maturity and equity securities was $19.0 million less than the amortized cost of those investments, compared to $44.8 million at December 31, 2002. At June 30, 2003, the amortized cost of our fixed maturity securities held for investment exceeded the market value by $2.5 million, compared to $1.8 million at December 31, 2002. The decrease in the net unrealized investment losses at June 30, 2003 compared to December 31, 2002 is related to a decrease of approximately 30 basis points in market interest rates. Such unrealized losses are recognized in the accumulated other comprehensive loss component of stockholders' equity, net of related changes in the amortization of deferred policy acquisition costs and deferred income taxes.

Our investment portfolio is summarized in the tables below:

	June 30, 2003		December 31, 2002	
	Carrying Amount	Percent	Carrying Amount	Percent
	(Dollars in thousands)			
Fixed maturities:				
United States Government and agencies	$ 4,212,836	75.4%	$ 4,207,840	79.0%
State, municipal, and other governments	—	—	5,631	0.1%
Public utilities	27,187	0.5%	51,023	1.0%
Corporate securities	355,624	6.4%	413,743	7.8%
Redeemable preferred stocks	15,592	0.3%	12,822	0.2%
Mortgage and asset-backed securities				
United States Government and agencies	51,789	0.9%	70,047	1.3%
Non-government	296,054	5.3%	141,548	2.7%
Total fixed maturities	4,959,082	88.8%	4,902,654	92.1%
Equity securities	55,674	1.0%	17,006	0.3%
Mortgage loans on real estate	465,278	8.3%	334,339	6.3%
Derivative instruments	90,103	1.6%	52,313	1.0%
Policy loans	298	—	295	—
Cash and cash equivalents	15,071	0.3%	21,163	0.3%
Total cash and investments	$ 5,585,506	100.0%	$ 5,327,770	100.0%

The amortized cost and estimated fair value of fixed maturity securities and equity securities at June 30, 2003 and December 31, 2002 that were in an unrealized loss position were as follows:

	June 30, 2003		
	Amortized Cost	Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)		
Fixed maturity securities:			
Available for sale:			
United States Government and agencies	$ 304,828	$ (858)	$ 303,970
Corporate securities	83,014	(13,474)	69,540
Mortgage and asset-backed securities:			
Non-government	214,130	(35,116)	179,014
	$ 601,972	$ (49,448)	$ 552,524
Held for investment:			
United States Government and agencies	$ 789,151	$ (7,057)	$ 782,094
	$ 789,151	$ (7,057)	$ 782,094
Equity securities:			
Non-redeemable preferred stocks	$ 7,500	$ (12)	$ 7,488
Common stocks	5,133	(735)	4,398
	$ 12,633	$ (747)	$ 11,886

December 31, 2002

	Amortized Cost	Unrealized Losses	Estimated Fair Value
		(Dollars in thousands)	
Fixed maturity securities:			
Available for sale:			
United States Government and agencies	$ 179,828	$ (1,907)	$ 177,921
Public utilities	10,008	(2,907)	7,101
Corporate securities	210,826	(19,408)	191,418
Redeemable preferred stocks	1,000	(240)	760
Mortgage and asset-backed securities:			
United States Government and agencies	50,250	(3,752)	46,498
Non-government	153,616	(43,008)	110,608
	$ 605,528	$ (71,222)	$ 534,306
Held for investment:			
United States Government and agencies	$ 230,231	$ (579)	$ 229,652
	$ 230,231	$ (579)	$ 229,652
Equity securities:			
Non-redeemable preferred stocks	$ 2,650	$ (110)	$ 2,540
Common stocks	5,874	(1,223)	4,651
	$ 8,524	$ (1,333)	$ 7,191

The amortized cost and estimated fair value of fixed maturity securities at June 30, 2003 and December 31, 2002, by contractual maturity, that were in an unrealized loss position are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or

without call or prepayment penalties. All of our mortgage-backed and asset-backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

	June 30, 2003			
	Available-for-sale		Held for investment	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Due after one year through five years	$ 5	$ 5	$ —	$ —
Due after five years through ten years	5,415	5,350	—	—
Due after ten years through twenty years	341,503	335,626	—	—
Due after twenty years	40,919	32,529	789,151	782,094
	387,842	373,510	789,151	782,094
Mortgage-backed and asset-backed securities	214,130	179,014	—	—
	$ 601,972	$ 552,524	$ 789,151	$ 782,094

	December 31, 2002			
	Available-for-sale		Held for investment	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Due after one year through five years	$ 5	$ 4	$ —	$ —
Due after five years through ten years	48,785	45,522	—	—
Due after ten years through twenty years	65,430	56,339	—	—
Due after twenty years	287,442	275,335	230,231	229,652
	401,662	377,200	230,231	229,652
Mortgage-backed and asset-backed securities	203,866	157,106	—	—
	$ 605,528	$ 534,306	$ 230,231	$ 229,652

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

		June 30, 2003		December 31, 2002	
NAIC Designation	Rating Agency Equivalent	Carrying Amount	Percent	Carrying Amount	Percent
		(Dollars in thousands)			
1	Aaa/Aa/A	$ 4,731,116	95.4%	$ 4,624,824	94.3%

2	Baa	174,595	3.5%	230,847	4.7%
3	Ba	23,016	0.5%	37,478	0.8%
4	B	23,354	0.5%	7,505	0.2%
5	Caa and lower	7,001	0.1%	2,000	—
6	In or near default	—	—	—	—
	Total fixed maturities	$ 4,959,082	100.0%	$ 4,902,654	100.0%

Approximately 76% and 80% of our total invested assets at June 30, 2003 and December 31, 2002, respectively, were in United States Government and agency fixed maturity securities including government guaranteed mortgage-backed securities. Corporate securities represented approximately 6% and 8% at June 30, 2003 and December 31, 2002, respectively, of our total invested assets. There are no other significant concentrations in the portfolio by type of security or by industry.

At June 30, 2003 and December 31, 2002, the fair value of investments we owned that were non-investment grade or not rated were $58.1 million and $51.9 million, respectively. The unrealized losses on investments we owned that were non-investment grade or not rated at June 30, 2003 and December 31, 2002, were $15.5 million and $19.8 million, respectively.

At June 30, 2003 and December 31, 2002, we identified certain invested assets which have characteristics (i.e significant unrealized losses compared to book value and industry trends) creating uncertainty as to our future assessment of other than temporary impairments which are listed below by length of time these invested assets

have been in an unrealized loss position. We have excluded from this list securities with unrealized losses which are related to market movements in interest rates.

