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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

or

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

For the transition period from _______________ to _______________

Commission File Number: 001-31911

American Equity Investment Life Holding Company
(Exact name of registrant as specified in its charter)

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

6000 Westown Parkway
West Des Moines, Iowa 50266
(Address of principal executive offices, including zip code)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $1

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. x

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

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $2,945,865,287 based on the closing price of $32.32 per share, the closing price of the common stock on the New York Stock Exchange on June 30, 2021.

Shares of common stock outstanding as of February 23, 2022: 96,949,174

Documents incorporated by reference: Portions of the registrant's definitive proxy statement for the annual meeting of shareholders to be held June 10, 2022, which will be filed within 120 days after December 31, 2021, are incorporated by reference into Part III of this report.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2021
TABLE OF CONTENTS

PART I

Item 1. Business

Introduction

We are a leader in the development and sale of fixed index and fixed rate annuity products. We were incorporated in the state of Iowa on December 15, 1995. We issue fixed annuity products through our wholly-owned life insurance subsidiaries, American Equity Investment Life Insurance Company ("American Equity Life"), American Equity Investment Life Insurance Company of New York ("American Equity Life of New York") and Eagle Life Insurance Company ("Eagle Life"). We have one business segment which represents our core business comprised of the sale of fixed index and fixed rate annuities. We are licensed to sell our products in 50 states and the District of Columbia. Throughout this report, unless otherwise specified or the context otherwise requires, all references to "American Equity", the "Company", "we", "our" and similar references are to American Equity Investment Life Holding Company and its consolidated subsidiaries.

Investor related information, including periodic reports filed on Forms 10-K, 10-Q and 8-K and any amendments may be found on our website at *www.american-equity.com* as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission ("SEC"). In addition, we have available on our website our: (i) code of business conduct and ethics; (ii) audit and risk committee charter; (iii) compensation and talent management committee charter; (iv) nominating and corporate governance committee charter and (v) corporate governance guidelines. The information incorporated herein by reference is also electronically accessible from the SEC's website at *www.sec.gov*.

Annuity Market Overview

Our target market includes individuals, typically ages 40 or older, who are seeking to accumulate tax-deferred savings or create guaranteed lifetime income. We believe that significant growth opportunities exist for annuity products because of favorable demographic and economic trends. According to the U.S. Census Bureau, there were approximately 54 million Americans age 65 and older in 2019, representing approximately 16.5% of the U.S. population, up from 14% in 2015. This group is expected to continue to grow and is expected to be over 20% of the total U.S. population during the next decade. Our fixed index and fixed rate annuity products are particularly attractive to this group due to their principal protection, competitive rates of credited interest, tax-deferred growth, guaranteed lifetime income and alternative payout options. Our competitive fixed index and fixed rate annuity products have enabled us to enjoy favorable growth in client assets in recent years and since our formation.

According to Secure Retirement Institute, with preliminary data for 4Q2021, total U.S. annuity sales in 2021 were $254.8 billion, up 16.3% compared to $219.1 billion in 2020. Fixed annuity sales totaled $130.8 billion in 2021, up 8.8% compared to $120.2 billion in 2020. This market is directly comparable to the target market for our products. Fixed index annuity sales totaled $63.7 billion in 2021, up 14.4% compared to $55.7 billion in 2020. Fixed rate deferred annuity sales were $53.4 billion in 2021, up 3.3% compared to $51.7 billion in 2020. Outside of fixed annuities, the other growing part of the U.S. annuity market was the registered index-linked annuity market. Sales in this market were $39.1 billion in 2021, up 62.9% compared to $24.0 billion in 2020.

Strategy

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

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

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

The Go-to-Market pillar focuses on how we generate long-term client assets, referred to as policyholder funds under management, through annuity product sales. We consider our marketing capabilities and franchise to be one of our core competitive strengths. The liabilities we originate result in stable, long-term attractive funding, which is invested to earn a spread and return over the prudent level of risk capital. American Equity Life has become one of the leading insurance companies in the IMO distribution channel over our 25-year history and can tap into a core set of loyal independent producers to originate new annuity product sales. We are focused on growing our loyal producers with one million dollars or greater of annuity product sales each year. We plan to increase our share of annuity product sales generated by IMOs and accelerate our expansion into bank, broker dealer and registered investment advisor distribution through our subsidiary, Eagle Life. Our strategy is to improve sales execution and enhance producer loyalty with product solutions, focused marketing campaigns, distribution analytics to enhance both sales productivity and producer engagement and new client engagement models that complement traditional physical face-to-face interactions.

The Investment Management pillar is focused on generating a strong return on assets which, in turn, will generate adequate spread income to support our liabilities, operations, and profitability. In an environment where risk free interest rates continue to be historically low, insurers need to invest for better risk-adjusted yields than what are available in traditional fixed income securities. Our investment strategy is to supplement our core fixed income investment portfolio with opportunistic investments in alpha-producing specialty sub-sectors like middle market credit and sectors with contractually strong cash flows like real estate and infrastructure. We execute on this strategy by forming partnerships with certain asset managers that will provide access to specific asset sectors, resulting in a sustainable supply of quality private investments, in addition to traditional fixed income securities. The partnerships with asset managers may include us taking an equity interest in the asset manager to create greater alignment or forming an alternate economic sharing arrangement so we benefit as our partners scale their platforms with third party assets under management.

The Capital Structure pillar is focused on greater use of reinsurance structuring to both optimize asset allocation for our balance sheet and enable American Equity Life to free up capital and become a capital-light company over time. We worked diligently to complete in 2021 the announced reinsurance partnership with Brookfield Asset Management Reinsurance Partners Ltd. and its affiliated entities (collectively, "Brookfield Reinsurance" or "Brookfield") and the formation of our own reinsurance platforms. The use of reinsurance will enable us to achieve three business outcomes over time: first, free up capital to potentially return to shareholders, second, redeploy capital into higher yielding alpha generating assets to grow investment income relative to new money yields in a traditional core fixed income portfolio and third, successfully demonstrating the first two outcomes will allow us to raise third-party capital into reinsurance vehicles ("side-cars") to provide risk capital to back a portion of our existing liabilities and future sales of annuity products. This will enable us to convert from an investment spread business with our own capital at risk into a combination spread based and fee based business with externally sourced risk capital. In combination, these three outcomes are likely to generate sustained, deployable capital for shareholders and significant accretion in return on equity (“ROE”) over time.

The Foundational Capabilities pillar is focused on upgrading our operating platform to enhance the digital customer experience, create differentiation through data analytics to support the first three pillars, enhance core technology and align talent. We have maintained high quality personal service as one of our highest priorities since our inception and continue to strive for an unprecedented level of timely and accurate service to both our agents and policyholders. Examples of our high quality service include a live person answering phone calls and issuing policies within 24 hours of receiving the application if the paperwork is in good order. We believe high quality service is one of our strongest competitive advantages and the foundational capabilities pillar will look to continue to enhance our high quality service.

The combination of differentiated investment strategies and increased capital efficiency improves annuity product competitiveness, thereby enhancing new business growth potential and further strengthening the operating platform. This completes the virtuous cycle of the AEL 2.0 business model, having started with a strong, at scale annuity originator, that is even further strengthened by the power of the investments and capital structure pillars.

During 2021, we made significant progress in the execution of the AEL 2.0 strategy. Key areas of progress include the following:

- we continued revitalization of our Go-to-Market strategy pillar. We regained relevance and growth in the IMO distribution channel, built additional distribution through independent broker dealers and banks with Eagle Life, focused on growing sales that convert to reinsured liabilities to drive "fee like" earnings and emerged as a talent magnet and builder of next generation distribution capabilities. We completed a complete refresh of the general account "Shield series" product suite for the IMO channel and focused the Eagle Life product portfolio on fixed index annuities with newer market indices and client crediting strategies. Income Shield remains the number one guaranteed income product in the industry with a 10-year surrender charge period. We have also negotiated a purchase agreement to acquire a broker dealer to enter into the registered products market.

- we continued to build out our investment management pillar capabilities. We transitioned the management of our core fixed income and private placement investments to BlackRock Financial Management, Inc. and entered into an agreement with Conning, Inc. to manage assets for our Bermuda reinsurer once that entity is fully functional. In addition, we re-tooled our investment management platform, expanded our underwriting and risk capital allocation lens for additional sectors, and expanded our capabilities in commercial real estate lending. We also created and expanded relationships with specialty asset managers to target certain sub-sectors and began leveraging those partnerships to invest in private assets including single-family rentals and short term mortgage loans. In 2021, we added $3.4 billion of private assets to the investment portfolio.

- we continued to optimize our capital structure to drive sustained free cash flow. We completed a reinsurance treaty with North End Re (Cayman) SPC (“North End Re”), a wholly owned subsidiary of Brookfield Reinsurance that covers both a portion of our in-force and a portion of new business flow. This transaction will start to drive our evolution to a higher return on equity business through building a capital efficient, return on assets model by providing attractive fee-like revenues on assets. We established AEL Re Bermuda Ltd., a wholly owned subsidiary domiciled in Bermuda, and executed a reinsurance treaty to transfer a block of in-force policies to this entity which operates in a jurisdiction with a principles based regulatory regime for both sides of the balance sheet. We also completed the restructuring of the redundant reserve financing for policies with a fee based lifetime income benefit rider which resulted in an improved

RBC ratio for American Equity Life and quarterly expense savings compared to the prior financing. See *Note 9 - Reinsurance and Policy Provisions* for more information.

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

Products

Annuities offer our policyholders a tax-deferred means of accumulating retirement savings, as well as a reliable source of income during the payout period. When our policyholders deposit cash for an annuity, we account for these receipts as policy benefit reserves in the liability section of our consolidated balance sheet. The annuity deposits collected, by product type, during the three most recent fiscal years are as follows:

	Year Ended December 31,					
	2021		2020		2019	
Product Type	**Deposits Collected**	**Deposits as a % of Total**	**Deposits Collected**	**Deposits as a % of Total**	**Deposits Collected**	**Deposits as a % of Total**
	(Dollars in thousands)					
Fixed index annuities	$ 3,450,547	58 %	$ 2,337,578	64 %	$ 4,705,541	95 %
Annual reset fixed rate annuities	6,483	— %	8,225	— %	11,444	— %
Multi-year fixed rate annuities	2,452,994	41 %	1,303,133	35 %	234,226	5 %
Single premium immediate annuities	59,816	1 %	33,461	1 %	12,002	— %
	$ 5,969,840	100 %	$ 3,682,397	100 %	$ 4,963,213	100 %

Fixed Index Annuities

Fixed index annuities allow policyholders to earn index credits based on the performance of a particular index without the risk of loss of their account value. Most of these products allow policyholders to transfer funds once a year among several different crediting strategies, including one or more index based strategies and a traditional fixed rate strategy. Bonus products represented 65%, 75% and 76% of our net annuity account values at December 31, 2021, 2020 and 2019, respectively. The initial annuity deposit on these policies is increased at issuance by a specified premium bonus ranging from 5% to 10%. Generally, the surrender charge and bonus vesting provisions of our policies are structured such that we have comparable protection from early termination between bonus and non-bonus products.

The annuity contract value is equal to the sum of premiums paid, premium bonuses and interest credited ("index credits" for funds allocated to an index based strategy), which is based upon an overall limit (or "cap") or a percentage (the "participation rate") of the appreciation (based in certain situations on monthly averages or monthly point-to-point calculations) in a recognized index or benchmark. Caps and participation rates limit the amount of interest the policyholder may earn in any one contract year and may be adjusted by us annually subject to stated minimums. Caps generally range from 1% to 12% and participation rates range from 10% to 175%. In addition, some products have a spread or "asset fee" generally ranging from 0.75% to 5%, which is deducted from interest to be credited. For products with asset fees, if the appreciation in the index does not exceed the asset fee, the policyholder's index credit is zero. The minimum guaranteed surrender values are equal to no less than 87.5% of the premium collected plus interest credited at an annual rate ranging from 0.5% to 3%.

The initial caps and participation rates are largely a function of the cost of the call options we purchase to fund the index credits, the interest rate we can earn on invested assets acquired with new annuity deposits and the rates offered on similar products by our competitors. For subsequent adjustments to caps and participation rates, we take into account the cost of the call options we purchase to fund the index credits, yield on our investment portfolio, annuity surrender and withdrawal assumptions and crediting rate history for particular groups of annuity policies with similar characteristics.

Fixed Rate Annuities

Fixed rate deferred annuities include annual, multi-year rate guaranteed products ("MYGAs") and single premium deferred annuities ("SPDAs") . Our annual reset fixed rate annuities have an annual interest rate (the "crediting rate") that is guaranteed for the first policy year. After the first policy year, we have the discretionary ability to change the crediting rate once annually to any rate at or above a guaranteed minimum rate. Our MYGAs and SPDAs are similar to our annual reset products except that the initial crediting rate on MYGAs is guaranteed for up to seven years before it may be changed at our discretion while the initial crediting rate on SPDAs is guaranteed for either three or five years. The minimum guaranteed rate on our annual reset fixed rate deferred annuities ranges from 1.00% to 4.00%, the initial guaranteed rate on our multi-year rate guaranteed deferred annuities ranges from 1.00% to 4.00% and the initial guaranteed rate on our SPDAs ranges from 1.45% to 2.65%.

The initial crediting rate is largely a function of the interest rate we can earn on invested assets acquired with new annuity deposits and the rates offered on similar products by our competitors. For subsequent adjustments to crediting rates, we take into account the yield on our investment portfolio, experience factors and crediting rate history for particular groups of annuity policies with similar characteristics. As of December 31, 2021, crediting rates on our outstanding fixed rate deferred annuities generally ranged from 1.0% to 4.0%. The average crediting rates on our outstanding annual reset and multi-year rate guaranteed fixed rate deferred annuities at December 31, 2021 were 1.64% and 2.37%, respectively.

We also sell single premium immediate annuities ("SPIAs"). Our SPIAs provide a series of periodic payments for a fixed period of time or for life, according to the policyholder's choice at the time of issue. The amounts, frequency and length of time of the payments are fixed at the outset of the annuity contract. SPIAs are often purchased by persons at or near retirement age who desire a steady stream of payments over a future period of years.

Withdrawal Options - Fixed Index and Fixed Rate Annuities

Policyholders are typically permitted penalty-free withdrawals up to 10% of the contract value in each year after the first year, subject to limitations. Withdrawals in excess of allowable penalty-free amounts are assessed a surrender charge during a penalty period which ranges from 5 to 17 years for fixed index annuities and 3 to 15 years for fixed rate annuities from the date the policy is issued. This surrender charge initially ranges from 5% to 20% for fixed index annuities and 8% to 20% for fixed rate annuities of the contract value and generally decreases by approximately one-half to two percentage points per year during the surrender charge period. For certain policies, the premium bonus is considered in the establishment of the surrender charge percentages. For other policies, there is a vesting schedule ranging from 9 to 14 years that applies to the premium bonus and any interest earned on that premium bonus. Surrender charges and bonus vesting are set at levels aimed at protecting us from loss on early terminations and reducing the likelihood of policyholders terminating their policies during periods of increasing interest rates. This practice enhances our ability to maintain profitability on such policies. Policyholders may elect to take the proceeds of the annuity either in a single payment or in a series of payments for life, for a fixed number of years or a combination of these payment options.

Information on surrender charge protection and net account values are as follows:

	December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Annuity Surrender Charges:			
Average years at issue	11.8	12.4	12.7
Average years remaining	5.5	6.1	6.7
Average surrender charge percentage remaining	9.1 %	9.9 %	10.8 %
Annuity Account Value (net of coinsurance)	$ 53,191,277	$ 54,056,725	$ 53,233,898

A significant amount of our fixed index annuity policies and many of our annual reset fixed rate deferred annuities have been issued with a lifetime income benefit rider. This rider provides an additional liquidity option to policyholders. With the lifetime income benefit rider, a policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value. The amount of the lifetime income benefit available is determined by the growth in the policy's income account value and the policyholder's age at the time the policyholder elects to begin receiving lifetime income benefit payments. The growth in the policy's income account value is based on the growth rate specified in the policy which ranges from 3.0% to 8.5% and the time period over which that growth rate is applied which ranges from 5 to 20 years for the majority of these policies. Generally, the time period consists of an initial period of up to 10 years and the policyholder has the option to elect to continue the time period for an additional period of up to 10 years. We have the option to either increase the rider fee or decrease the specified growth rate, depending on the specifics of the policy, at the time the policyholder elects to continue the time period. Lifetime income benefit payments may be stopped and restarted at the election of the policyholder. Policyholders have the choice of selecting a rider with a base level of benefit for no explicit fee or paying a fee for a rider that has a higher level of benefits, and since 2013 we have issued products where the addition of a rider to the policy is completely optional. Rider fees range from 0.15% to 1.60% of either the policy's account value or the policy's income account value. The additional value to the policyholder provided by these riders through the lifetime income benefit base is not transferable to other contracts, and we believe the riders will improve the persistency of the contract.

Investments/Spread Management

Investment activities are an integral part of our business, and net investment income is a significant component of our total revenues. Profitability of our annuity products is significantly affected by spreads between interest yields on investments, the cost of options to fund the index credits on our fixed index annuities and rates credited on our fixed rate annuities and the fixed rate strategy in our fixed index annuities. We manage the index-based risk component of our fixed index annuities by purchasing call options on the applicable indices to fund the index credits on these annuities and by adjusting the caps, participation rates and asset fees on policy anniversary dates to reflect the change in the cost of such options which varies based on market conditions. All options are purchased on the respective policy anniversary dates, and new options are purchased on each of the anniversary dates to fund the next index credits. All credited rates on annual reset fixed rate deferred annuities and the fixed rate strategy in fixed index annuities may be changed annually, subject to minimum guarantees. Changes in caps, participation rates and asset fees on fixed index annuities and crediting rates on fixed rate and fixed index annuities may not be sufficient to maintain targeted investment spreads in all economic and market environments. In addition, competition and other factors, including the potential for increases in surrenders and withdrawals, may limit our ability to adjust or to maintain caps, participation rates, asset fees and crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

For additional information regarding the composition of our investment portfolio and our interest rate risk management, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Investments, Quantitative and Qualitative Disclosures About Market Risk and *Note 4 - Investments* to our audited consolidated financial statements.

Marketing/Distribution

We market our products through a variable cost distribution network, including independent agents through IMOs, broker/dealers, banks and registered investment advisors. We emphasize high quality service to our agents, distribution partners and policyholders along with the prompt payment of commissions to our agents and distribution partners. We believe this has been significant in building excellent relationships with our distribution network.

Our independent agents and agencies range in profile from national sales organizations to personal producing general agents. A value proposition that we emphasize with agents is they have direct access to our senior leadership, giving us an edge over larger and foreign-owned competitors. We also emphasize our products, service and our focused fixed annuity expertise. We also have favorable relationships with our IMOs, which have enabled us to efficiently sell through an expanded number of independent agents.

The independent agent distribution system is comprised of insurance brokers and marketing organizations. We are pursuing a strategy to increase the efficiency of our independent agent distribution network by strengthening our relationships with key IMOs and are alert for opportunities to establish relationships with organizations not presently associated with us. These organizations typically recruit agents for us by advertising our products and our commission structure through direct mail advertising or seminars for insurance agents and brokers. We monitor agent activity and will terminate those who have not produced business for us in recent periods and are unlikely to sell our products in the future. The IMOs bear most of the cost incurred in marketing our products. We compensate marketing organizations by paying them a percentage of the commissions earned on new annuity policy sales generated by the agents recruited by such organizations. American Equity Life has relationships with 50 national marketing organizations, through which nearly 25,800 independent agents are under contract. We generally do not enter into exclusive arrangements with these marketing organizations.

Agents contracted with us through two national marketing organizations accounted for approximately 25% of the annuity deposits and insurance premiums collected during 2021, and we expect these organizations to continue as marketers for American Equity Life with a focus on selling our products. The states with the largest share of direct premium collected during 2021 were: Florida (9.3%), Texas (7.5%), Ohio (6.2%), Pennsylvania (5.5%), and New Jersey (4.8%).

Eagle Life's fixed index and fixed rate annuities are distributed pursuant to selling agreements with broker/dealers, banks and registered investment advisors. Eagle Life has 84 broker-dealer/firm selling agreements, through which nearly 10,700 representatives are appointed. Twenty-four of these agreements are with broker/dealers affiliated with banks. Relationships with certain of these firms are facilitated by third party wholesalers who promote Eagle Life and are compensated based upon the sales of the firms they have contracted with Eagle Life. We are developing our employee wholesaling force, which will be a key to our success at Eagle Life. Beginning in 2020, the majority of our third-party wholesaling partners no longer market Eagle Life products to new accounts as new account acquisition is handled almost entirely on an internal basis. American Equity Life to a lesser extent also sells through broker/dealers and we have introduced products specifically for this distribution channel.

Competition and Ratings

We operate in a highly competitive industry. Our annuity products compete with fixed index, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank products and other investment and retirement funding alternatives offered by asset managers, banks, and broker/dealers. Our insurance products compete with products of other insurance companies, financial intermediaries and other institutions based on a number of features, including crediting rates, index options, policy terms and conditions, service provided to distribution channels and policyholders, ratings, reputation and distributor compensation.

The sales agents for our products use the ratings assigned to an insurer by independent rating agencies as one factor in determining which insurer's annuity to market. The degree to which ratings adjustments have affected and will affect our sales and persistency is unknown. Following is a summary of American Equity Life's financial strength ratings:

	Financial Strength Rating	Outlook Statement
A.M. Best Company, Inc.		
January 2011 - current	A-	Stable
S&P Global		
August 2020 - current	A-	Stable
March 2020 - August 2020	A-	Negative
August 2015 - March 2020	A-	Stable
June 2013 - August 2015	BBB+	Positive
October 2011 - June 2013	BBB+	Stable
Fitch Ratings Ltd.		
April 2021 - current	A-	Stable
April 2020 - April 2021	A-	Negative
August 2019 - April 2020	A-	Stable
September 2018 - August 2019	BBB+	Positive
May 2013 - September 2018	BBB+	Stable

Financial strength ratings generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance. Generally, rating agencies base their ratings upon information furnished to them by the insurer and upon their own investigations, studies and assumptions. Ratings are based upon factors of concern to policyholders, agents and intermediaries and are not directed toward the protection of investors and are not recommendations to buy, sell or hold securities.

In addition to the financial strength ratings, rating agencies use an "outlook statement" to indicate a medium or long-term trend which, if continued, may lead to a rating change. A positive outlook indicates a rating may be raised and a negative outlook indicates a rating may be lowered. A stable outlook is assigned when ratings are not likely to be changed. Outlook statements should not be confused with expected stability of the insurer's financial or economic performance. A rating may have a "stable" outlook to indicate that the rating is not expected to change, but a "stable" outlook does not preclude a rating agency from changing a rating at any time without notice.

In March 2021, A.M. Best affirmed its rating outlook on the U.S. life/annuity sector as ‘negative’, reflecting its view that while annuity writers have maintained strong capital and liquidity positions, the segment faces a number of challenges and threats. In May 2021, Fitch revised its rating outlook on the U.S. life insurance sector to 'stable' from ‘negative’, reflecting the improved macroeconomic environment and reduced concerns regarding asset quality deterioration within general account investment portfolios. In January 2022, S&P affirmed its rating outlook on the U.S. life insurance sector as 'stable', reflecting its expectation that companies in the sector will be able to navigate uncertainty without a significant negative impact on their credit quality.

A.M. Best financial strength ratings currently range from "A++" (superior) to "F" (in liquidation), and include 16 separate ratings categories. Within these categories, "A++" (superior) and "A+" (superior) are the highest, followed by "A" (excellent) and "A-" (excellent) then followed by "B++" (good) and "B+" (good). Publications of A.M. Best indicate that the "A-" rating is assigned to those companies that, in A.M. Best's opinion, have demonstrated an excellent ability to meet their ongoing obligations to policyholders.

S&P financial strength ratings currently range from "AAA" (extremely strong) to "R" (under regulatory supervision), and include 21 separate ratings categories, while "NR" indicates that S&P has no opinion about the insurer's financial strength. Within these categories, "AAA" and "AA" are the highest, followed by "A" and "BBB". Publications of S&P indicate that an insurer rated "A-" is regarded as having strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are higher rated insurers.

Fitch financial strength ratings currently range from "AAA" (exceptionally strong) to "C" (distressed). Ratings of "BBB-" and higher are considered to be "secure," and those of "BB+" and lower are considered to be "vulnerable."

A.M. Best, S&P and Fitch review their ratings of insurance companies from time to time. There can be no assurance that any particular rating will continue for any given period of time or that it will not be changed or withdrawn entirely if, in their judgment, circumstances so warrant. If our ratings were to be negatively adjusted for any reason, we could experience a material decline in the sales of our products and the persistency of our existing business, as well as an increase in the cost of debt or equity financing.

Reinsurance

We follow the industry practice of reinsuring a portion of our annuity risks with third party reinsurers. Our reinsurance agreements play a part in managing our regulatory capital, risk and returns.

Coinsurance

American Equity Life has three coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda. One agreement ceded 20% of certain of American Equity Life's fixed index annuities issued from January 1, 2009 through March 31, 2010. The second agreement ceded 80% of American Equity Life's multi-year rate guaranteed annuities issued from July 1, 2009 through December 31, 2013 and 80% of Eagle Life's multi-year rate guaranteed annuities issued from November 20, 2013 through December 31, 2013. The third agreement ceded 80% of certain of American Equity Life's and Eagle Life's multi-year rate guaranteed annuities issued on or after January 1, 2014, 80% of Eagle Life's fixed index annuities issued prior to January 1, 2017, 50% of certain of Eagle Life's fixed index annuities issued from January 1, 2017 through December 31, 2018, 20% of certain of Eagle Life's fixed index annuities issued on or after January 1, 2019 and 80% of certain of American Equity Life's fixed index annuities issued from August 1, 2016 through December 31, 2016. Effective January 1, 2021, no new business is being ceded to Athene. The business reinsured under any of the Athene agreements may not be recaptured. American Equity Life is an intermediary for reinsurance of Eagle Life's business ceded to Athene. American Equity Life and Eagle Life remain liable to policyholders with respect to the policy liabilities ceded to Athene should Athene fail to meet the obligations it has coinsured. The annuity deposits that have been ceded to Athene are secured by assets held in trusts and American Equity Life is the sole beneficiary of the trusts. The assets in the trusts are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the trust accounts would ever be less than the amount of the ceded policy benefit liabilities on a statutory basis, Athene is required to either establish a letter of credit or deposit securities in the trusts for the amount of any shortfall. Athene has received a financial strength rating of "A" (Excellent) with a stable outlook from A.M. Best.

American Equity Life has two coinsurance agreements with EquiTrust Life Insurance Company ("EquiTrust"), covering 70% of certain of American Equity Life's fixed index and fixed rate annuities issued from August 1, 2001 through December 31, 2001, 40% of those contracts issued during 2002 and 2003, and 20% of those contracts issued from January 1, 2004 to July 31, 2004. The business reinsured under these agreements may not be recaptured. We remain liable to policyholders with respect to the policy liabilities ceded to EquiTrust should EquiTrust fail to meet the obligations it has coinsured. EquiTrust has received a financial strength rating of "B++" (Good) with a stable outlook from A.M. Best.

Effective July 1, 2021 American Equity Life entered into a reinsurance agreement with North End Re (“North End Re reinsurance treaty”), a wholly owned subsidiary of Brookfield Reinsurance to reinsure certain in-force fixed indexed annuity product liabilities as of the effective date of the reinsurance agreement, 70% on a modified coinsurance (“modco”) basis and 30% on a coinsurance basis. The liabilities reinsured on a coinsurance basis are secured by assets held in trusts with American Equity Life as the beneficiary. The liabilities reinsured on a modco basis are secured by assets held by American Equity Life in a segregated modco account. American Equity Life will receive an annual ceding commission equal to 49 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment partially contingent on certain performance obligations for both parties.

As part of the North End Re reinsurance treaty, American Equity Life is also ceding 75% of certain fixed index annuities issued after the effective date of the agreement, 70% on a modco basis and 30% on a coinsurance basis to North End Re. On sales subsequent to the effective date of the North End Re reinsurance treaty, American Equity Life will receive an annual ceding commission equal to 140 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment being contingent on certain performance obligations for both parties.

Although American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to North End Re, should North End Re fail to meet the obligations it has reinsured the assets in the trusts and modco account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and modco account are subject to investment management agreements between American Equity Life and North End Re.

Financing Arrangements

Effective April 1, 2019, we entered into a coinsurance agreement with Hannover Life Reassurance Company of America ("Hannover") covering 80% of lifetime income benefit rider payments in excess of policy fund values and waived surrender charges related to penalty free withdrawals on certain business (the "2019 Hannover Agreement"). The 2019 Hannover Agreement was treated as reinsurance under statutory accounting practices and as a financing arrangement under U.S. generally accepted accounting principles ("GAAP"). Under GAAP, the statutory surplus benefit under the 2019 Hannover Agreement was eliminated and the associated charges were recorded as risk charges that were included in other operating costs and expenses in the consolidated statements of operations. Effective October 1, 2021, we recaptured the 2019 Hannover agreement.