	June 30, 2003		
	Amortized Cost	Unrealized Losses	Fair Value
	(Dollars in thousands)		
3 months or less	$ —	$ —	$ —
Greater than 3 months to 6 months	—	—	—
Greater than 6 months to 9 months	28,179	(12,571)	15,608
Greater than 9 months to 12 months	16,173	(2,398)	13,775
Greater than 12 months	17,086	(8,600)	8,486
	$ 61,438	$ (23,569)	$ 37,869

	December 31, 2002		
	Amortized Cost	Unrealized Losses	Fair Value
	(Dollars in thousands)		
3 months or less	$ 39,853	$ (14,815)	$ 25,038
Greater than 3 months to 6 months	15,628	(4,050)	11,578
Greater than 6 months to 9 months	—	—	—
Greater than 9 months to 12 months	6,185	(3,185)	3,000
Greater than 12 months	40,067	(13,956)	26,111
	$ 101,733	$ (36,006)	$ 65,727

We have reviewed these investments and concluded that there was no other than temporary impairment on these investments at June 30, 2003 and December 31, 2002. The factors that we considered in making this determination included the financial condition and near-term prospects of the issuer, whether the issuer is current on all payments and all contractual payments have been made, our intent and ability to hold the investment to allow for any anticipated recovery and the length of time and extent to which the fair value has been less than cost. During the first six months of 2003, we took a $2.9 million writedown on a security that we concluded did have an other than temporary impairment.

At June 30, 2003, we held $465.3 million of mortgage loans compared to $334.3 at December 31, 2002. These mortgage loans are diversified as to property type, location, and loan size, and are collateralized by the related properties. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and

require diversification by geographic location and collateral type. The commercial mortgage loan portfolio is diversified by geographic region and specific collateral property type as follows:

	June 30, 2003		December 31, 2002	
	Carrying Amount	Percent	Carrying Amount	Percent
	(Dollars in thousands)			
Geographic distribution				
East	$ 79,420	17.1%	$ 51,785	15.5%
Middle Atlantic	57,159	12.3%	40,879	12.2%
Mountain	55,393	11.9%	26,478	7.9%
New England	24,761	5.3%	13,242	4.0%
Pacific	33,710	7.2%	20,499	6.1%
South Atlantic	103,659	22.3%	96,401	28.8%
West	111,176	23.9%	85,055	25.5%
Total	$ 465,278	100.0%	$ 334,339	100.0%

	June 30, 2003		December 31, 2002	
	Carrying Amount	Percent	Carrying Amount	Percent

(Dollars in thousands)

Property type distribution				
Office	$ 205,547	44.2%	$ 126,818	37.9%
Retail	132,920	28.6%	101,485	30.4%
Industrial	84,358	18.1%	70,141	21.0%
Hotel	21,021	4.5%	21,218	6.3%
Apartment	961	0.2%	968	0.3%
Mixed use/other	20,471	4.4%	13,709	4.1%
Total	$ 465,278	100.0%	$ 334,339	100.0%

Liquidity

We did not issue any equity or debt securities during the first six months of 2003. For information related to the Company's notes payable and requirements under the related credit agreement, see Note 4 of the Notes to Consolidated Financial Statements included elsewhere in this report and Note 7 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

The statutory capital and surplus of our life insurance subsidiaries at June 30, 2003 was $234.9 million. American Equity Investment Life Insurance Company ("American Equity Life") made surplus note interest payments to us of $2.4 million during the six months ended June 30, 2003. For the remainder of 2003, up to $25.9 million can be distributed by American Equity Life as dividends without prior regulatory approval. Dividends may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. American Equity Life had $55.1 million of earned surplus at June 30, 2003.

The transfer of funds by American Equity Investment Life is also restricted by certain covenants in our bank credit facility, which, among other things, requires American Equity Life to maintain statutory capital and surplus (including asset valuation and interest maintenance reserves) of $140 million plus 25% of statutory net income and 75% of the capital contributions to American Equity Life for periods subsequent to December 31, 1999. Under the most restrictive of these limitations, approximately $25.9 million of our earned surplus at June 30, 2003 would be available for distribution by American Equity Life to the parent company in the form of dividends or other distributions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We seek to invest our available funds in a manner that will maximize shareholder value and fund future obligations to policyholders and debtors, subject to appropriate risk considerations. We seek to meet this objective through investments that: (i) consist predominately of investment grade fixed maturity securities; (ii) have projected returns which satisfy our spread targets; and (iii) have characteristics which support the underlying

liabilities. Many of our products incorporate surrender charges, market interest rate adjustments or other features to encourage persistency.

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

Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the market value of our investments. The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (participation or asset fee rates for index annuities) on substantially all of our annuity policies at least annually (subject to minimum guaranteed values). In addition, substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions. A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use computer models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. (The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates.) When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities. At June 30, 2003, the effective duration of our cash and invested assets backing our insurance liabilities was approximately 7.76 years and the estimated duration of our insurance liabilities was approximately 6.44 years.

If interest rates were to increase 10% (35 basis points) from levels at June 30, 2003, we estimate that the fair value of our fixed maturity securities would decrease by approximately $166.0 million. If interest rates were to increase 50 basis points from the levels at June 30, 2003, the effective duration of our cash and invested assets backing our insurance liabilities would be approximately 11.0 years. The computer models used to estimate the impact of a 10% or 50 basis points change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time.

At June 30, 2003, 80.6% of our fixed income securities have call features and 11.8% are subject to current redemption. Another 47.9% will become subject to call redemption through December 31, 2003. During the six months ended June 30, 2003, we received $1,853.5 million in net redemption proceeds related to the exercise of such call options. We have reinvestment risk related to these redemptions to the extent we cannot reinvest the net proceeds in assets with credit quality and yield characteristics similar to the redeemed bonds. Such reinvestment risk typically occurs in a declining rate environment. Should rates decline to levels which tighten the spread between our average portfolio yield and average cost of credited income on our annuity liability reserves, we have the ability to reduce crediting rates on most of our annuity liabilities to maintain the spread at our targeted level. Approximately 78.1% of our annuity liabilities are subject to annual adjustment of the applicable crediting rates at our discretion, limited by minimum guaranteed crediting rates of 3% to 4%.

With respect to our index business, we purchase call options on the applicable indexes to fund the annual index credits on such annuities. These options are primarily one-year instruments purchased to match the funding requirements of the underlying policies. Our risk associated with the current options we hold is limited to the cost of such options. Market value changes associated with those investments are substantially offset by an increase or

decrease in the amounts added to policyholder account balances for index products. For the six months ended June 30, 2003, we realized gains of $11.0 million on our index options at their expiration, and we credited $9.8 million to policyholders. On the respective 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 index business. This is a risk we manage through the terms of our index annuities, which permit us to change annual participation rates, asset fees, and/or caps, subject to guaranteed minimums. By reducing participation rates, asset fees or caps, we can limit option costs to budgeted amounts except in cases where the minimum guarantees would prevent further reductions. Based upon actuarial testing conducted as a part of the design of our index product, we believe the risk that minimum guarantees would prevent us from controlling option costs is negligible.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of this examination.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(c) None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company's annual shareholders' meeting was held on June 5, 2003.