Intercompany Reinsurance Agreements

Effective October 1, 2021, American Equity Life entered into a coinsurance agreement with AEL Re Vermont Inc., a wholly-owned captive reinsurance company, to cede a portion of lifetime income benefit rider payments in excess of policy fund values on a funds withheld basis ("the AEL Re Vermont Agreement"). In connection with the agreement, AEL Re Vermont entered into an excess of loss reinsurance agreement (the "XOL treaty") with Hannover, to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the AEL Re Vermont Agreement upon exhaustion of the funds withheld account balance under the AEL Re Vermont Agreement.

AEL Re Vermont is permitted to carry the XOL treaty as an admitted asset on the AEL Re Vermont statutory balance sheet. The XOL treaty does not satisfy risk transfer and is treated as a financing agreement. The associated charges are recorded as risk charges that are included in other operating costs and expenses in the consolidated statements of operations.

Effective December 31, 2021, American Equity Life entered into a coinsurance agreement with AEL Re Bermuda, an affiliated Bermuda reinsurer wholly owned by American Equity Investment Life Holding Company, to reinsure a quota share of fixed index annuities issued from January 1, 1997 through December 31, 2007 on a funds withheld basis.

The impact of all intercompany reinsurance agreements and related intercompany balances have been eliminated in the preparation of the accompanying consolidated financial statements.

For more information regarding reinsurance, see *Note 9 - Reinsurance and Policy Provisions* to our audited consolidated financial statements. For risks involving reinsurance see "Item 1A. Risk Factors."

Regulation

General Scope of Insurance Regulation

Life insurance companies are subject to regulation and supervision by the states in which they transact business. State insurance laws establish supervisory agencies with broad regulatory authority, including the power to:

- grant and revoke licenses to transact business;
- regulate and supervise trade practices and market conduct;
- establish guaranty associations;
- license agents;
- approve policy forms;
- approve premium rates for some lines of business;
- establish reserve requirements;
- prescribe the form and content of required financial statements and reports;
- determine the reasonableness and adequacy of statutory capital and surplus;
- perform financial, market conduct and other examinations;
- define acceptable accounting principles for statutory reporting;
- regulate the type and amount of permitted investments;
- establish requirements for reinsurance credit;
- prescribe the terms of agreements between or among affiliates;
- approve changes in direct or indirect ownership above certain thresholds;
- review corporate governance practices; and
- limit the amount of dividends and surplus note payments that can be paid without obtaining regulatory approval.

Our life subsidiaries are subject to periodic examinations by state regulatory authorities. In 2020, the Iowa Insurance Division completed financial examinations of American Equity Life and Eagle Life for the five-year period ending December 31, 2018. There were no adjustments to American Equity Life's or Eagle Life's statutory financial statements as a result of these examinations. In 2020, the New York Department of Financial Services completed its financial examination of American Equity Life of New York for the five-year period ending December 31, 2018. There were no adjustments to American Equity Life of New York's statutory financial statements as a result of this examination.

State regulators also review matters related to us and our life subsidiaries in connection with requests for regulatory approval of transactions. For example, in 2021 we successfully applied for regulatory approval from Iowa and New York regulators for our reinsurance arrangements with North End Re and for transactions among us and our affiliates for intra-enterprise services and allocation of tax costs.

We also established captive reinsurers in Vermont and in Bermuda in 2021, which required the approval of regulators in those jurisdictions and initiated our regulation by those authorities. Iowa regulators also approved the related reinsurance arrangements. Bermuda regulations address matters such as fitness and adequate knowledge and expertise to engage in insurance, and impose solvency, auditing, and reporting requirements.

Dividends, Distributions, and Transactions Among Affiliates

The payment of dividends or distributions, including surplus note payments, by our life subsidiaries is subject to regulation by each subsidiary's state of domicile's insurance department. Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's statutory net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory surplus at the prior year-end. For 2022, up to $407.9 million can be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In addition, dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. American Equity Life had $2.4 billion of statutory earned surplus at December 31, 2021.

Most states have also enacted regulations on the activities of insurance holding company systems, including acquisitions, extraordinary dividends, the terms of surplus notes, the terms of affiliate transactions, corporate governance, risk management, and other related matters. We are registered pursuant to such legislation in Iowa. A number of state legislatures have also considered or have enacted legislative proposals that alter and, in many cases, increase the authority of state agencies to regulate insurance companies and holding company systems.

Acquisition and Exercise of Control

Most states, including Iowa and New York where our life subsidiaries are domiciled, have enacted legislation or adopted administrative regulations affecting the acquisition of control of insurance companies as well as transactions between insurance companies and persons controlling them. The nature and extent of such legislation and regulations currently in effect vary from state to state. However, most states require administrative approval of the direct or indirect acquisition of 10% or more of the outstanding voting securities of an insurance company incorporated in the state. The acquisition of 10% of such securities is generally deemed to be the acquisition of "control" for the purpose of the holding company statutes and requires not only the filing of detailed information concerning the acquiring parties and the plan of acquisition, but also administrative approval prior to the acquisition. In many states, the insurance authority may find that "control" in fact does not exist in circumstances in which a person owns or controls more than 10% of the voting securities. In 2021, Brookfield Reinsurance received Iowa and New York regulatory approval to increase its ownership of our common stock, and chose to increase its ownership to 16%.

Risk-Based Capital Requirements

The National Association of Insurance Commissioners ("NAIC") risk-based capital ("RBC") requirements are intended as an early warning tool for regulators to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. The RBC formula defines a minimum capital standard which supplements low, fixed minimum capital and surplus requirements previously implemented on a state-by-state basis. Such requirements are not designed as a ranking mechanism for adequately capitalized companies.

The NAIC's RBC requirements provide for four levels of regulatory attention depending on the ratio of a company's total adjusted capital to its RBC. Adjusted capital is defined as the total of statutory capital and surplus, asset valuation reserve and certain other adjustments. Calculations using the NAIC formula at December 31, 2021, indicated that American Equity Life's ratio of total adjusted capital to the highest level at which regulatory action might be initiated was 400%.

Reserves Adequacy

Our life subsidiaries, and our affiliated captive reinsurers, must annually analyze their statutory reserves adequacy. In each case, a qualified actuary must submit an opinion that states that the statutory reserves make adequate provision, according to accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the subsidiary. The actuary considers the adequacy of the statutory reserves in light of the assets held by the insurer with respect to such reserves and related actuarial items, such as the investment earnings on such assets and the consideration the insurer anticipates receiving and retaining under the related policies and contracts. We may increase reserves in order to submit such an opinion without qualification. Our subsidiaries that must provide these opinions did so in 2021 without qualifications.

Investments Regulation

State laws and regulations limit the amount of investments that our U.S. insurance subsidiaries may have in certain asset categories, such as below investment grade fixed income securities, real estate equity, other equity investments, and derivatives, and require diversification of investment portfolios. Investments exceeding regulatory limitations are not admitted for purposes of measuring surplus. In some instances, laws require us to divest any non-qualifying investments.

Derivatives Regulation

We use derivatives, primarily call options, to provide the income needed to fund the annual index credits on our fixed index annuity products. We may also use derivatives to hedge interest rate, foreign currency and additional equity market exposure. As such, we and our counterparties are subject to Dodd-Frank Act regulation of collateral posting, clearing, and reporting of over-the-counter derivatives transactions.

Financial Strength Ratings

Financial strength ratings issued by Nationally Recognized Statistical Rating Organizations ("NRSRO's") are measures of an insurance company's ability to meet policyholder obligations and generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance. While not enforced by law, ratings are based upon factors of concern to agents, policyholders and intermediaries and strongly influence an insurer's competitiveness. Factors that could negatively influence financial strength ratings include:

- Sustained reductions in new sales of insurance products;
- Unfavorable operational and/or financial trends;
- Significant losses and/or ratings deterioration in our investment portfolio;
- Changes in equity market levels, interest rates, and market volatility;
- Inability to access capital markets to provide reserve relief;
- Changes in statutory accounting or reserve requirements applicable to our insurance subsidiaries;
- Inability to sustain senior management or other key personnel;
- Rapid or excessive growth; and
- Ineffective enterprise risk management.

Long-Duration Targeted Improvements

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

Privacy and Cybersecurity

Various U.S. federal and state government agencies protect the privacy and security of personal information. These laws and rules vary significantly from jurisdiction to jurisdiction. Insurance and other regulators are also increasingly focused on cybersecurity. The NAIC’s Insurance Data Security Model Law (the “Cybersecurity Model Law”) established standards for data security and for the investigation of and notification to insurance commissioners of cybersecurity events involving unauthorized access to, or the misuse of, certain nonpublic information. The Cybersecurity Model Law imposes regulatory requirements intended to protect the confidentiality, integrity, and availability of information systems. Recent regulations with a significant impact on our operations include the New York Department of Financial Services cybersecurity requirements for financial services companies and the California Consumer Privacy Act. The California Consumer Privacy Act contains protections for individuals, such as notification requirements for data breaches, the right to access personal data and the right to be forgotten.

ERISA

We provide products and services to certain employee benefit plans that are subject to the Employee Retirement Income Security Act ("ERISA") and the Internal Revenue Code of 1986, as amended (the “Code”). ERISA and the Code impose restrictions, including fiduciary duties to perform solely in the interests of ERISA plan participants and beneficiaries, and to avoid certain prohibited transactions. The applicable provisions of ERISA and the Code are subject to enforcement by the U.S. Department of Labor (“DOL”), the Internal Revenue Service (“IRS”) and the Pension Benefit Guaranty Corporation.

The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to an individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen, unless an exemption or exception is available. Similarly, without an exemption or exception, fiduciary advisors are prohibited from receiving compensation from third parties in connection with their advice. ERISA also affects certain of our in-force insurance policies and annuity contracts, as well as insurance policies and annuity contracts we may sell in the future.

Heightened standards of conduct as a result of a fiduciary or best interest standard or other similar rules or regulations could increase the compliance and regulatory burdens on our sales representatives. On February 16, 2021, the DOL's new fiduciary regulation and interpretative guidance regarding the provision of investment advice in retirement accounts became effective. The DOL's final guidance confirms the restatement of the definition of "investment advice" that previously applied but broadens the circumstances under which sales representatives could be considered fiduciaries under ERISA in connection with recommendations to "rollover" assets from a qualified retirement plan to an individual retirement account. This guidance reverses an earlier DOL interpretation suggesting that "rollover" advice did not constitute investment advice giving rise to a fiduciary relationship. We have adapted our business practices accordingly, and continue to adapt them as regulatory requirements evolve.

Broker-Dealer Regulation

One of our subsidiaries is registered with the SEC as a broker-dealer under the Exchange Act and a member of, and subject to regulation by, FINRA. Federal and state securities regulatory authorities and FINRA from time to time make inquiries and conduct examinations regarding compliance with securities and other laws and regulations.

London Interbank Offered Rate Developments

The Financial Conduct Authority (“FCA”), the U.K. regulator of the London Interbank Offered Rate ("LIBOR"), previously indicated that it intends to stop persuading or compelling panel banks to submit quotes used to determine LIBOR after 2021. On November 30, 2020, the Intercontinental Exchange (“ICE”) Benchmark Administration (“IBA”), the administrator of LIBOR, announced a consultation regarding its intention to cease the publication of one week and two-month U.S. Dollar LIBOR settings at the end of December 2021, but to extend the publication of the remaining U.S. Dollar LIBOR settings (overnight and one, three, six and 12 month U.S. Dollar LIBOR) until the end of June 2023. The IBA intends to share the results of the consultation with the FCA and publish a summary of the responses. U.S. bank regulators acknowledged the announcement and, subject to certain limited exceptions, advised banks to cease writing new U.S. Dollar LIBOR contracts by the end of 2021.

We use LIBOR and other interbank offered rates as interest reference rates in many of our financial instruments. Existing contract fallback provisions, and whether, how, and when we and others develop and adopt alternative reference rates, will influence the effect of any changes to or discontinuation of LIBOR on us. We are identifying, assessing and monitoring market and regulatory developments, assessing agreement terms, and evaluating operational readiness. We also monitor the FASB’s, International Accounting Standards Board’s, and U.S. Treasury Department’s updates on the accounting and tax implications of reference rate reform. We continue to assess current and alternative reference rates’ merits, limitations, risks and suitability for our investment and insurance processes.

Pandemic and Public Health Related Conditions and Regulation

The outbreak of COVID-19 and related conditions has created significant economic and financial turmoil both in the U.S. and around the world. Government, regulatory, business, and social reactions to COVID-19 also have significant effects on our business and the conditions in which we operate. For example, governments have imposed vaccination requirements, lock-downs, travel limitations, school closures, and other requirements. All of these conditions have disrupted distribution channels through which we sell our products, including independent agents and their clients. They have, and may continue to, depress economic activity that affects demands for our products. They may also materially affect our investment portfolio.

Guaranty Laws

Our life subsidiaries also may be required, under the solvency or guaranty laws of most states in which they do business, to pay assessments up to certain prescribed limits to fund policyholder losses or liabilities of insolvent insurance companies. These assessments may be deferred or forgiven under most guaranty laws if they would threaten an insurer's financial strength and, in certain instances, may be offset against future premium taxes.

Environmental Laws and Regulations

We are subject to environmental laws and regulations as an owner and operator of real property, which can include liabilities and costs in connection with any required remediation of such properties. In addition, we hold equity interests in companies that could potentially be subject to environmental liabilities. We assess real estate we acquire for environmental exposure, but unexpected environmental liabilities may arise.

Other State and NAIC Regulatory Developments

State insurance regulators and the NAIC are continually reexamining existing laws and regulations and developing new legislation for passage by state legislatures and new regulations for adoption by insurance authorities. Proposed laws and regulations or those still under development pertain to insurer solvency and market conduct and in recent years have focused on:

- insurance company investments;
- RBC guidelines, which consist of regulatory targeted surplus levels based on the relationship of statutory capital and surplus, with prescribed adjustments, to the sum of stated percentages of each element of a specified list of company risk exposures;
- suitability/best interest standard;
- the implementation of non-statutory guidelines and the circumstances under which dividends may be paid;
- principles-based reserving;
- own-risk solvency and enterprise risk management assessment;
- cybersecurity assessments;
- product approvals;
- agent licensing; and
- sales practices; and
- algorithmic underwriting.

Other U.S. Federal Initiatives

Historically, the federal government has not directly regulated the business of insurance. However, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation can significantly affect the insurance business. Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") generally provides for enhanced federal supervision of financial institutions, including insurance companies in certain circumstances, and financial activities that represent a systemic risk to financial stability or the U.S. economy. Under the Dodd-Frank Act, a Federal Insurance Office has been established within the U.S. Treasury Department to monitor all aspects of the insurance industry and its authority may extend to our business, although the Federal Insurance Office is not empowered with any general regulatory authority over insurers. The director of the Federal Insurance Office serves in an advisory capacity to the Financial Stability Oversight Council ("FSOC").