(b) and (c) (i) Election of the following directors to the Company's Board of Directors:

	FOR	AGAINST
David J. Noble	12,552,231	52,114
A.J. Strickland, III	12,552,231	52,114
Harley A. Whitfield	12,552,231	52,114

(ii) Amendment to the Articles of Incorporation—Director Liability and Indemnification Rights. There were 12,472,845 votes for the amendment; 72,375 cast against and 59,125 abstentions.

(iii) Ratification of the appointment of Ernst & Young, LLP as Independent Auditors for 2003. There were 12,551,220 votes for the ratification; 0 cast against; and 53,125 abstentions.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.12 2002 Coinsurance and Yearly Renewable Term Reinsurance Agreement

31.1 Certification of David J. Noble

31.2 Certification of Wendy L. Carlson

32 Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code—David J. Noble and Wendy L. Carlson

(b) No reports on Form 8-K were filed during the quarter ended June 30, 2003.

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: August 14, 2003

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ DAVID J. NOBLE

David J. Noble,
Chief Executive Officer
(Principal Executive Officer)

By: /s/ WENDY L. CARLSON

Wendy L. Carlson,
Chief Financial Officer
(Principal Financial Officer)

By: /s/ TED M. JOHNSON

Ted M. Johnson,
Vice President—Accounting
(Principal Accounting Officer)

[QuickLinks](#) -- Click here to rapidly navigate through this document

Exhibit 10.12

COINSURANCE AND YEARLY RENEWABLE TERM REINSURANCE AGREEMENT

BETWEEN

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY
West Des Moines, Iowa

AND

HANNOVER LIFE REASSURANCE COMPANY OF AMERICA
Orlando, Florida

COINSURANCE AND YEARLY RENEWABLE TERM REINSURANCE

ARTICLE I: PREAMBLE AND REINSURANCE PROVIDED

1.01 - This is an Agreement of Coinsurance and Yearly Renewable Term Reinsurance between:

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY
West Des Moines, Iowa
(hereinafter referred to as the "Company")
and
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA
Orlando, Florida

(hereinafter referred to as the "Reinsurer")
whereby, the Reinsurer agrees to indemnify the Company for Covered Losses paid by the Company subject to all of the terms and conditions of this Agreement.

ARTICLE II: TERM, TERMINATION AND RECAPTURE

2.01 - *Effective Date:* The Effective Date of this Agreement shall be 12:01 a.m., Central Standard Time, November 1, 2002.

2.02 - *Term:* This Agreement shall remain in force and the Term of this Agreement shall be from the Effective Date until the earlier of (i) the date of decrement of the last contract holder of a Subject Business agreement, or (ii) the Recapture Date.

2.03 - *Termination and Recapture:* The Company may terminate this Agreement and recapture all Subject Business reinsured hereunder at any time after June 30, 2003 by providing written notice to the Reinsurer by registered or certified mail, return receipt requested, at least one-hundred-twenty (120) days in advance, such notice to include the effective date of termination and recapture.

The Reinsurer may terminate this Agreement only if the Company fails to pay any amount due to Reinsurer by Company hereunder when due, subject to thirty (30) days' notice and demand for such payment by the Reinsurer.

The date on which this Agreement is terminated by the Company or by the Reinsurer as set forth in this Section 2.03 shall hereinafter be referred to as the "Recapture Date". On the Recapture Date, the Company shall pay to the Reinsurer the LCF from the last Accounting Period and as determined in accordance with Article VI below adjusted to include interest and applicable Risk Charge through the Recapture Date (the "Recapture Payment"). The parties acknowledge and agree that the Recapture Payment is made based upon the scheduled LCF (whether on Schedule C1 or C2, as applicable), and the parties agree to true-up the Recapture Payment by calculating the actual LCF as of the Recapture Date utilizing actual earned investment rates on the Assets, mortality experience, reserves, Funds Withheld Balance, and Experience Refunds in which case the parties agree to promptly pay the amount owing to the other based upon such true-up calculation. In the event the parties disagree as to the true-up calculation, the parties agree to submit the calculation to Milliman USA (Atlanta office), whose calculation shall be final and binding upon the parties, and whose costs and expenses the parties agree to share equally. Except for amounts owed, if any, by the Reinsurer to the Company pursuant to the true-up of the Recapture Payment, on the Recapture Date the Reinsurer shall be released from all past, current and future liabilities under this Agreement, except as expressly reserved by either of the parties. The true-up calculation shall occur within thirty (30) days after the Recapture Payment is made.

To eliminate any doubt regarding the calculation of the Recapture Payment, the parties may look to the Letter of Intent dated December 19, 2002, between them as evidence of the manner in which the Subject Business may be recaptured and payment made to the Reinsurer.

ARTICLE III: REINSURANCE COVERAGE

3.01 - *Coverage*:

(a) *Section A—Coinsurance (Funds Withheld Basis):* The Reinsurer shall indemnify the Company for Section A Covered Losses paid by the Company.

(b) *Section B—YRT:* The Reinsurer shall indemnify the Company for Section B Covered Losses paid by the Company.

3.02 - *Subject Business:* Subject Business shall mean all contracts issued by the Company and listed on Schedule A1 attached hereto and incorporated herein. The coverage pertains only to that portion of the 2002 Subject Business not previously reinsured.

It is understood and agreed that the Company shall continue to administer the Subject Business during the Term of this Agreement.

3.03 - *Subject Losses:*

(a) Section A Subject Losses shall mean all benefits paid by the Company to contract holders of the Subject Business contracts, including surrender values paid, death benefits paid, and interest and premium bonuses credited in accordance with the terms of such Subject Business contracts. Section A Subject Losses shall not include rider benefits, extracontractual payments, extracontractual damages, loss adjustment expenses and other benefits not expressly specified under the terms of the Subject Business contracts.

(b) Section B Subject Losses shall mean all surrender charges waived by the Company upon death of the contract holders of the Subject Business contracts, but only as respects that portion of the Subject Business that is not reinsured under Section A of this Agreement.

3.04 - *Covered Losses:*

(a) Section A Covered Losses shall equal six and 88/100 percent (6.88%) of Section A Subject Losses on Fixed Annuity policies.

(b) Section B Covered Losses shall equal (i) ninety-three and 12/100 percent (93.12%) of Section B Subject Losses on Fixed Annuity policies and (ii) one hundred percent (100%) of Section B Subject Losses on Equity Index Annuity policies.

The Reinsurer's aggregate liability under this Agreement for Section B Covered Losses shall not exceed fifty million dollars ($50,000,000).

(c) The sum of Section A Covered Losses and Section B Covered Losses shall hereinafter be referred to collectively as "Covered Losses". Section A Covered Losses and Section B Covered Losses shall pertain only to that portion of 2002 Subject Business not previously reinsured.

3.05 - *Coinsurance Funds Withheld Reserve.* During the effectiveness of this Agreement and while the Reinsurer has reinsurance obligations to the Company hereunder, the Company agrees to maintain Assets in a segregated account, as listed in Schedule A2 hereto, with a book value (determined in accordance with Statutory Accounting Principles) at least equal to the Funds Withheld Balance.

(a) The Funds Withheld Balance shall equal the Coinsured Reserves for the Subject Business, as adjusted for the Net Settlement Amount determined in accordance with Article VII below.

(b) The Company agrees to promptly supply the Reinsurer with investment reports, in a mutually agreed to format, compiled by a nonrelated third party detailing the Assets that are being maintained to back the Funds Withheld Balance.

(c) The Funds Withheld Balance shall accrue Interest at a rate equal to the actual investment income realized on the Assets comprising the Funds Withheld Balance, including capital gains and losses, which shall be offset by a change in IMR (but only IMR created after the Effective Date).

3.06 - *Crediting Rates.* The Company will be responsible for determining credited rates regarding the Subject Business; provided, however, that the Company shall notify the Reinsurer in writing of all credited rates as and when determined by the Company and the Reinsurer shall have ten (10) Business Days during which to object to any proposed increase in credited rates which case the Company shall not implement such increased credited rates. The parties agree to cooperate with each other to resolve the objections identified by the Reinsurer as soon as practicable to permit the Company to implement mutually agreeable credited rates of the Subject Business. To the extent the Reinsurer does not object to the credited rates within such ten (10) Business Day period, the credited rates of the Subject Business determined by the Company shall be deemed approved by the Reinsurer and the Company shall have the right to implement such credited rates. The Company agrees not to reduce credited interest rates of the Subject Business below contractual minimum levels.

ARTICLE IV: REINSURANCE PREMIUMS AND EXPENSE ALLOWANCES

4.01 - *Reinsurance Premium:*

(a) Section A Reinsurance Premium shall equal six and 88/100 percent (6.88%) of all single, first-year and renewal premiums received by the Company for the year 2002 on Subject Business.

(b) Section B Reinsurance Premium shall equal, for the Accounting Period commencing January 1, 2003, and each Accounting Period thereafter, the sum of the following:

(i) for each Subject Business contract in force, the applicable rate from Schedule B attached hereto and incorporated herein, based on the contract holder's age at the nearest birthday at the beginning of that Accounting Period, *multiplied by* the Net Amount at Risk at the beginning of that Accounting Period; and

(ii) a policy fee of eighteen and 75/100 dollars ($18.75) for each Subject Business contract in force at the beginning of that Accounting Period.

"Net Amount at Risk" as used herein shall mean, as respects each Subject Business contract, the amount by which the account value payable to the beneficiary upon death of the contract holder exceeds the cash surrender value at such time.

(c) The sum of Section A Reinsurance Premium and Section B Reinsurance Premium shall hereinafter be referred to collectively as the "Reinsurance Premiums". The Reinsurance Premiums for each Accounting Period shall be due and payable from the Company to the Reinsurer as part of the Total Settlement for that Accounting Period in accordance with Section 9.05.

4.02 - *Expense Allowances:*

(a) *Section A:*

(i) For the year 2002, the Section A First Year Expense Allowances shall equal the portion of the Section A Reinsurance Premium paid for that Accounting Period that relates to single and first-year premiums received by the Company.

(ii) For each Accounting Period in 2003 and later years, the Section A Renewal Expense Allowances shall be equal to 86/100 dollars ($0.86) per contract plus 6.88% of the applicable premium taxes and agent commissions actually paid by the Company with respect for each Subject Business contract in force.

The Section A First Year Expense Allowances and the Section A Renewal Expense Allowances for each Accounting Period shall hereinafter be referred to collectively as the "Section A Expense Allowances".

(b) *Section B:* Section B Expense Allowances for each Accounting Period shall equal zero.

(c) The Section A Expense Allowances and the Section B Expense Allowances for each Accounting Period shall hereinafter be referred to collectively as the "Expense Allowances". The Expense Allowances for each Accounting Period shall be due and payable from the Reinsurer to the Company as part of the Total Settlement for that Accounting Period in accordance with Section 9.05.

(d) All direct or allocable expenses or taxes are included in the Expense Allowances.

ARTICLE V: COINSURANCE RESERVES

5.01 - *Coinsurance Reserves:* The Coinsurance Reserves at the end of each Accounting Period shall equal six and 88/100 percent (6.88%) of the statutory reserves held for the Subject Business as of the end of that Accounting Period.

ARTICLE VI: LOSS CARRY FORWARD BALANCE

6.01 - *Loss Carry Forward Balance:* The Loss Carry Forward ("LCF") on the Effective Date shall be equal to zero (0). The LCF at December 31, 2002 shall be an amount equal to the Cover A Coinsured Reserves on that date, as set forth on Schedule D. The LCF for each Accounting Period thereafter shall be the Target LCF or the Alternative LCF, as applicable, determined with reference to Schedule C1 and C2.

6.02 - *Target Risk Charge on LCF:* If Company is not, and was not, in violation of one or more of the Financial Covenants at any time during that Accounting Period or any prior Accounting Periods, then the Target Risk Charge on the LCF at each Settlement Date shall equal (a) the Target Risk Charge Rate on that Settlement Date, *multiplied by* (b) the LCF on the prior Settlement Date.

6.03 - *Target Risk Charge Rate:* The Target Risk Charge Rate at each Settlement Date shall equal (a) four and one-half percent (4.5%), *multiplied by* (b) the ratio of the number of days during that Accounting Period to three-hundred-sixty (360) days.

6.04 - *Alternative Target Risk Charge on Alternative LCF:* If Company is or was in violation of one or more of the Financial Covenants at any time during that Accounting Period or any prior Accounting Periods, then the Alternative Target Risk Charge on the Alternative LCF at each Settlement Date shall equal (a) the Alternative Target Risk Charge Rate on that Settlement Date, *multiplied by* (b) the LCF on the prior Settlement Date.

6.05 - *Alternative Target Risk Charge Rate:* The Alternative Target Risk Charge Rate at each Settlement Date shall equal (a) five and one-half percent (5.5%), *multiplied by* (b) the ratio of the number of days during that Accounting Period to three-hundred-sixty (360) days.

ARTICLE VII: NET CASH SETTLEMENT

7.01 - *Net Cash Settlement:* The Net Cash Settlement for each Accounting Period shall be calculated on or before the Settlement Date for such Accounting Period in accordance with the illustration set forth in Schedule D attached hereto. If the Net Cash Settlement for an Accounting Period is greater than zero (0) and the Company is not, and was not, in violation of one or more of the Financial Covenants at any time during that Accounting Period or any prior Accounting Periods, an Experience Refund equal to (i) the statutory profits on the Subject Business for the Accounting Period less (ii) the difference between (a) the Target LCF on the last day of the immediately preceding Accounting Period and (b) the Target LCF on the last day of the current Accounting Period less (iii) the Funds Brought Forward Balance, shall be paid by the Reinsurer to the Company as part of the Total Settlement for that Accounting Period in accordance with Section 9.05. If the Net Cash Settlement for an Accounting Period is greater than zero (0) and the Company is or was in violation of one or more of the Financial Covenants at any time during that Accounting Period or any prior Accounting Periods, an Experience Refund equal to (i) the statutory profits on the Subject Business for the Accounting Period less (ii) the difference between (a) the Alternative Target LCF on the last day of the immediately preceding Accounting Period and (b) the Alternative Target LCF on the last day of the current Accounting Period less (iii) the Funds Brought Forward Balance, shall be paid by the Reinsurer to the Company as part of the Total Settlement for that Accounting Period in accordance with Section 9.05. If the Net Cash Settlement for an Accounting Period is less than zero (0), the absolute value of such Net Cash Settlement shall be added to the Funds Brought Forward Balance. The Funds Brought Forward Balance shall accrue with interest at a rate consistent with the interest rate of the Assets underlying the Subject Business and the Risk Charges set forth in Article VI.