Federal Income Tax

Generally, U.S. federal tax law permits tax deferral on the inside build-up of investment value of certain retirement savings, including annuity products, until a contract distribution has occurred. In general, death benefits paid under a life insurance contract are excluded from taxation. Attractiveness of the Company's products for some individuals may depend on the enacted tax rates and the impact on the value of the deferral. Congress from time to time may enact other changes to the tax law that could make our products less attractive to consumers, including legislation that would modify the tax favored treatment of retirement savings, life insurance and annuity products.

Human Capital

Our Team Members

American Equity's growth and innovation strategy leverages our veteran and newly-engaged employees, building on and expanding our long-standing capabilities and adding new expertise. Our human capital management is crucial to our delivery on our decades- and often life-long promises to policyholders, and as we continue to transform into an at-scale origination, spread and capital light fee-based business, and to manage capital to grow as well as produce returns for shareholders. As of December 31, 2021, American Equity employed approximately 800 full-time team members. All of our employees are located in the United States, and none were covered by a collective bargaining agreement. American Equity engaged less than 100 temporary or part-time workers.

Engagement

Our culture is the foundation for our efforts to provide the best products and exemplary customer service, as well as to build an engaged and valued team. We seek to cultivate a culture of growth, innovation, and purposeful teamwork that builds off of our foundation of customer service, stewardship. product integrity, and financial strength. Our cultural beliefs focus on:

- Performing as **One Team** to foster a trusting and transparent environment to work toward common objectives.
- **Inspiring Innovation** by leaving our comfort zones daily to advance the company's goals.
- **Taking Action** to seek the best available information and deliver results.
- **Owning It** by taking responsibility for our actions and growing from our experiences.
- **Breaking Boundaries** to engage in respectful conversations that invite diverse perspectives and experiences.

In 2021, we asked team members to complete a cultural advantage index survey to assess our cultural progress and over 70% responded. We used the results to identify practices we should continue and encourage, as well as areas where we needed to devote more attention to cultivate the culture we need to succeed.

Health and Safety

We continue to protect team member health and safeguard our business in light of the COVID-19 pandemic. We engaged over 90% of our workforce remotely in 2021 for substantially all or the overwhelming majority of their work time. We engaged expert advice to design and deploy safety protocols and facility upgrades for team members while on-site at our main offices in Iowa, and we continued to update benefits, offer well-being programs, and enhance management practices. We offered team members free on-site vaccination and testing at our offices.

Our employee benefits programs support our growing workforce's evolving needs. Healthcare options for benefit-eligible employees aim to maintain affordable team member contribution and proactively promote physical and mental well-being. One measure of the caliber of our benefits in 2021 was that over 85% of our employees chose coverage through our medical plan, and similarly high levels chose dental and/or vision coverage. During 2021, the company paid an average of 84% of participating employees' monthly medical premiums. We also offered out team members a free robust virtual holistic wellness program, in which hundreds took part.

Retirement Benefits

American Equity team members are eligible to participate in our 401(k) plan after thirty days of employment and age 18. We match 100% of team member contributions to the 401(k) plan up to 3% of the employee’s total eligible compensation and match 50% of employee contributions up to the next 2% of the employee’s total eligible compensation, subject to the Internal Revenue Code (the “Code”) limitations.

We also align employee and shareholder interests and promote team members' ownership mindset through our long-standing Employee Stock Ownership Plan ("ESOP"). We make semi-annual discretionary contributions for all employees after a minimum of six months of service, and their interests vest after two years of service.

Training

At American Equity, we encourage and invest in a wide variety of professional development opportunities and in-role stretch assignments. Our employees expanded their skills and expertise through thousands of hours of training in our Academy for Excellence and and LinkedIn Learning in 2021. We also engaged employees through a wide variety of internal and external leadership and subject-matter seminars, degree, and certificate programs.

Community Action

We support and partner with a diverse range of organizations to make a positive difference where our team members live and work. In 2021, we sponsored the LGBTQ Legacy Leader Awards; Black and Brown Business Summit; Central Iowa DEI Awards Minority Scholarship; and Women Lead Change. We also took concrete local action to partner with Pro Iowa to redevelop an EPA superfund site into a multi-use facility for youth and community sports and recreation, and by offering our team members hours of paid time to volunteer in community-building efforts.

Compensation

For more information on our executive compensation programs and how they align with our business strategy and results, see our Proxy Statement to be filed during the second quarter of 2022.

Item 1A. Risk Factors

Any or each of the events described below may (or may continue to) adversely affect our reputation, our regulatory, customer, or other relationships, our business, our net income and results of operations, our expenses, our profitability, our liquidity or cash flows, our statutory capital position, our book value and book value per share, our ability to meet our obligations, our credit and financial strength ratings, our risk-based capital ratios, our financial condition, our cost of capital, or the market price of our common stock. The effects may vary widely from time to time, product to product, market to market, region to region, or segment to segment. Many of these risks are interrelated and could occur under similar business and economic conditions, and the occurrence of any of them may cause others to emerge or worsen. Such combinations could materially increase the severity of the cumulative or separate impact of these risks.

These risk factors are not a complete set of all potential risks that could affect us. You should carefully consider the risk factors together with other information contained in this Annual Report on Form 10-K, including "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes in "Financial Statements and Supplementary Data," as well as in other reports and materials we submit to the SEC.

Risks Relating to Our Business and Economic Conditions

1. Our results may differ from our management assumptions, estimates, and models.

Our financial results are based on assumptions and estimates that depend on many factors, none of which are certain. Our actual results may differ significantly from our expectations. As a result, our decisions on products and pricing, calculation of account balances within our financial statements, and the amounts of regulatory and rating agency capital we expect to need to hold may be wrong. Our estimates are based on complex analysis and interpretation of large quantities of data, involve sophisticated judgment and expertise, and are imprecise. We may change our assumptions and estimates from time to time as a result of engaging more sophisticated methods, obtaining additional information, or due to discovery of errors. Our expected pricing expenses and benefits are based on assumptions about how long a policy will remain in force and about mortality and longevity. Our actual experience may differ from our pricing assumptions. We may have to change our actuarial estimates, accelerate amortization of deferred acquisition expenses, increase our policy benefit reserves, or pay higher benefits than we projected. For example, persistency lower than our assumptions may require us to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy.

Certain financial statement balances depend on estimates and assumptions including the calculations of policyholder benefit reserves, derivatives and embedded derivatives, deferred policy acquisition costs and deferred sales inducements, the fair value of investments and valuation allowances. The calculations we use to estimate these balances are complex. We make significant assumptions such as expected index credits, the age when a policyholder may begin to utilize the lifetime income benefit rider, the number of policyholders that may not utilize the lifetime income benefit rider, expected policyholder behavior including expected lapse rates, discount rates and the expected cost of annual call options, any of which may change over time and may be inaccurate. We use judgement in making estimates and assumptions, and our accuracy depends on multiple factors, including market conditions, interest rates, credit conditions, spreads, liquidity, and observable market data. Our investment returns or cash flows may also differ from our expectations.

In addition, our risk management policies, procedures, and models may be imperfect or may not be sufficiently comprehensive. As a result, they may not identify or adequately protect us from every risk to which we are exposed.

2. Interest rate conditions could change.

Interest rate increases or decreases could harm our investment spread, or the difference between yields on our invested assets and our cost of money, the fair value of our investments and the reported value of stockholders' equity and the unrealized gain or loss position of our investment portfolio.

Sustained low interest rates may harm our ability to offer attractive rates and benefits to customers while maintaining profitability. This may reduce our fixed index annuity sales, as consumers seek potentially higher returns. Rising interest rates may lead customers to surrender their policies, increasing our net cash outflows, requiring us to sell assets at a disadvantaged price and accelerating our amortization of deferred policy acquisition costs and deferred sales inducements. Our sales may decline during such times, or we may increase annuity crediting rates but be unable to generate the investment returns or spreads we desire.

3. Our investments may lose value or fail to grow as quickly as we expect due to market, credit, liquidity, concentration, default, and other risks.

Our investments and their performance, including our derivative financial instruments, are subject to credit defaults, market value volatility and changes to credit spreads. The impact of these items can be exacerbated by financial and credit market volatility. We may fail to adjust to market conditions, producing investment portfolio losses. Our portfolio diversification management by asset class, creditor, industry, and other limitations may be inadequate.

We may have to sell investments that are not publicly traded or that otherwise lack liquidity (such as privately placed fixed maturity securities, below investment grade securities, investments in mortgage loans and alternative investments) below fair market values and could incur losses. We may be unable to liquidate positions quickly to meet unexpected policyholder withdrawal obligations.

Our mortgage loans may fail to perform and borrowers may default on their obligations. Declining debt service coverage ratios and increasing loan to value ratios, poor loan performance, borrower or tenant financial difficulties, catastrophes, and other events may harm mortgage carrying values, which could lead to investment losses.

Derivatives margin requirements may increase, and we may be required to post collateral. In addition, our costs may increase due to counterparties' higher capital requirements for derivatives. We may need to liquidate higher yielding assets for cash to cover some or all of these costs.

4. Our option costs could increase.

Our cost of call options, which we use to manage the index-based risk component of our fixed index annuities, may increase due to higher equity market volatility, higher interest rates, or other market factors. We may be unable to effectively mitigate this risk by adjusting caps, participation rates, and asset fees on policy anniversary dates to reflect these increases.

5. We are exposed to counterparty credit risk.

We have counterparty credit risk with other insurance companies through reinsurance. Our efforts to mitigate these risks, such as by securing assets in trusts and requiring the reinsurer to establish a letter of credit or deposit securities in the trusts for any shortfall, may be inadequate to protect us. Where the annuity deposits we ceded are unsecured, our claims would be subordinated to those of the reinsurer's policyholders. Should our reinsurers fail to meet their obligations to us, we remain liable for the ceded policy liabilities. If we were forced to recapture reinsured business, we may have inadequate capital to do so.

We may be unable to use reinsurance to the extent and on the terms we want. As a result, we would have to accept an increase in our net liability exposure or a decrease in our statutory surplus, reduce the amount of business we write, or develop other alternatives.

Our call options counterparties may fail to perform. Our efforts to maintain quality and credit exposure concentration limits may be inadequate to mitigate this risk.

Counterparties' failure to perform their derivative instrument obligations may impose costs on us to fund index credits on our fixed index annuities. We may be unable to enforce our counterparties' obligations to post collateral to secure their obligations to us.

6. The third parties on whom we rely for services may fail to perform or to comply with legal or regulatory requirements.

The third parties who perform various services for us, including sales agents, marketing organizations, investment managers, and information technologists, may fail to meet our performance expectations. Our controls to monitor their service levels and compliance with our rules and legal and regulatory standards may be inadequate.

7. Our competitors have greater resources, a broader array of products, and higher ratings, which may limit our ability to attract and retain customers or distributors.

We may be unable to compete successfully with larger companies who enjoy larger financial resources, broader and more diversified product lines, higher ratings, and more widespread agency relationships. Customers may choose fixed index, fixed rate, or variable annuities sold by other insurance companies, or chose mutual fund products, traditional bank products, and other retirement funding alternatives offered by asset managers, banks and broker/dealers. Competitors' products may have competitive or other advantages based on design, participation rates and crediting rates, policy terms and conditions, services provided to distributors and policyholders, ratings by rating agencies, reputation and distributor compensation.

We may be unable to compete successfully for product distribution sources (such as IMOs, other marketers, agents, broker/dealers, banks and registered investment advisors) based on innovative and timely products, financial strength, services provided to and the relationships developed with distributors, or competitive commission structures and timely payments. Our distributors may choose to sell others' products, and are generally free to do so.

8. Our information technology and communication systems may fail or suffer a security breach.

We may lose access to or use of our information technology (IT) systems to accurately perform necessary business functions such as issuing new policies, providing customer support, maintaining existing policies, paying claims, managing our investment portfolios, and producing financial statements. Our efforts, policies, and processes to avoid or mitigate systems failures, fraud, cyberattacks, processing errors, and regulatory breaches may fail or prove inadequate.

We may be unable to keep the confidential information within our IT infrastructure secure or maintain adherence to privacy standards or expectations. Our complex information security controls framework that leverages multiple leading industry control standards, as well as extensive commercial control technologies we use to maintain the security of those systems, is imperfect and may fail. An attacker who circumvents our comprehensive information security controls infrastructure could access, view, misappropriate, alter, or delete information contained within the accessed systems, including personally identifiable policyholder information and proprietary business information.

Our efforts and expenses to maintain and enhance our existing systems to keep pace with changing security requirements, industry standards, and evolving customer preferences may be insufficient or misguided, impairing our ability to rely on information for product design, product pricing, and risk management decisions. Our extensive backup and recovery systems and contingency plans may not prevent system interruptions, failures, or allow us to promptly remediate those that do occur.

9. We may suffer a credit or financial strength downgrade.

We may fail to maintain or improve our financial strength or credit ratings, whether due to the results of operations of our subsidiaries or our financial condition.

A ratings downgrade, or the potential for a ratings downgrade, could cause distributors and sales agents to stop or reduce our product sales in favor of our competitors, could increase our policy or contract surrenders, and harm our ability to obtain reinsurance or to do so at competitive prices.

10. We may be unable to raise additional capital to support our business and sustain our growth on favorable terms.

We may need to increase or maintain the statutory capital and surplus of our life insurance subsidiaries, or the capital of our holding company, through debt, equity, and/or other transactions. We may be unable to do so because of adverse market conditions or high cost of capital, or be able to do so only on unfavorable terms. As a result, we may have to limit sales of new annuity products. We may also agree to restrictions on other activities, transactions, or financial arrangements in order to obtain necessary capital.

11. U.S. and global capital markets and economies could deteriorate due to major public health issues, including the COVID-19 pandemic, political or social developments, or otherwise.

Economic and capital markets could suffer downturns, uncertainties, or market disruptions. For example, armed conflict in Europe or elsewhere, sanctions intended to address those conflicts or achieve other ends, COVID-19 and the related pandemic, and government and business efforts in reaction to any of these, may continue to create economic and financial turmoil and contribute to a recession, to decreased economic output, to unemployment, to market dislocations, to political uncertainties, to inflation, to stagnated economic growth, and other effects. These may reduce the performance, and increase the risks, of our investment portfolio. They may also prevent us from continuing normal business operations, and our measures to mitigate their effects - such as remote working and workplace safety measures - may be inadequate to limit the strain on our business continuity plans and contain operational risk, such as information technology and third-party service provider risks.