At the sole option of the Reinsurer, the Experience Refund may be recalculated at the end of any Accounting Period to include Total Settlements for all Accounting Periods in a calendar year. Upon any such recalculation of the Experience Refund, the Total Settlement will be recalculated accordingly and the parties agree to immediately pay each other amounts due based upon such recalculation.

To eliminate any doubt regarding the calculation of the Experience Refund, the parties may look to the Letter of Intent dated December 19, 2002, between them as evidence of the manner in which the Experience Refund is calculated and paid to the Company.

ARTICLE VIII: FINANCIAL COVENANTS

8.01 - *Non-Compliance with Financial Covenants:* The Company shall notify the Reinsurer within five (5) Business Days of any failure by the Company to comply with one or more of the Financial Covenants

8.02 - *Financial Covenants:* The Financial Covenants are:

(a) the Company shall maintain Risk Based Capital, as measured by the formula prescribed by the insurance department of the Company's state of domicile, of no less than one-hundred twenty-five percent (125%) of the Company Action Level;

(b) the Company shall maintain Total Surplus of no less than one-hundred-twenty-five-million dollars ($125,000,000);

(c) there shall be no Change of Control of the Company, where "Change of Control" is signaled by the requirement that the Company, or the parent of the Company, file such change with any insurance department or with the Securities Exchange Commission;

(d) there shall be no material change in the Company's underwriting guidelines from those in effect as of the Effective Date, unless the Company obtains the prior written approval of the Reinsurer to such change;

(e) there shall be no material change in the overall credit quality of the Company's investment portfolio from the Effective Date;

(f) the insurance financial strength rating of the Company as assigned by A.M. Best Company shall not be less than "B+";

(g) the Financial Leverage Ratio (as defined in Section 8.03) of the Company and its corporate parent combined shall not be greater than sixty percent (60%); and

(h) the Cash Coverage Ratio (as defined in Section 8.04) of the Company and its parent combined shall not be less than one-and-two-tenths (1.2).

8.03 - *Financial Leverage Ratio:* The Financial Leverage Ratio at any time shall be determined as follows, with the result expressed as a percentage:

(a) the sum of (i) the principal amount of loans outstanding at American Equity Investment Life Holding Company (the "Holding Company"), and (ii) the principal amount of loans outstanding at American Equity Investment Service Company (the "Service Company"), excluding any such loans that may be included in (a)(i) herein;

divided by

(b) the sum of (i) the Company's Total Capital and Surplus, (ii) the Company's Asset Valuation Reserve, and (iii) the Company's Interest Maintenance Reserve, where items (i), (ii) and (iii) are the respective amounts as reported on the Company's most recent certified statutory financial statements.

8.04 - *Cash Coverage Ratio:* The Cash Coverage Ratio at any time shall equal:

(a) the sum of (i) amounts available to the Company at that time for dividends to stockholders in accordance with the statutes and regulations of the State of Iowa, (ii) any commissions paid by the Company to the Service Company during the current Accounting Period, (iii) investment income of the Holding Company, excluding income from investments in subsidiaries, during the current Accounting Period, (iv) cash operating expenses of the Holding Company during the current Accounting Period, and (v) restricted payments (dividends paid to shareholders) by the Holding Company during the current Accounting Period;

divided by

(b) the sum of (i) interest on loans outstanding at the Holding Company, (ii) distribution by the Holding Company on trust preferreds, and (iii) twenty percent (20%) of the principal amounts of loans outstanding at the Holding Company and at the Service Company.

ARTICLE IX: REPORTS AND REMITTANCES

9.01 - *Company Reports:* The Company shall provide to the Reinsurer, no less than three (3) Business Days prior to each Settlement Date, all information and data required by the Reinsurer to fulfill its obligations and rights under this Agreement and to satisfy its legal reporting requirements. A suggested format for such reporting is attached hereto as Schedule D. The Company shall also furnish to the Reinsurer, on a quarterly basis, a copy of its certified statutory financial statements at the time such statements are submitted by the Company to the regulatory authority in its state of domicile, and shall furnish the Reinsurer with a statement at the end of each Accounting Period that demonstrates the Company's compliance with the Financial Covenants.

9.02 - *Accounting Period:* Accounting Period shall mean each calendar quarter during the Term of this Agreement. In the event the Recapture Date occurs at any time other than at the end of a calendar quarter, the last Accounting Period shall be the period from the beginning of that calendar quarter to the Recapture Date, both dates inclusive.

9.03 - *Settlement Dates:* The Settlement Date for each Accounting Period shall be the fifteenth (15^{th}) Business Day after the end of that Accounting Period.

9.04 - *Business Day:* Business Day shall mean any day other than a Saturday, a Sunday, or a day on which commercial banks in, the State of Florida or the State of Iowa are authorized by law or executive order to close.

9.05 - *Total Settlement:* The Total Settlement for each Accounting Period shall be calculated in accordance with Schedule D. If the Total Settlement for an Accounting Period is greater than zero, then such Total Settlement shall be due and payable by the Reinsurer to the Company on the Settlement Date for that Accounting Period. If the Total Settlement is less than zero, then the absolute value of such Total Settlement shall be due and payable by the Company to the Reinsurer on the Settlement Date for that Accounting Period.

ARTICLE X: NET RETAINED LINES

10.01 - *Application of Other Reinsurance Proceeds:* This Agreement applies only to that portion of insurance or reinsurance which, after the application of all reinsurance other than the reinsurance hereunder, the Company retains net for its own account. In calculating the amount of loss hereunder for which the Company shall be reimbursed, only the loss with respect to such retained portion shall be included.

10.02 - *Collection of Other Reinsurance Proceeds:* The amount of the Reinsurer's liability hereunder shall not be increased by reason of the Company's inability to collect from any other reinsurers, whether specific or general, any amounts which may have become due from them, whether such inability arises from the insolvency of such other reinsurers, or otherwise.

10.03 - *Other Reinsurance:* In order to provide that the Reinsurer's liability under this Agreement shall not be increased in any calendar year by a change in reinsurance ceded or recoverable by the Company, the reinsurance arrangements, including treaties, facultative certificates and interpretations with respect to obligations thereunder, which were in effect on November 1, 2002 are deemed to continue in effect for purposes of all computations hereunder.