12. We may fail to authorize and pay dividends on our preferred stock.

We may fail to authorize and pay dividends on our preferred stock. Unpaid dividends would not accrue, and could result in our inability to pay or declare a dividend on our common stock or repurchase, redeem or otherwise acquire for consideration our common stock. Any such failure would also prevent us from making certain distributions to common shareholders. They may also give preferred shareholders the right to elect members of our Board of Directors or other corporate governance rights that could weaken the rights and interests of common shareholders and other stakeholders.

13. Our subsidiaries may be unable to pay dividends or make other payments to us.

Our future cash flows may be limited, as they depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our insurance subsidiaries, such as payments under our investment advisory agreements and tax allocation agreements with our subsidiaries. Without such cash flow, we may be unable to service debt we incur from time to time (including senior notes, term loans, subordinated debentures issued to a subsidiary trust, and others), pay operating expenses and pay dividends to common and preferred stockholders.

14. We may fail at reinsurance, investment management, or third-party capital arrangements.

We may be unable to source, negotiate, obtain timely regulatory approval for, and execute the reinsurance, investment management, or third-party-capital arrangements for our strategy to succeed. As a result, we may not realize our anticipated economic, strategic or other benefits of any such transaction and may incur unforeseen expenses or liabilities. Any reorganization or consolidation of the legal entities through which we conduct business may raise similar risks.

15. We may fail to prevent excessive risk-taking.

Our employees, including executives and others who manage sales, investments, products, wholesaling, underwriting, and others, may take excessive risks. Our compensation programs and practices, and our other controls, may not effectively deter excessive risk-taking or misconduct.

16. Our policies and procedures may fail to protect us from operational risks.

We may make errors or fail to detect incorrect or incomplete information in any of the large number of transactions we process through our complex administrative systems. Our controls and procedures to prevent such errors may not be effective. For example, we may fail to escheat property timely and completely, or fail to detect, deter or mitigate fraud against us or our customers. We may fail to maintain service standards or to operate efficiently or control costs. In addition, we may fail to attract, motivate and retain employees, develop talent, or adequately plan for management succession. We may also suffer internal control deficiencies or disclosure control deficiencies that result in significant deficiencies or material weaknesses.

Risks Relating to Legal, Regulatory, Environment, Social, or Governance Matters

17. We may be subject to increased litigation, regulatory examinations, and tax audits.

We may become involved in increased litigation, including class action lawsuits, alleging improper product design, improper sales practices and similar claims. State regulatory bodies, such as state insurance departments, the SEC and the DOL may investigate our compliance with, among other things, insurance laws, securities laws and ERISA. In addition, U.S. and state authorities have and may continue to audit our compliance with tax laws.

18. Laws, regulations, accounting, and benchmarking standards may change.

Any of the myriad of insurance statutes and regulations in the various states in which our life insurance subsidiaries transact business, including those related to insurance holding companies, may change at any time with or without warning. Laws affecting our investments, such as rules on enforcing mortgage rights, may change. Accounting standards such as those issued by the FASB, statutory accounting standards, or others may change, and interest rate benchmarking standards, such as LIBOR's replacements, may change, evolve, or be replaced. U.S. federal laws and rules, such as those related to securities or ERISA, may also change. In addition, those with authority or influence may change their interpretation of such laws or accounting standards, or may disagree with our interpretation of them. We may be unable to adapt to any such changes or disagreements in a timely or effective manner. Tax law changes may also harm us. For example, should individual income tax rates decrease, some of the income tax advantages of our products would likewise decrease. Moreover, tax law may change or eliminate any of the income tax advantages of our products. Further, changes to the basis of U.S. income taxation (e.g., taxation of unearned gains), corporate tax rates, capital gains tax rates, and other changes, may affect us.

19. Iowa or other applicable law, or our corporate governance documents or change-in-control agreements, may delay or deter takeovers or combinations.

State laws, our certificate of incorporation and by-laws, and agreements into which we have entered concerning changes in control may delay, deter or prevent a takeover attempt that stockholders might consider favorable.

20. Climate changes, or responses to it, may affect us.

Climate change may increase the frequency and severity of near- or long-term weather-related disasters, public health incidents, and pandemics, and their effects may increase over time. Climate change regulation may harm the value of investments we hold or harm our counterparties, including reinsurers. Our regulators may also increasingly focus their examinations on climate-related risks.

21. Our efforts to meet environmental, social, and governance standards and to enhance our sustainability may not meet expectations.

Our investors or others may evaluate our business practices by continually evolving and unclear environmental, social, and governance (“ESG”) criteria that may reflect contrasting or conflicting values or agendas. Our practices may also not change in the particulars or at the rate all parties expect, and may involve management trade-offs. To the extent we establish specific commitments or targets, we may fail to meet them.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Not applicable.

Item 3. Legal Proceedings

See *Note 15 - Commitments and Contingencies* to our audited consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol AEL. The following table sets forth the high and low sales prices of our common stock for each quarterly period within the two most recent fiscal years as quoted on the NYSE.

	High	Low
2021		
First Quarter	$32.54	$26.21
Second Quarter	$33.68	$29.18
Third Quarter	$33.79	$27.12
Fourth Quarter	$39.88	$29.46
2020		
First Quarter	$34.16	$9.07
Second Quarter	$27.09	$14.76
Third Quarter	$27.32	$19.06
Fourth Quarter	$34.25	$22.37

As of February 11, 2022, to the best of our knowledge, there were approximately 29,524 beneficial holders of our common stock. In 2021 and 2020, we paid an annual cash dividend of $0.34 and $0.32, respectively, per share on our common stock. We intend to continue to pay an annual cash dividend on such shares so long as we have sufficient capital and/or future earnings to do so. Any further determination as to dividend policy will be made by our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition and future prospects and such other factors as our board of directors may deem relevant.

Since we are a holding company, our ability to pay cash dividends depends in large measure on our subsidiaries' ability to make distributions of cash or property to us. Iowa insurance laws restrict the amount of distributions American Equity Life and Eagle Life can pay to us without the approval of the Iowa Insurance Commissioner. See Management's Discussion and Analysis of Financial Condition and Results of Operations and *Note 14 - Statutory Financial Information and Dividend Restrictions* to our audited consolidated financial statements, which are incorporated by reference in this Item 5.

For disclosure on securities authorized for issuance under equity compensation plans, see our definitive proxy statement to be filed within the Commission pursuant to Regulation 14A within 120 days after December 31, 2021.

Issuer Purchases of Equity Securities

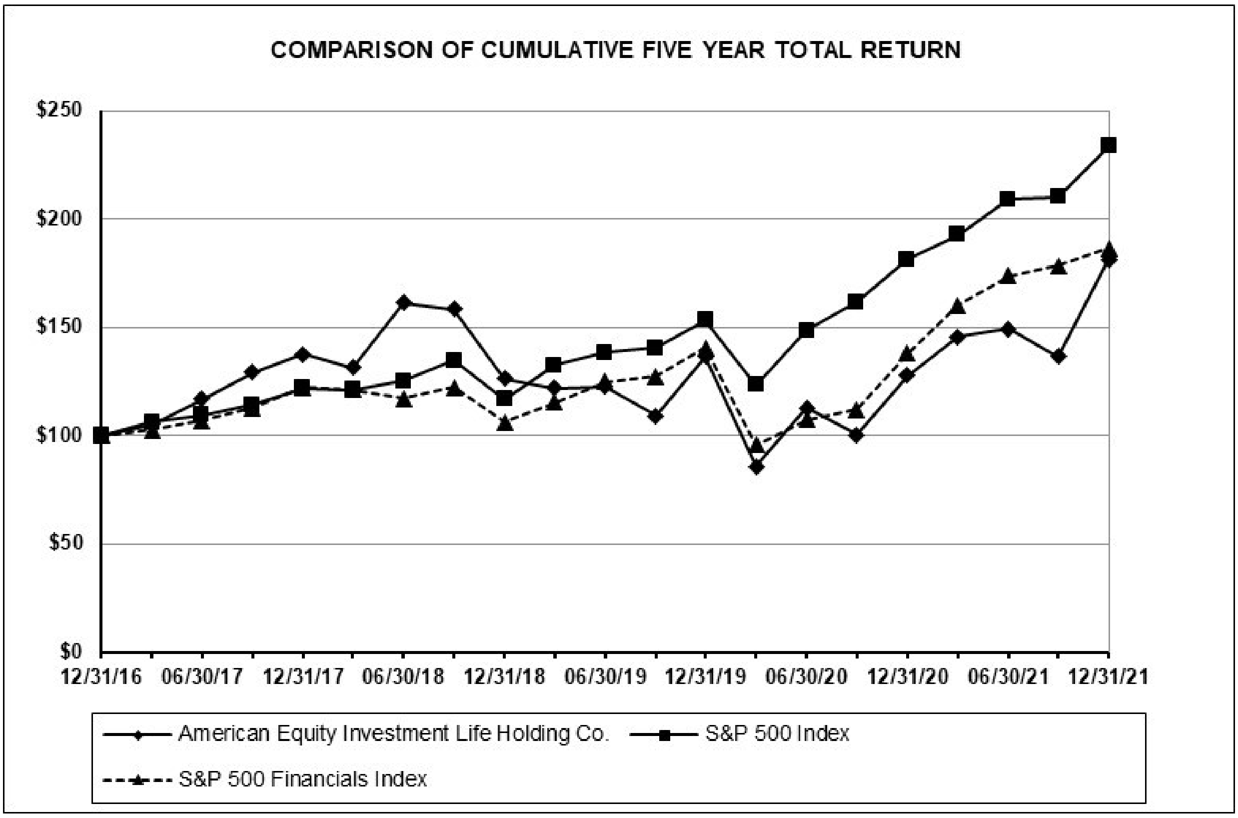
The following table presents the amount of our share purchase activity for the periods indicated:

Period	Total Number of Shares Purchased (shares)	Average Price Paid Per Share (dollars)	Total Number of Shares Purchased as Part of Publicly Announced Program (a) (shares)	Approximate Dollar Value of Shares That May Yet Be Purchased Under Program (dollars in thousands)
October 1, 2021 - October 31, 2021	—	$ —	—	$ 236,000
November 1, 2021 - November 30, 2021	—	$ —	—	$ 736,000
December 1, 2021 - December 31, 2021	—	$ —	—	$ 736,000
Total	—			

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

Common Stock Performance Graph

The graph and table below compare the total return on our common shares with the total return on the S&P Global Ratings ("S&P") 500 and S&P 500 Financials indices for the five-year period ended on December 31, 2021. The graph and table show the total return on a hypothetical $100 investment in our common shares and in each index on December 31, 2016 including the reinvestment of all dividends. The graph and table below shall not be deemed to be "soliciting material" or to be "filed," or to be incorporated by reference in future filings with the SEC, or to be subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.



	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
American Equity Investment Life Holding Co.	100.00	137.51	126.06	136.41	127.53	181.14
S&P 500 Index	100.00	121.83	116.49	153.17	181.35	233.41
S&P 500 Financials Index	100.00	122.18	106.26	140.40	138.02	186.38

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis reviews our consolidated financial position at December 31, 2021 compared with December 31, 2020, and our consolidated results of operations for the years ended December 31, 2021 and 2020, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with our audited consolidated financial statements, notes thereto and selected consolidated financial data appearing elsewhere in this report.

For information and analysis relating to our financial condition and consolidated results of operations as of and for the year ended December 31, 2020, as well as for the year ended December 31, 2020 compared with the year ended December 31, 2019, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2020.

Cautionary Statement Regarding Forward-Looking Information

All statements, trend analysis and other information contained in this report and elsewhere (such as in filings by us with the SEC, press releases, presentations by us or management or oral statements) may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may relate to markets for our products, trends in our operations or financial results, strategic alternatives, future operations, strategies, plans, partnerships, investments, share buybacks and other financial developments, and are subject to assumptions, risks and uncertainties. Statements such as [“guidance”, “expect”, “anticipate”, “strong”, “believe”, “intend”, “goal”, “objective”, “target”, “position”, “potential”, “will”, “may”, “would”, “should”, “can”, “deliver”, “accelerate”, “enable”, “estimate”, “projects”, “outlook”, “opportunity”] or similar words, as well as specific projections of future events or results qualify as forward-looking statements. Forward-looking statements, by their nature, are subject to a variety of inherent risks and uncertainties that could cause actual results to differ materially from the results projected. Many of these risks and uncertainties cannot be controlled by the Company. Factors that may cause our actual decisions or results to differ materially from those contemplated by these forward-looking statements include, among other things:

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

For a detailed discussion of these and other factors that might affect our performance, see Item 1A of this report.

Executive Summary

As previously noted, we began to implement an updated strategy, referred to as AEL 2.0, after having undertaken a thorough review of our business in 2020. During 2021, we made significant progress in the execution of the AEL 2.0 strategy in all four key pillars: Go-to-Market, Investment Management, Capital Structure and Foundational Capabilities. See **Item 1. Business** - **Strategy** for more information on the AEL 2.0 strategy and progress made during 2021.

Excellent customer service teamed with our ability to offer innovative insurance products that provide principal protection and lifetime income continued to result in significant sales of our annuity products. In 2021, our sales were $6.0 billion which increased cash and investments to a balance in excess of $64.0 billion at December 31, 2021. Our sales for the last five years have ranged from $3.7 billion to $6.0 billion.

The economic and personal investing environments continued to be conducive to the sale of fixed index and fixed rate annuity products as retirees and others looked to put their money in instruments that will protect their principal and provide them with consistent cash flow sources in their retirement years and a paycheck for life. Sales of both fixed index and fixed rate annuity products increased during 2021.

Total sales increased to $6.0 billion in 2021 compared to $3.7 billion in 2020. The increase in fixed rate annuity products was driven by the introduction of competitive three and five-year single premium deferred annuity products at both American Equity Life and Eagle Life. The increase in fixed index annuity products was driven by product refreshes at both American Equity Life and Eagle Life, including the addition of two new proprietary indices to our refreshed AssetShield product and the introduction of two new products at American Equity Life. Sales levels in 2021 also benefited from an improving sales environment compared to 2020. We lowered crediting rates on our single premium deferred annuity products during the fourth quarter of 2021 in order to focus on sales of fixed index annuity products as we believe such products align with the transformation of the Company from a spread based return on equity insurer to more of a fee-based return on asset insurer.