ARTICLE XI: EXCLUSIONS

11.01 - *Extracontractual Damages:* This Agreement does not cover extracontractual damages or extracontractual liability resulting from fraud, oppression, bad faith, strict liability, or negligent, reckless or intentional wrongs, or otherwise, on the part of the Company or its directors, officers, employees and agents. The following types of damages are examples of damages excluded under this Agreement for the conduct described above: actual damages, damages for emotional distress, punitive or exemplary damages and attorneys fees.

11.02 - *Insolvency Funds:* The Reinsurer shall not be obligated to pay to the Company any share of any liability of the Company arising, by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund or from reimbursement of any person for any such liability. "Insolvency Fund" includes any guaranty or insolvency fund, plan, pool, association, or other arrangement howsoever denominated, established or governed, which provides for any assessment of or payment or assumption by any person or part of all of any claim, debt, charge, fee or other obligation of any insurer, or its successors or assigns which has been declared to be insolvent, or which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part.

11.03 - *Dividends:* The Reinsurer shall not participate in the determination of, nor reimburse the Company for, any policyholder or other dividends paid by the Company.

ARTICLE XII: INSOLVENCY

12.01 - *Reinsurer's Obligation:* In the event of the insolvency of the Company, the reinsurance afforded by this Agreement shall be payable by the Reinsurer on the basis of the liability of the Company under the Subject Business, without diminution because of such insolvency, directly to the Company or its liquidator, receiver, conservator, or statutory successor.

12.02 - *Reinsurer's Notice and Defense of Claims:* The Reinsurer shall be given written notice of the pendency of each claim or loss which may involve the reinsurance afforded by this Agreement within a reasonable time after such claim or loss is filed in the insolvency proceedings. The Reinsurer shall have the right to investigate each such claim or loss and interpose at its own expense, in the proceeding where the claim or loss is to be adjudicated, any defense which it may deem available to the Company or its liquidator, receiver, conservator, or statutory successor. If more than one reinsurer is involved, such reinsurers may designate one reinsurer to act for all.

12.03 - *Defense Expense:* The expense thus incurred by the Reinsurer shall be chargeable, subject to court approval, against the insolvent Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer.

12.04 - *Offset:* Any debts or credits, liquidated or unliquidated, in favor of or against either party on the date of the receivership or liquidation order (except where the obligation was purchased by or transferred to be used as an offset) are deemed mutual debts or credits and shall be set off with the balance only to be allowed or paid. Although such claim on the part of either party may be unliquidated or undetermined in amount on the date of the entry of the receivership or liquidation order, such claim will be regarded as being in existence as of such date and any credits or claims then in existence and held by the other party may be offset against it.

12.05 - *Rights of Parties:* Nothing hereinabove set forth in this Article shall in any way change the relationship or status of the parties hereto, nor enlarge the obligations of any party to any other except as specifically hereinabove provided, to wit, to pay the statutory successor on the basis of the amount of liability determined in the liquidation or receivership proceeding, rather than on the basis of the actual amount of loss (dividends) paid by the liquidator, receiver, conservator, or statutory successor to allowed claimants. Nor, except as hereinabove specifically provided, shall anything in this Article in any manner create any obligation or establish any right against the Reinsurer in favor of any third parties or any other persons not parties to this Agreement.

ARTICLE XIII: ARBITRATION

13.01 - *Resolution of Disputes:* As a condition precedent to any right arising under this Agreement, any dispute between the Company and the Reinsurer arising out of the provisions of this Agreement, or concerning its interpretation or validity, whether arising before or after termination of this Agreement, shall be submitted to arbitration in the manner set forth in this Article. Either party may initiate arbitration of any dispute arising out of the provisions of this Agreement by giving written notice to the other party, by registered or certified mail, return receipt requested, of its intention to arbitrate and of its appointment of an arbitrator in accordance with Section 13.03.

13.02 - *Composition of Panel:* Unless the parties agree upon a single arbitrator within fifteen (15) days after the receipt of a notice of intention to arbitrate, all disputes shall be submitted to an arbitration panel composed of two arbitrators and an umpire, chosen in accordance with Section 13.03 and Section 13.04.

13.03 - *Appointment of Arbitrators:* The members of the arbitration panel shall be chosen from disinterested persons knowledgeable in the life insurance and life reinsurance business. The party requesting arbitration (hereinafter referred to as the "claimant") shall appoint an arbitrator and give written notice thereof, by registered or certified mail, return receipt requested, to the other party (hereinafter referred to as the "respondent") together with its notice of intention to arbitrate. Unless a single arbitrator is agreed upon within fifteen (15) days after the receipt of the notice of intention to arbitrate, the respondent shall, within thirty (30) days after receiving such notice, also appoint an arbitrator and notify the claimant thereof in a like manner. Before instituting a hearing, the two arbitrators so appointed shall choose an umpire. If, within twenty

(20) days after they are both appointed, the arbitrators fail to agree upon the appointment of an umpire, the umpire shall be appointed by the executive director of the American Council of Life Insurers.

13.04 - *Failure of Party to Appoint Arbitrator:* If the respondent fails to appoint an arbitrator within thirty (30) days after receiving a notice of intention to arbitrate, such arbitrator shall be appointed by the executive director of the American Council of Life Insurers, and shall then, together with the arbitrator appointed by the claimant, choose an umpire as provided in Section 13.03.

13.05 - *Choice of Law and Forum:* Any arbitration instituted pursuant to this Article shall be held in Orlando, Florida, or in a location to be mutually agreed upon by the Company and the Reinsurer and the laws of the State of Iowa, without regard to its conflict of laws rules, shall govern the interpretation and application of this Agreement.

13.06 - *Submission of Dispute to Panel:* Unless otherwise extended by the arbitration panel, or agreed to by the parties, each party shall submit its case to the panel within thirty (30) days after the selection of an umpire.

13.07 - *Procedure Governing Arbitration:* All proceedings before the panel shall be informal and the panel shall not be bound by the formal rules of evidence. The panel shall have the power to fix all procedural rules relating to the arbitration proceeding. In reaching any decision, the panel shall give due consideration to the customs and usage of the insurance and reinsurance business.

13.08 - *Arbitration Award:* The arbitration panel shall render its decision within sixty (60) days after termination of the proceeding, which decision shall be in writing, stating the reasons therefor. The decision of the majority of the panel shall be final and binding on the parties to the proceeding.

13.09 - *Cost of Arbitration:* Unless otherwise allocated by the panel, each party shall bear the expense of its own arbitrator and its own witnesses and shall jointly and equally bear with the other parties the expense of the umpire and the arbitration.

13.10 - *Limit of Jurisdiction:* The arbitration panel does not have the jurisdiction to authorize any punitive damage awards between the parties.

ARTICLE XIV: AGREEMENT, AMENDMENTS AND MERGER

14.01 - *Agreement:* This Agreement states the agreement originally made between the Company and the Reinsurer effective November1, 2002 as evidenced by the Letter of Intent dated December 19, 2002. This Agreement supersedes that Letter of Intent as the statement of the terms and conditions which the Company and the Reinsurer have agreed shall govern the obligations originally undertaken in the Letter of Intent, except that the Letter of Intent shall be considered as evidence of the parties intent as to the meaning or application of any terms and conditions set forth herein.

14.02 - *Amendments:* This Agreement may be amended only by mutual consent of the parties expressed in a written addendum executed by the parties with the same formalities as this Agreement, and such addendum shall be deemed to be an integral part of this Agreement and binding on the parties hereto.

14.03 - *Merger Clause:* The parties hereto acknowledge that they have read this Agreement, understand it, and agree to be bound by its terms and conditions. Further, the parties hereto agree that this Agreement is the complete and exclusive statement of the Agreement between the parties, superseding all proposals or prior agreements, oral or written, and all other communications between the parties relating to the subject matter hereof.

ARTICLE XV: MISCELLANEOUS

15.01 - *Access to Records:* The Reinsurer shall have the right to examine, at any reasonable time, all papers, books, accounts, documents and other records of the Company relating to the Subject Business. Upon request, the Company shall supply the Reinsurer, at the Reinsurer's expense, with copies of the whole or any part of such papers, books, accounts, documents and other records relating to the Subject Business. The Reinsurer's right of inspection under this Section 15.01 shall continue to exist after termination of this Agreement as long as one of the parties hereto has a claim against the other arising from this Agreement.

15.02 - *Counterparts:* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.03 - *Currency:* All payments hereunder shall be made in United States dollars. All monetary amounts herein are in United States dollars. All reports and accounts hereunder shall be rendered in United States dollars.

15.04 - *Disclosures and Approvals:* The Company represents and warrants, with respect to this Agreement and the transactions hereunder and with respect to any insurance or reinsurance written or assumed by the Company which is covered by this Agreement and all transactions thereunder, that all disclosures and approvals which are necessary or appropriate under any law or regulation have been made or obtained, or will be made or obtained in a timely manner.

15.05 - *Errors and Omissions:* Inadvertent errors and omissions of any nature made by either party shall neither increase nor reduce the liability of either party from what that liability would have been had no such error or omission taken place. Upon discovery, the party committing an error or omission shall correct such error or supply such omission retroactively to the time such error or omission occurred, and advise the other party thereof as soon as possible.

15.06 - *Parties to this Agreement:* This Agreement is a reinsurance agreement solely between the Company and the Reinsurer, and performance of the obligations of each party under this Agreement will be rendered solely to the other party. In no instance will any party other than the Company and the Reinsurer have any rights under this Agreement, and the Company will be and shall remain the only party hereunder that is liable to any contract holder or beneficiary of any Subject Business contract.

This Agreement shall be binding upon all successors, assignees and transferees of the parties to this Agreement, provided, however, that neither this Agreement nor any rights or obligations under this Agreement may be assigned or transferred by either party without the prior written consent of the other party.

15.09 - *Reliance on Information Supplied by the Company:* The Company acknowledges that, at the Reinsurer's request, it has provided the Reinsurer, prior to execution of this Agreement by the parties, with the information described in Schedule D attached hereto and incorporated herein (hereinafter, the "Company Information"). The Company represents that any assumptions the Company made in preparing the Company Information were based upon informed judgment and are consistent with sound actuarial principles. The Company represents that all factual information contained in the Company Information was, as of the date provided, complete and accurate in all material respects to the best of the Company's knowledge and belief. The Reinsurer has relied on Company Information and the foregoing representations in entering into this Agreement.

15.10 *Right of Offset:* Both the Company and the Reinsurer shall have, and may exercise at any time, the right to offset any balance or balances due the other. Such offset may include balances due under this Agreement, regardless of whether such balances are in respect of premiums, or losses or otherwise, and regardless of the capacity of any party, whether as reinsurer or reinsured or otherwise, under the various agreements involved.

15.11 - *Taxes:* The Company shall be liable for all taxes, except income and profit taxes of the Reinsurer, on amounts paid to the Reinsurer under the terms of this Agreement, and shall indemnify and hold the Reinsurer harmless for any taxes which the Reinsurer may become obligated to pay on the Company's behalf.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives,

In West Des Moines, Iowa, this 26TH day of March, 2003

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY

By:	______________________	By:	______________________
Name:	______________________	Name:	______________________
Title:	______________________	Title:	______________________

And in Orlando, Florida this 26TH day of March, 2003

HANNOVER LIFE REASSURANCE COMPANY OF AMERICA

By:	______________________	By:	______________________
Name:	______________________	Name:	______________________
Title:	______________________	Title:	______________________

Schedule A - Contract Forms Covered Under Agreement

Section A Covered Forms

Bravo	FPDA-5
FPDA-2+7	GFIR
FPDA-0	SPDA-1
FPDA-1	sPDA-1
FPDA-2	SPDA-2
FPDA-2Plus	Super-7
FPDA-3	SPDA-6
FPDA-4	

Section B Covered Forms

Bravo	Index-2000
FPDA-2+7	Index-2001
FPDA-0	Index-2002
FPDA-1	Index-13
FPDA-2	Index-15
FPDA-2Plus	Index-17
FPDA-3	Index-18
FPDA-4	Index-19
FPDA-5	Index-22
GFIR	Index-23
SPDA-1	Index-24
SPDA-1	Index-25
SPDA-2	Index-5
Super-7	Index-8
SPDA-6	

Par	Cusip	Issuer	Coupon(%)	Maturity	Rating	Amort Cost	Book Value	Market Price	2/28/03 Market Value
$ 4,000,000.00	84258RAC	SOUTHERN CO CAP TRUST	8.140	2/15/27	BAA1/BBB+	$ 105.60	$ 4,224,090.00	$ 110.27	$ 4,410,62
$ 8,000,000.00	46623MAA	JPM CAP TRUST II *	7.950	2/1/27	A2/A-	$ 105.14	$ 8,410,952.00	$ 109.39	$ 8,751,13
$ 8,000,000.00	428040BQ	HERTZ CORP	7.400	3/1/11	BAA2/BBB	$ 99.70	$ 7,976,189.00	$ 97.94	$ 7,835,36
$ 3,000,000.00	69331VAA	PECO ENERGY CAP TRUST III	7.380	4/6/28	BAA1/BBB	$ 99.26	$ 2,977,745.00	$ 102.18	$ 3,065,40
$ 6,000,000.00	3133MWRB	FEDERAL HOME LN BANK	5.830	3/25/23	AGY	$ 99.90	$ 5,994,000.00	$ 99.90	$ 5,994,00
							$ 29,582,976.00		$ 30,056,52

SCHEDULE B—
RATES BY AGE (NEAREST BIRTHDAY)