We continue to be in the midst of an unprecedented period of low interest rates and low yields for investments with the credit quality we prefer. In response, we have been reducing policyholder crediting rates for new annuities and existing annuities. Active management of policyholder crediting rates resulted in a lower aggregate cost of money during 2021. We continue to have flexibility to reduce our crediting rates if necessary and could decrease our cost of money by approximately 62 basis points if we reduce current rates to guaranteed minimums. We now have 7 sleeves of private asset sectors in which we have conviction, specifically as a landlord in both single family rental homes and multi-family apartments, residential whole loans for individuals and professional investors, infrastructure debt, infrastructure equity, with a priority around sub-sectors like energy transition, middle market loans to private companies, and annual recurring revenue based lending to companies in the software and technology sector. During 2021, we deployed $3.4 billion in private assets with expected returns in the 5.1% to 5.2% range. In aggregate, we successfully repositioned the portfolio in 2021 with close to $10 billion of new assets purchases resulting in an estimated portfolio yield 3.85% at the end of 2021. We are on track to achieve close to or above 4% aggregate portfolio yield in 2022 as we further ramp our allocation in private assets from approximately 15% at year-end 2021 to 30-40% over time.

On October 18, 2020, we announced an agreement with Brookfield under which Brookfield will acquire up to a 19.9% ownership interest of common stock in the Company. The equity investment by Brookfield will take place in two stages: an initial purchase of a 9.9% equity interest at $37.00 per share which closed on November 30, 2020 with Brookfield purchasing 9,106,042 shares, and a second purchase of up to an incremental 10.0% equity interest, at the greater value of $37.00 per share or adjusted book value per share (excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives). The second equity investment was subject to finalization of a reinsurance transaction that closed on October 8, 2021, receipt of applicable regulatory approvals and other closing conditions. Regulatory approval related to the second equity investment was received on December 29, 2021 and an additional 6,775,000 shares were issued to Brookfield at $37.33 per share in January of 2022. Brookfield also received one seat on the Company's Board of Directors following the initial equity investment.

On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program. The purpose of the share repurchase program is to both offset dilution from the issuance of shares to Brookfield and to institute a regular cash return program for shareholders. On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock. As of December 31, 2021, we have repurchased approximately 9.1 million shares of our common stock at an average price of $29.04 per common share. Through February 25, 2022, we have repurchased approximately 11.6 million shares of our common shares at an average price of $31.78 per common share and have approximately $630 million remaining under our share repurchase program.

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

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

Our profitability depends in large part upon:

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

Life insurance companies are subject to NAIC RBC requirements and rating agencies utilize a form of RBC to partially determine capital strength of insurance companies. Our RBC ratio at December 31, 2021 and December 31, 2020 was 400% and 372%, respectively.

We intend to manage our capitalization in normal economic conditions at a level that is consistent with rating agency capital at or above the A-level. It may drift downwards, at times, for reasons including, but not limited to, realized credit losses or temporary increases in required risk capital for ratings migrations. This level is intended to reflect a level that is consistent with the rating agencies expectations for capital adequacy ratios at different points in an economic cycle. This implies operating with a peak to trough swing whereby capital is absorbing risk at the low point of the economic cycle.

On August 21, 2020 S&P affirmed its "A-" financial strength rating on American Equity Life and its "BBB-" long-term issuer credit rating on American Equity Investment Life Holding Company, and revised its outlook to "stable" from "negative" primarily due to capital management actions taken during 2020.

On July 29, 2021, A.M. Best affirmed its "A-" financial strength rating on American Equity Investment Life Insurance Company and its subsidiaries, American Equity Investment Life Insurance Company of New York and Eagle Life Insurance Company, its "bbb-" long-term issuer credit rating of American Equity Investment Life Holding Company, its "bbb-" senior unsecured debt ratings, and its "bb" perpetual, non-cumulative preferred stock ratings. The outlook for these credit ratings of "stable" was also affirmed by A.M. Best on July 29, 2021.

On April 14, 2021, Fitch affirmed its "A-" financial strength rating on American Equity Investment Life Insurance Company and its life insurance subsidiaries, its "BBB" issuer default rating on American Equity Investment Life Holding Company and its "BBB-" senior unsecured debt ratings, and revised its outlook to "stable" from "negative" on its financial strength, issuer default and senior unsecured debt ratings.

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

	Year Ended December 31,		
	2021	**2020**	**2019**
Average yield on invested assets	3.73%	4.12%	4.52%
Aggregate cost of money	1.55%	1.69%	1.84%
Aggregate investment spread	2.18%	2.43%	2.68%
Impact of:			
Investment yield - additional prepayment income	0.11%	0.08%	0.06%
Cost of money benefit from over hedging	0.07%	0.02%	0.03%

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

Average yield on invested assets decreased primarily as a result of a higher level of cash and cash equivalent holdings during 2021 compared to 2020. The higher level of cash and cash equivalent holdings was a result of our decision to execute a series of trades in the fourth quarter of 2020 designed to raise liquidity to fund block reinsurance transactions and de-risk the investment portfolio. See **Net investment income**. Active management of policyholder crediting rates has continued to lower the aggregate cost of money. We expect to have flexibility to reduce our crediting rates if necessary and could decrease our cost of money by approximately 62 basis points if we reduce current rates to guaranteed minimums.

Results of Operations for the Three Years Ended December 31, 2021

Annuity deposits by product type collected during 2021, 2020 and 2019, were as follows:

Product Type	Year Ended December 31, 2021	2020	2019
	(Dollars in thousands)		
American Equity Life:			
Fixed index annuities	$ 2,753,479	$ 1,992,059	$ 4,058,638
Annual reset fixed rate annuities	6,133	8,128	11,245
Multi-year fixed rate annuities	855,702	395,982	1,613
Single premium immediate annuities	59,816	33,461	12,002
	3,675,130	2,429,630	4,083,498
Eagle Life:			
Fixed index annuities	697,068	345,519	646,903
Annual reset fixed rate annuities	350	97	199
Multi-year fixed rate annuities	1,597,292	907,151	232,613
	2,294,710	1,252,767	879,715
Consolidated:			
Fixed index annuities	3,450,547	2,337,578	4,705,541
Annual reset fixed rate annuities	6,483	8,225	11,444
Multi-year fixed rate annuities	2,452,994	1,303,133	234,226
Single premium immediate annuities	59,816	33,461	12,002
Total before coinsurance ceded	5,969,840	3,682,397	4,963,213
Coinsurance ceded	424,819	35,667	290,040
Net after coinsurance ceded	$ 5,545,021	$ 3,646,730	$ 4,673,173

Annuity deposits before coinsurance ceded increased 62% during 2021 compared to 2020. Annuity deposits after coinsurance ceded increased 52% during 2021 compared to 2020. The increase in sales in 2021 compared to 2020 was driven by the sales of multi-year fixed rate annuity products introduced in late 2020 at both American Equity Life and Eagle Life and increased sales of fixed index annuities at both American Equity Life and Eagle Life. This growth is due to fixed index annuity product refreshes at both American Equity Life and Eagle Life, the introduction of two new products at American Equity Life and strong sales of single premium deferred annuity products at both Eagle Life and American Equity Life during the first three quarters of 2021. Sales levels in 2021 also benefited from an improving sales environment compared to 2020.

Prior to January 1, 2021, we had been ceding 80% of the annuity deposits received from certain multi-year rate guaranteed annuities and 20% of certain fixed index annuities sold by Eagle Life through broker/dealers and banks to an unaffiliated reinsurer. Beginning January 1, 2021, no new business is being ceded to the unaffiliated reinsurer. Effective July 1, 2021, we ceded 100% of an in-force block of fixed index annuities and began ceding 75% of certain fixed index annuities issued after July 1, 2021 to North End Re which caused the increase in coinsurance ceded premiums for the year ended December 31, 2021 compared to 2020.

Net income available to common stockholders decreased 33% to $430.3 million in 2021 and increased 159% to $637.9 million in 2020 from $246.1 million in 2019. The decrease in net income available to common stockholders for the year ended December 31, 2021 was primarily a result of the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020.

Net income available to common stockholders for the year ended December 31, 2021 was negatively impacted by a decrease in the aggregate investment spread as previously noted. Net income, in general, is impacted by the volume of business in force and the investment spread earned on this business. The average amount of annuity account balances outstanding (net of annuity liabilities ceded under coinsurance agreements) increased 1% to $53.7 billion for the year ended December 31, 2021 compared to $53.3 billion in 2020 and increased 2% for the year ended December 31, 2020 compared to $52.3 billion in 2019. Our investment spread measured in dollars was $1.2 billion, $1.3 billion, and $1.3 billion for the years ended December 31, 2021, 2020 and 2019, respectively. Our investment spread has been negatively impacted by the extended low interest rate environment and by holding higher levels of cash and cash equivalents (see **Net investment income**). The higher levels of cash and cash equivalent holdings decreased in the fourth quarter of 2021 with the execution of the reinsurance treaty with North End Re. We expect to invest most of the cash balances above our target cash levels into traditional fixed income securities and privately sourced assets during early 2022. The impact of the extended low interest rate environment and higher cash and cash equivalent holdings has been partially offset by a lower aggregate cost of money due to our continued active management of new business and renewal rates. Net income available to common stockholders for the year ended December 31, 2021 was negatively impacted by an increase in other operating costs and expenses (see **Other operating costs and expenses).** We expect the level of other operating costs and expenses to settle into the $60 million per quarter range for the foreseeable future as we continue to execute on the AEL 2.0 strategy.

Net income is impacted by the change in fair value of derivatives and embedded derivatives which fluctuates from year to year based upon changes in fair values of call options purchased to fund the annual index credits for fixed index annuities and changes in interest rates used to discount the embedded derivative liability. See **Change in fair value of derivatives, Change in fair value of embedded derivatives, Amortization of deferred sales inducements** and **Amortization of deferred policy acquisition costs.**

We periodically update the key assumptions used in the calculation of amortization of deferred policy acquisition costs and deferred sales inducements retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of realized investment gains and losses) to be realized from a group of products are revised. In addition, we periodically update the assumptions used in determining the liability for lifetime income benefit riders and the embedded derivative component of our fixed index annuity policy benefit reserves as experience develops that is different from our assumptions.

Net income available to common stockholders for 2021, 2020 and 2019 includes effects from updates to assumptions as follows:

	Year Ended December 31,		
	2021	**2020**	**2019**
		(Dollars in thousands)	
Increase (decrease) in amortization of deferred sales inducements	$ (45,107)	$ 428,101	$ (104,707)
Increase (decrease) in amortization of deferred policy acquisition costs	(45,662)	646,785	(192,982)
Increase in interest sensitive and index product benefits	243,658	285,825	315,383
Increase (decrease) in change in fair value of embedded derivatives	(122,294)	(2,341,279)	28,208
Effect on net income available to common stockholders	(24,017)	769,611	(35,987)

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions during each year. In addition, we implemented an enhanced actuarial valuation system during 2019, and as a result, our 2019 assumption updates include model refinements resulting from the implementation.

The most significant assumption updates made in 2021 were to investment spread assumptions, including the net investment earned rate and crediting rate on policies, lifetime income benefit rider utilization assumptions, mortality assumptions, and lapse rate assumptions as discussed below. In addition, we made assumption updates to change the reinsurance expense assumption associated with the refinancing of statutory redundant reserves effective October 1, 2021.

Due to the continued low interest rate environment, we updated our assumption for investment spread for American Equity Life to 2.25% in the near term and increasing to 2.50% over an eight-year reversion period and our assumption for crediting/discount rate to 1.55% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was at 2.60% at the end of an eight-year reversion period, with a near term crediting/discount rate of 1.90% increasing to 2.10% over an eight-year reversion period. The assumption change to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements.

We updated lapse rate and mortality assumptions based on historical experience. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on polices with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The overall mortality assumption was lowered to reflect historical experience. The net impact of the updates to the lapse rate and mortality assumptions resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and mortality assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

We updated the lifetime income benefit rider utilization assumption based on historical experience. The ultimate utilization assumption was lowered for policies with a fee rider and certain policies with a no-fee rider. In addition, the utilization assumption was changed to reflect seasonality with higher utilization rates during the first quarter of each year. The net impact of the updates to the utilization assumption resulted in a decrease in the liability for lifetime income benefit riders due to a lower amount of expected benefits payments due to lower expected utilization. The net impact of the updates to the utilization assumption resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserve in 2021 was the change in lapse rate assumptions discussed above. The net impact of the updates to the lapse rate assumption resulted in a decrease in the embedded derivative component of our fixed index annuity policy benefit reserves as less funds ultimately qualify for excess benefits.

The most significant assumption updates from the 2020 review were to investment spread assumptions, including the net investment earned rate and crediting rates on policies, as well as updates to lapse rate and partial withdrawal assumptions.

Due to the economic and low interest rate environments, we updated our assumption for aggregate investment spread to 2.40% in the near-term increasing to 2.60% over an eight-year reversion period and our assumption for crediting/discount rate to 1.60% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was steady at 2.60%, with a near term crediting/discount rate of 1.90% increasing to 2.90% over a 20-year reversion period. The assumption update to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The decrease in the crediting rate, which is used as the discount rate in the calculation of the liability for lifetime income benefit riders, resulted in an increase in the liability for lifetime income benefit riders.

We updated lapse rate and partial withdrawal assumptions based on actual historical experience. For certain annuity products without a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were increased while for certain annuity products with a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were decreased. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves during 2020 was a decrease in the crediting rate/option budget to 2.10% from 2.90% as a result of a revised estimate of the cost of options. This assumption change resulted in a decrease in the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves due to a reduction in the projected policy contract values over the expected lives of the contracts. The net impact of the the updates to lapse and partial withdrawal assumptions noted above resulted in an increase in the embedded derivative component of our fixed index annuity policy benefit reserves as more funds ultimately qualify for excess benefits. In addition, during 2020, we refined the derivation of the discount rate used in calculating the fair value of embedded derivatives which increased the discount rate and resulted in a decrease in the change in fair value of embedded derivatives offset by increases in amortization of deferred sales inducements and deferred policy acquisition costs.