AGE	RATE	AGE	RATE	AGE	RATE
0	0.026198	35	0.006799	69	0.085706
1	0.002021	36	0.007140	70	0.093004
2	0.001444	37	0.007455	71	0.100774
3	0.001050	38	0.007744	72	0.109174
4	0.000866	39	0.007954	73	0.118204
5	0.000761	40	0.008190	74	0.127995
6	0.000709	41	0.008505	75	0.138600
7	0.000656	42	0.008951	76	0.150203
8	0.000578	43	0.009555	77	0.162934
9	0.000499	44	0.010290	78	0.176111

10	0.000394	45	0.011130	79	0.192386
11	0.000420	46	0.012049	80	0.209685
12	0.000630	47	0.013020	81	0.229110
13	0.001103	48	0.013965	82	0.251108
14	0.001706	49	0.014989	83	0.303949
15	0.002389	50	0.016091	84	0.327154
16	0.003045	51	0.017351	85	0.352249
17	0.003544	52	0.018926	86	0.380074
18	0.003859	53	0.020843	87	0.408293
19	0.003990	54	0.023048	88	0.436223
20	0.004095	55	0.025515	89	0.464625
21	0.004279	56	0.028114	90	0.494760
22	0.004384	57	0.030923	91	0.528281
23	0.004436	58	0.033941	92	0.565478
24	0.004541	59	0.037223	93	0.605850
25	0.004568	60	0.040714	94	0.646826
26	0.004620	61	0.049954	95	0.686411
27	0.004725	62	0.048431	96	0.720248
28	0.004883	63	0.052658	97	0.752168
29	0.005119	64	0.057199	98	0.782171
30	0.005381	65	0.061976	99	0.810259
31	0.005618	66	0.067121	100	0.836456
32	0.005854	67	0.072739	101	0.860790
33	0.006143	68	0.078934	102	0.875000
34	0.006431				

Section A Cover: Coins.							
Prems			34.09	—	—	—	—
Inv. Income			—	2.10	1.76	1.73	1.71
Benefits	% coins share		—	3.49	5.69	5.80	5.92
Allowances	=premium (FY only) + renewal maintenance		34.09	0.03	0.03	0.03	0.03
Incr in Res.			30.00	(4.90)	(0.34)	(0.35)	(0.36)
Section A Gain			(30.00)	3.48	(3.62)	(3.74)	(3.88)
			—	—	—	—	—
Reserve			30.00	25.10	24.76	24.41	24.05
Section B Cover: YRT							
Fund Value			1,126.10	1,143.66	1,125.56	1,107.76	1,090.23
Cash Value			1,073.40	1,006.42	1,001.75	996.98	992.11
Net Amt at Risk	Average		79.16	164.11	150.26	136.81	123.74
Mort Rates	multilpe of 2000 basic	100.00%	—	0.02	0.02	0.02	0.02
Mort Cost	NAR x mort rates		—	1.20	2.78	2.84	2.88
YRT premium			—	—	—	—	—
			—	—	—	YRT Policy fee	—
			—	—	—	Avg size policy	—
Sched B YRT Premium /K for initial age =	YRT rates per		290.96	315.74	342.83	372.02	403.10
YRT Premium	Sched B + 75/pol		—	39.84	55.21	54.62	53.63
Mort Cost	per above		—	1.20	2.78	2.84	2.88
Section B Gain	Net		—	38.64	52.43	51.77	50.75
Combined Covers							
Experience Refund							
NRG - Net Reins Gain	Coins plus YRT		(30.00)	42.12	48.81	48.03	46.87
Earned Interest on LCF				2.10	1.73	1.34	0.93
Change in LCF				5.22	5.58	5.97	6.39
LCF Adjustment				7.32	7.32	7.32	7.32
Funds Brought Forward Balance				—	—	—	—
Loss Carry Forward Balance (LCF)			30.00	24.78	19.20	13.23	6.84
DP—Distributable Profits=NRG-RC-LCFA				33.45	40.38	39.85	38.96
PS—Profit Share percentage	100% until LCF = 0; 50% thereafter			100%	100%	100%	100%
ER—Experience Refund=PS*DP			—	33.45	40.38	39.85	38.96

Settlements					
Net due reinsurer prior to funds withheld adjustment		—	1.67	6.33	6.10
Funds Withheld Adjustment			—	—	—
Beginning funds withheld (by cedent)		—	—	0.32	5.56
Interest on funds withheld @	=block earned rate	—	—	0.02	0.39
Change in funds withheld		—	(0.32)	(5.22)	(5.23)
Ending funds withheld	=Reserve—LCF	—	0.32	5.56	11.18
Net cash settlement (due reins)		—	1.35	1.12	0.86
Notes: Recapture allowed at any time with payment of LCF to reinsurer.		30.00	28.33	22.00	15.90
Premium Ceded		34.09	39.84	55.21	54.62
Benefits Ceded		—	(3.49)	(5.69)	(5.80)
Allowances		(34.09)	(1.23)	(2.81)	(2.87)
Experience Refund		—	(33.45)	(40.38)	(39.85)
Net Due to Reinsurer		—	1.67	6.33	6.10
Cash Settlement		—	1.35	1.12	0.86
		—	—	—	—
Income Statement		—	—	—	—
Increase In Reserves		30.00	(4.90)	(0.34)	(0.35)
Investment Income Due to Reinsurer		—	(2.10)	(1.76)	(1.73)
Change in Ending Funds Withheld		—	(0.32)	(5.20)	(4.85)
Interest on Funds Withheld		—	—	(0.02)	(0.39)
Risk Charge		—	(1.35)	(1.12)	(0.86)
Total Impact to American Equity		30.00	(8.67)	(8.43)	(8.18)

QuickLinks

Exhibit 10.12

ARTICLE I: PREAMBLE AND REINSURANCE PROVIDED
SCHEDULE B— RATES BY AGE (NEAREST BIRTHDAY)

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.1

FORM OF CERTIFICATION FOR QUARTERLY REPORTS ON FORM 10-Q

I, David J. Noble, 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 quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date'); and

   c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 14, 2003	By:	/s/ DAVID J. NOBLE
		David J. Noble, Chief Executive Officer (Principal Executive Officer)

QuickLinks

Exhibit 31.2

FORM OF CERTIFICATION FOR QUARTERLY REPORTS ON FORM 10-Q

I, Wendy L. Carlson, 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 quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date'); and

   c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 14, 2003	By:	/s/ WENDY L. CARLSON
		Wendy L. Carlson, Chief Financial Officer (Principal Financial Officer)

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32

**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 six months ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D.J. Noble, Chief Executive Officer 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: August 14, 2003

By: /s/ D.J. NOBLE

D.J. Noble, Chief Executive Officer
(Principal Executive Officer)

**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 six months ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wendy L. Carlson, Chief Financial Officer 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: August 14, 2003

By: /s/ WENDY L. CARLSON

Wendy L. Carlson, Chief Financial Officer
(Principal Financial Officer)