Non-GAAP operating income available to common stockholders, a non-GAAP financial measure increased 320% to $290.5 million in 2021 and decreased 87% to $69.1 million in 2020 from $548.2 million in 2019. The increase in non-GAAP operating income available to common stockholders for the year ended December 31, 2021 was primarily a result of the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020. Non-GAAP operating income available to common stockholders and Non-GAAP operating income available to common stockholders per common share - assuming dilution, excluding the impact of notable items, for the year ended December 31, 2021 were $368.5 million and $3.90 per share, respectively. Non-GAAP operating income available to common stockholders and Non-GAAP operating income available to common stockholders per common share - assuming dilution, excluding the impact of notable items, for the year ended December 31, 2020 were $379.2 million and $4.11 per share, respectively. Non-GAAP operating income available to common stockholders for both the years ended December 31, 2021 and 2020 was negatively impacted by a decrease in the aggregate investment spread as previously noted. In addition, Non-GAAP operating income available to common stockholders for the year ended December 31, 2021 was negatively impacted by an increase in other operating costs and expenses (see **Other operating costs and expenses).**

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

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

The adjustments made to net income available to common stockholders to arrive at non-GAAP operating income available to common stockholders and non-GAAP operating income available to common stockholders, excluding notable items for 2021, 2020 and 2019 are set forth in the table that follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Reconciliation from net income available to common stockholders to non-GAAP operating income available to common stockholders:			
Net income available to common stockholders	$ 430,317	$ 637,945	$ 246,090
Adjustments to arrive at non-GAAP operating income available to common stockholders:			
Net realized losses on financial assets, including credit losses	10,299	59,355	7,361
Change in fair value of derivatives and embedded derivatives	(187,290)	(784,005)	374,468
Income taxes	37,184	155,808	(79,736)
Non-GAAP operating income available to common stockholders	290,510	69,103	548,183
Impact of notable items	78,036	310,117	(123,739)
Non-GAAP operating income available to common stockholders, excluding notable items	$ 368,546	$ 379,220	$ 424,444
Per common share - assuming dilution:			
Non-GAAP operating income available to common stockholders	$ 3.07	$ 0.75	$ 5.97
Impact of notable items	0.83	3.36	(1.35)
Non-GAAP operating income available to common stockholders, excluding notable items	$ 3.90	$ 4.11	$ 4.62
Notable items impacting non-GAAP operating income available to common stockholders:			
Impact of actuarial assumption updates	$ 78,036	$ 340,895	$ (123,739)
Tax benefit related to the CARES Act	—	(30,778)	—
Total notable items	$ 78,036	$ 310,117	$ (123,739)

The amounts disclosed in the reconciliation above are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and accretion of lifetime income benefit rider reserves where applicable. Notable items reflect the after-tax impact to non-GAAP operating income available to common stockholders for certain items that do not reflect the company's expected ongoing operations. Notable items primarily include the impact from actuarial assumption updates. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.

Non-GAAP operating income available to common stockholders for 2021, 2020 and 2019 includes effects from updates to assumptions as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Increase (decrease) in amortization of deferred sales inducements	$ (66,066)	$ 57,467	$ (184,882)
Increase (decrease) in amortization of deferred policy acquisition costs	(78,183)	90,970	(288,332)
Increase in interest sensitive and index product benefits	243,658	285,825	315,383
Effect on non-GAAP operating income available to common stockholders	(78,036)	(340,895)	123,739

The impact to net income available to common stockholders and non-GAAP operating income available to common stockholders from assumption updates varies due to the impact of fair value accounting for our fixed index annuity business as non-GAAP operating income available to common stockholders eliminates the impact of fair value accounting for our fixed index annuity business. While the assumption updates made during 2021, 2020 and 2019 were consistently applied, the impact to net income available to common stockholders and non-GAAP operating income available to common stockholders varies due to different amortization rates being applied to gross profit adjustments included in the valuation.

Annuity product charges (surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders) decreased 3% to $242.6 million in 2021 and increased 5% to $251.2 million in 2020 from $240.0 million in 2019. The components of annuity product charges are set forth in the table that follows:

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Surrender charges	$ 67,657	$ 72,551	$ 71,565
Lifetime income benefit riders (LIBR) fees	174,974	178,676	168,470
	$ 242,631	$ 251,227	$ 240,035
Withdrawals from annuity policies subject to surrender charges	$ 1,099,098	$ 776,305	$ 662,795
Average surrender charge collected on withdrawals subject to surrender charges	6.2 %	9.3 %	10.8 %
Fund values on policies subject to LIBR fees	$ 22,183,623	$ 22,986,903	$ 22,490,676
Weighted average per policy LIBR fee	0.79 %	0.78 %	0.75 %

The decrease in annuity product charges during 2021 was attributable to lower average surrender charges collected on withdrawals subject to surrender charges primarily due to an increase in market value adjustments on such surrenders and a decrease in fees assessed for lifetime income benefit riders due to a smaller volume of business in force subject to the fee slightly offset by an increase in the average fees being charged as compared to prior periods. See **Interest sensitive and index product benefits** below for corresponding expense recognized on lifetime income benefit riders.

Net investment income decreased 7% to $2.0 billion in 2021 and 5% to $2.2 billion in 2020 from $2.3 billion in 2019. The decrease for 2021 compared to 2020 was attributable to a decrease in the average yield earned on invested assets during 2021 compared to 2020. Average invested assets excluding derivative instruments (on an amortized cost basis) increased 3% to $54.8 billion in 2021 and 4% to $53.1 billion in 2020 compared to $51.1 billion in 2019.

The average yield earned on average invested assets was 3.73%, 4.12% and 4.52% for 2021, 2020 and 2019, respectively. The decrease in yield earned on average invested assets in 2021 was primarily attributable to an increase in our level of cash and cash equivalent holdings as previously described and a decline in yields on our floating rate investment portfolio due to decreases in the average benchmark rates associated with these investments offset by an increase in mark to market gains on investment partnerships due to changes in market valuations.

The expected return on investments purchased during 2021 was 3.92%, net of third-party investment management expenses. Purchases for 2021 included $6.4 billion of fixed maturity securities with an expected return of 3.25% and $3.4 billion of privately sourced assets with an expected return of 5.19%. The privately sourced assets include investments in investment real estate, middle market loans, infrastructure debt, mortgage loans and strategic investments in limited partnerships. The expected return on investments purchased during 2020 and 2019 was 3.84% and 3.88%, respectively.

Change in fair value of derivatives consists of call options purchased to fund annual index credits on fixed index annuities, and an interest rate swap and interest rate caps that hedged our floating rate subordinated debentures. The interest rate swap and interest rate caps were terminated during 2019 and 2020 in conjunction with the redemption of our floating rate subordinated debentures. The components of change in fair value of derivatives are as follows:

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Call options:			
Gain (loss) on option expiration	$ 1,368,381	$ 15,042	$ (190,376)
Change in unrealized gains/losses	(20,456)	19,562	1,098,932
Warrants	810	—	—
Interest rate swap	—	—	(1,059)
Interest rate caps	—	62	(591)
	$ 1,348,735	$ 34,666	$ 906,906

The differences between the change in fair value of derivatives between years for call options are primarily due to the performance of the indices upon which our call options are based which impacts the level of gains on call option expirations, the fair values of those call options and changes in the fair values of those call options between years. The changes in gain (loss) on option expiration and in unrealized gains/losses on call options for the year ended December 31, 2021 as compared to 2020 are due to equity market performance in 2021 compared to 2020. A substantial portion of our call options are based upon the S&P 500 Index with the remainder based upon other equity and bond market indices. The range of index appreciation (after applicable caps, participation rates and asset fees) for options expiring during these years is as follows:

	Year Ended December 31,		
	2021	2020	2019
S&P 500 Index			
Point-to-point strategy	0.0% - 42.6%	0.0% - 17.4%	0.0% - 22.3%
Monthly average strategy	0.0% - 29.4%	0.0% - 11.9%	0.0% - 14.7%
Monthly point-to-point strategy	0.0% - 21.7%	0.0% - 14.0%	0.0% - 14.0%
Volatility control index point-to-point strategy	0.0% - 9.7%	0.0% - 9.3%	0.0% - 10.3%
Fixed income (bond index) strategies	0.0% - 10.0%	0.0% - 13.6%	0.0% - 10.0%

The change in fair value of derivatives is also influenced by the aggregate costs of options purchased. During 2021, the aggregate cost of options were lower than in 2020 as option costs generally decreased during 2020 and 2021. The aggregate cost of options is also influenced by the amount of policyholder funds allocated to the various indices and market volatility which affects option pricing. See Critical Accounting Policies and Estimates - Policy Liabilities for Fixed Index Annuities.

Net realized gains (losses) on investments include gains and losses on the sale of securities and other investments and changes in allowances for credit losses on our securities and mortgage loans on real estate. Net realized gains (losses) on investments fluctuate from year to year primarily due to changes in the interest rate and economic environment and the timing of the sale of investments. See *Note 4 - Investments* and *Note 5 - Mortgage Loans on Real Estate* to our audited consolidated financial statements and Financial Condition - Credit Losses for a detailed presentation of the types of investments that generated the gains (losses) as well as discussion of credit losses on our securities recognized during the periods presented and Financial Condition - Investments and *Note 5 - Mortgage Loans on Real Estate* to our audited consolidated financial statements for discussion of credit losses recognized on mortgage loans on real estate.

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

Other revenue was $15.7 million for the year ended December 31, 2021 and primarily consists of $5.5 million related to asset liability management fees and $10.2 million of amortization related to the deferred gain associated with the cost of reinsurance. Both of these items are associated with the North End Re reinsurance treaty which was effective July 1, 2021. See *Note 9 - Reinsurance and Policy Provisions* to our audited consolidated financial statements for more information.

Interest sensitive and index product benefits increased 74% to $2.7 billion in 2021 and 20% to $1.5 billion in 2020 from $1.3 billion in 2019. The components of interest sensitive and index product benefits are summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Index credits on index policies	$ 1,977,888	$ 747,489	$ 587,818
Interest credited (including changes in minimum guaranteed interest for fixed index annuities)	253,725	198,745	204,474
Lifetime income benefit riders	449,793	597,036	495,284
	$ 2,681,406	$ 1,543,270	$ 1,287,576

The changes in index credits were attributable to changes in the level of appreciation of the underlying indices (see discussion above under **Change in fair value of derivatives**) and the amount of funds allocated by policyholders to the respective index options. Total proceeds received upon expiration of the call options purchased to fund the annual index credits were $2.0 billion, $0.8 billion and $0.6 billion for the years ended December 31, 2021, 2020 and 2019, respectively. The increase in interest credited in 2021 was due to increases in sales of single premium deferred annuity products that receive a fixed rate of interest partially offset by a reduction in interest credited to funds allocated to the fixed option within our fixed index annuities due to a decrease in the average balance allocated to the fixed option. The decrease in benefits recognized for lifetime income benefit riders for 2021 compared to 2020 was due to the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020 and the increased level of index credits on index policies during 2021 compared to 2020. In addition, fund value of policies with lifetime income benefit riders decreased as a result of the North End Re reinsurance treaty executed during 2021. **See Net income available to common stockholders** above for discussion of the changes in the assumptions used in determining reserves for lifetime income benefit riders for the years ended December 31, 2021 and 2020.

Amortization of deferred sales inducements before gross profit adjustments decreased in 2021 compared to 2020 primarily due to the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020. Amortization of deferred sales inducements is based on historical, current and future expected gross profits. The changes in amortization from period to period are the result of differences in actual gross profits compared to expected or modeled gross profits and changes to the underlying business. In addition, amortization of deferred sales inducements for the year ended December 31, 2021 decreased as index credits on index policies for the year ended December 31, 2021 were in excess of expected index credits and index credits on index policies for the same period of 2020. Bonus products represented 65%, 75% and 76% of our net annuity account values at December 31, 2021, 2020 and 2019, respectively. The amount of amortization is affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business and amortization associated with net realized gains (losses) on investments. Fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts. The change in fair value of the embedded derivatives will not correspond to the change in fair value of the derivatives (purchased call options), because the purchased call options are one-year options while the options valued in the fair value of embedded derivatives cover the expected lives of the contracts which typically exceed ten years. Amortization of deferred sales inducements is summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Amortization of deferred sales inducements before gross profit adjustments	$ 112,790	$ 243,067	$ 78,398
Gross profit adjustments:			
Fair value accounting for derivatives and embedded derivatives	40,899	202,660	12,189
Net realized losses on investments	(997)	(7,563)	(2,002)
Amortization of deferred sales inducements after gross profit adjustments	$ 152,692	$ 438,164	$ 88,585

See **Net income available to common stockholders** and **Non-GAAP operating income available to common stockholders, a non-GAAP financial measure** above for discussion of the impact of assumption updates on amortization of deferred sales inducements for the years ended December 31, 2021 and 2020. See Critical Accounting Policies and Estimates - Deferred Policy Acquisition Costs and Deferred Sales Inducements.

Change in fair value of embedded derivatives includes changes in the fair value of our fixed index annuity embedded derivatives (see *Note 7 - Derivative Instruments* to our audited consolidated financial statements). The components of change in fair value of embedded derivatives are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Fixed index annuities - embedded derivatives	$ (876,803)	$ (1,922,085)	$ 562,302
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	520,863	635,298	891,740
Reinsurance related embedded derivative	(2,362)	—	—
	$ (358,302)	$ (1,286,787)	$ 1,454,042

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

The primary reason for the increase in the change in fair value of the fixed index annuity embedded derivatives during 2021 compared to 2020 was the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020. See **Net Income available to common stockholders** above for a discussion of the impact of assumption updates on the fair value of the fixed index annuity embedded derivative for the years ended December 31, 2021 and 2020.

The increase in change in fair value of the fixed index annuity embedded derivatives for the year ended December 31, 2021 was also due to an increase in the net discount rate during the year ended December 31, 2021 compared to a decrease in the net discount rate during the same period of 2020 offset by a larger increase in expected index credits on the next policy anniversary dates resulting from a larger increase in the fair value of the call options acquired to fund these index credits during year ended December 31, 2021 compared to the year ended December 31, 2020. The discount rates used in estimating our embedded derivative liabilities fluctuate based on the changes in the general level of risk free interest rates and our own credit spread.

The reinsurance agreement executed in 2021 with Brookfield to cede certain fixed index annuity product liabilities on a modified coinsurance basis contains an embedded derivative. See *Note 7 - Derivative Instruments* for discussion on this embedded derivative.

Amortization of deferred policy acquisition costs before gross profit adjustments decreased in 2021 compared to 2020 primarily due to the impact of assumption updates made during 2021 compared to the impact of assumption updates made during 2020. Amortization of deferred policy acquisition costs is based on historical, current and future expected gross profits. The changes in amortization from period to period are the result of differences in actual gross profits compared to expected or modeled gross profits and changes to the underlying business. In addition, amortization of deferred policy acquisition costs for year ended December 31, 2021 decreased as index credits on index policies for the year ended December 31, 2021 were in excess of expected index credits and index credits on index policies for the same periods of 2020. The amount of amortization is affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business and amortization associated with net realized gains (losses) on investments. As discussed above, fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts. Amortization of deferred policy acquisition costs is summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Amortization of deferred policy acquisition costs before gross profit adjustments	$ 181,589	$ 368,139	$ 97,736
Gross profit adjustments:			
Fair value accounting for derivatives and embedded derivatives	88,576	293,827	(7,618)
Net realized losses on investments	(1,837)	(12,412)	(2,401)
Amortization of deferred policy acquisition costs after gross profit adjustments	$ 268,328	$ 649,554	$ 87,717

See **Net income available to common stockholders** and **non-GAAP operating income available to common stockholders, a non-GAAP financial measure,** above for discussion of the impact of assumption updates on amortization of deferred policy acquisition costs for the years ended December 31, 2021 and 2020. See Critical Accounting Policies and Estimates - Deferred Policy Acquisition Costs and Deferred Sales Inducements.

Other operating costs and expenses increased 33% to $243.7 million in 2021 and increased 19% to $183.6 million in 2020 from $154.2 million in 2019 and are summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Salary and benefits	$ 139,155	$ 95,815	$ 82,883
Risk charges	36,272	45,091	38,342
Other	68,285	42,730	32,928
Total other operating costs and expenses	$ 243,712	$ 183,636	$ 154,153

Salary and benefits expense increased in 2021 as a result of an increase in salary and benefits of $22.2 million and an increase of $22.2 million related to expense recognized under our equity and cash incentive compensation programs ("incentive compensation programs"). The increases in salary and benefits were due to an increased number of employees related to our continued growth and implementation of AEL 2.0. The increase in expense for our incentive compensation programs was primarily due to an increase in the expected payouts due to a larger number of employees participating in the programs and higher payouts for certain employees participating in the programs partially due to progress made in the execution of the AEL 2.0 strategy during 2021. The increases in salary and benefits for 2021 includes $6.1 million of expenses associated with talent transition as we implement the AEL 2.0 strategy.

The decrease in risk charges during 2021 compared to 2020 was due to the recapture of an existing reinsurance agreement which was replaced with a new agreement with a lower risk charge. We expect the risk charge to be approximately $9 million lower per quarter than the previous agreement.

Other expenses increased in 2021 compared to 2020 primarily as a result of increases in legal and consulting fees related to the implementation of AEL 2.0, increases in depreciation and maintenance expenses primarily related to software and hardware assets, and increases in agent conference related expenses as conferences resumed as we emerge from the COVID-19 pandemic.

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

Income tax expense decreased in 2021 primarily due to an decrease in income before income taxes. The effective income tax rates were 21.4% and 17.7% for 2021 and 2020, respectively.

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

The effective income tax rate for 2021 was not significantly impacted by discrete tax items. The effective tax rate for 2020 was impacted by a discrete tax item related to the provision of the Coronavirus Aid, Relief, and Economic Security Act that allowed net operating losses for 2018 through 2020 to be carried back to previous tax years in which a 35% statutory tax rate was in effect. The effective income tax rate excluding the impact of the discrete items was 21.4% for the year ended December 31, 2020.

Financial Condition

Investments

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

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

The composition of our investment portfolio is summarized as follows:

	December 31,			
	2021		2020	
	Carrying Amount	Percent	Carrying Amount	Percent
	(Dollars in thousands)			
Fixed maturity securities:				
United States Government full faith and credit	$ 37,793	0.1 %	$ 39,771	0.1 %
United States Government sponsored agencies	1,040,953	1.7 %	1,039,551	1.9 %
United States municipalities, states and territories	3,927,201	6.5 %	3,776,131	7.0 %
Foreign government obligations	402,545	0.7 %	202,706	0.4 %
Corporate securities	34,660,234	57.4 %	31,156,827	58.1 %
Residential mortgage backed securities	1,125,049	1.9 %	1,512,831	2.8 %
Commercial mortgage backed securities	4,840,311	8.0 %	4,261,227	8.0 %
Other asset backed securities	5,271,857	8.7 %	5,549,849	10.4 %
Total fixed maturity securities	51,305,943	85.0 %	47,538,893	88.7 %
Mortgage loans on real estate	5,687,998	9.4 %	4,165,489	7.8 %
Real estate investments	337,939	0.6 %	—	— %
Derivative instruments	1,277,480	2.1 %	1,310,954	2.4 %
Other investments	1,767,144	2.9 %	590,078	1.1 %
	$ 60,376,504	100.0 %	$ 53,605,414	100.0 %

Fixed Maturity Securities

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

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

	December 31,			
	2021		2020	
Rating Agency Rating	**Carrying Amount**	**Percent of Fixed Maturity Securities**	**Carrying Amount**	**Percent of Fixed Maturity Securities**
	(Dollars in thousands)			
Aaa/Aa/A	$ 28,275,431	55.2 %	$ 27,883,428	58.7 %
Baa	21,875,939	42.6 %	18,408,954	38.7 %
Total investment grade	50,151,370	97.8 %	46,292,382	97.4 %
Ba	930,384	1.8 %	973,581	2.0 %
B	118,065	0.2 %	122,553	0.3 %
Caa	39,354	0.1 %	61,037	0.1 %
Ca and lower	66,770	0.1 %	89,340	0.2 %
Total below investment grade	1,154,573	2.2 %	1,246,511	2.6 %
	$ 51,305,943	100.0 %	$ 47,538,893	100.0 %

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

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

As of December 31, 2020, the NAIC had introduced 20 NAIC designation modifiers that will be applied to each NAIC designation to determine a security's NAIC designation category. The NAIC has approved new unique risk-based capital charges for each of the 20 designated categories for reporting effective December 31, 2021.

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

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

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

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

NAIC Designation	December 31, 2021 Amortized Cost	Fair Value	Carrying Amount	Percentage of Total Carrying Amount	December 31, 2020 Amortized Cost	Fair Value	Carrying Amount	Percentage of Total Carrying Amount
	(Dollars in thousands)				(Dollars in thousands)			
1	$ 26,157,531	$ 28,785,839	$ 28,785,839	56.1 %	$ 23,330,149	$ 26,564,542	$ 26,564,542	55.9 %
2	19,758,594	21,396,020	21,396,020	41.7 %	17,312,485	19,377,013	19,377,013	40.8 %
3	909,311	941,210	941,210	1.9 %	1,292,124	1,299,455	1,299,455	2.7 %
4	133,070	147,160	147,160	0.3 %	282,049	256,651	256,651	0.5 %
5	16,496	15,357	15,357	— %	29,396	16,288	16,288	— %
6	24,181	20,357	20,357	— %	58,533	24,944	24,944	0.1 %
	$ 46,999,183	$ 51,305,943	$ 51,305,943	100.0 %	$ 42,304,736	$ 47,538,893	$ 47,538,893	100.0 %

The amortized cost and fair value of fixed maturity securities at December 31, 2021, by contractual maturity are presented in *Note 4 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

Unrealized Losses

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

	Number of Securities	Amortized Cost	Unrealized Losses, Net of Allowance	Allowance for Credit Losses	Fair Value
			(Dollars in thousands)		
December 31, 2021					
Fixed maturity securities, available for sale:					
United States Government full faith and credit	2	$ 1,041	$ (34)	$ —	$ 1,007
United States Government sponsored agencies	6	760,060	(90)	—	759,970
United States municipalities, states and territories	42	190,471	(3,042)	(2,776)	184,653
Foreign government obligations	3	43,704	(843)	—	42,861
Corporate securities	600	2,530,864	(38,442)	—	2,492,422
Residential mortgage backed securities	74	280,044	(2,093)	(70)	277,881
Commercial mortgage backed securities	108	944,407	(17,719)	—	926,688
Other asset backed securities	592	3,172,613	(50,107)	—	3,122,506
	1,427	$ 7,923,204	$ (112,370)	$ (2,846)	$ 7,807,988
December 31, 2020					
Fixed maturity securities, available for sale:					
United States Government sponsored agencies	3	$ 250,521	$ (46)	$ —	$ 250,475
United States municipalities, states and territories	14	36,558	(1,044)	(2,844)	32,670
Corporate securities	103	856,995	(35,892)	(60,193)	760,910
Residential mortgage backed securities	43	173,875	(2,526)	(1,734)	169,615
Commercial mortgage backed securities	122	1,034,424	(64,678)	—	969,746
Other asset backed securities	558	3,728,144	(146,640)	—	3,581,504
	843	$ 6,080,517	$ (250,826)	$ (64,771)	$ 5,764,920

The unrealized losses at December 31, 2021 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at December 31, 2021, and the continued impact the COVID-19 pandemic had on credit markets. Approximately 85% and 75% of the unrealized losses on fixed maturity securities shown in the above table for December 31, 2021 and December 31, 2020, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

The decrease in unrealized losses from December 31, 2020 to December 31, 2021 was primarily related to pricing improvements due to improved credit quality for certain fixed maturity securities during the twelve months ended December 31, 2021 and strategies to reposition the fixed maturity security portfolio that resulted in the sales of certain securities that were in an unrealized loss position at December 31, 2020. This decrease was partially offset by an increase in treasury yields during the twelve months ended December 31, 2021. The 10-year U.S. Treasury yields at December 31, 2021 and December 31, 2020 were 1.52% and 0.93%, respectively. The 30-year U.S. Treasury yields at December 31, 2021 and December 31, 2020 were 1.90% and 1.65%, respectively.

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

NAIC Designation	Carrying Value of Securities with Gross Unrealized Losses	Percent of Total	Gross Unrealized Losses (1)	Percent of Total
	(Dollars in thousands)			
December 31, 2021				
1	$ 4,174,438	53.5 %	$ (37,884)	33.7 %
2	3,197,575	41.0 %	(57,354)	51.0 %
3	376,996	4.8 %	(13,723)	12.2 %
4	33,229	0.4 %	(1,083)	1.0 %
5	9,506	0.1 %	(1,140)	1.0 %
6	16,244	0.2 %	(1,186)	1.1 %
	$ 7,807,988	100.0 %	$ (112,370)	100.0 %
December 31, 2020				
1	$ 2,625,341	45.5 %	$ (82,045)	32.7 %
2	2,286,377	39.7 %	(106,700)	42.5 %
3	650,364	11.3 %	(42,040)	16.8 %
4	178,669	3.1 %	(16,274)	6.5 %
5	4,991	0.1 %	(1,640)	0.7 %
6	19,178	0.3 %	(2,127)	0.8 %
	$ 5,764,920	100.0 %	$ (250,826)	100.0 %

(1) Gross unrealized losses have been adjusted to reflect the allowance for credit loss of $2.8 million and $64.8 million as of December 31, 2021 and 2020, respectively.

Our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 1,427 and 843 securities, respectively) have been in a continuous unrealized loss position at December 31, 2021 and 2020, along with a description of the factors causing the unrealized losses is presented in *Note 4 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

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

	Number of Securities	Amortized Cost, Net of Allowance (1)	Fair Value	Gross Unrealized Losses, Net of Allowance (1)
			(Dollars in thousands)	
December 31, 2021				
Fixed maturity securities, available for sale:				
Investment grade:				
Less than six months	1,024	$ 5,582,431	$ 5,536,216	$ (46,215)
Six months or more and less than twelve months	39	132,110	130,156	(1,954)
Twelve months or greater	281	1,752,779	1,705,640	(47,139)
Total investment grade	1,344	7,467,320	7,372,012	(95,308)
Below investment grade:				
Less than six months	12	43,808	43,057	(751)
Six months or more and less than twelve months	7	28,544	25,706	(2,838)
Twelve months or greater	64	380,686	367,213	(13,473)
Total below investment grade	83	453,038	435,976	(17,062)
	1,427	$ 7,920,358	$ 7,807,988	$ (112,370)
December 31, 2020				
Fixed maturity securities, available for sale:				
Investment grade:				
Less than six months	54	$ 686,711	$ 679,337	$ (7,374)
Six months or more and less than twelve months	310	2,201,769	2,118,844	(82,925)
Twelve months or greater	338	2,400,833	2,288,755	(112,078)
Total investment grade	702	5,289,313	5,086,936	(202,377)
Below investment grade:				
Less than six months	9	48,355	47,984	(371)
Six months or more and less than twelve months	37	155,451	146,779	(8,672)
Twelve months or greater	95	522,627	483,221	(39,406)
Total below investment grade	141	726,433	677,984	(48,449)
	843	$ 6,015,746	$ 5,764,920	$ (250,826)

(1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of $2.8 million and $64.8 million as of December 31, 2021 and 2020, respectively.

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

	Number of Securities	Amortized Cost, Net of Allowance (1)	Fair Value	Gross Unrealized Losses, Net of Allowance (1)
			(Dollars in thousands)	
December 31, 2021				
Investment grade:				
Less than six months	—	$ —	$ —	$ —
Six months or more and less than twelve months	—	—	—	—
Twelve months or greater	—	—	—	—
Total investment grade	—	—	—	—
Below investment grade:				
Less than six months	—	—	—	—
Six months or more and less than twelve months	—	—	—	—
Twelve months or greater	—	—	—	—
Total below investment grade	—	—	—	—
	—	$ —	$ —	$ —
December 31, 2020				
Investment grade:				
Less than six months	1	$ 2,453	$ 1,909	$ (544)
Six months or more and less than twelve months	4	21,368	15,589	(5,779)
Twelve months or greater	—	—	—	—
Total investment grade	5	23,821	17,498	(6,323)
Below investment grade:				
Less than six months	1	5,963	4,323	(1,640)
Six months or more and less than twelve months	8	38,046	38,046	—
Twelve months or greater	5	3,875	3,062	(813)
Total below investment grade	14	47,884	45,431	(2,453)
	19	$ 71,705	$ 62,929	$ (8,776)

(1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of $2.8 million and $64.8 million as of December 31, 2021 and 2020, respectively.

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

	Available for sale	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
December 31, 2021		
Due in one year or less	$ 762,035	$ 761,590
Due after one year through five years	509,458	505,312
Due after five years through ten years	546,453	535,258
Due after ten years through twenty years	638,205	627,275
Due after twenty years	1,069,989	1,051,478
	3,526,140	3,480,913
Residential mortgage backed securities	280,044	277,881
Commercial mortgage backed securities	944,407	926,688
Other asset backed securities	3,172,613	3,122,506
	$ 7,923,204	$ 7,807,988
December 31, 2020		
Due in one year or less	$ 2,324	$ 1,864
Due after one year through five years	382,843	360,761
Due after five years through ten years	396,842	355,188
Due after ten years through twenty years	216,725	203,282
Due after twenty years	145,340	122,960
	1,144,074	1,044,055
Residential mortgage backed securities	173,875	169,615
Commercial mortgage backed securities	1,034,424	969,746
Other asset backed securities	3,728,144	3,581,504
	$ 6,080,517	$ 5,764,920

International Exposure

We hold fixed maturity securities with international exposure. As of December 31, 2021, 11.8% of the carrying value of our fixed maturity securities was comprised of corporate debt securities of issuers based outside of the United States and debt securities of foreign governments. Our fixed maturity securities with international exposure are primarily denominated in U.S. dollars. Our investment professionals analyze each holding for credit risk by economic and other factors of each country and industry. The following table presents our international exposure in our fixed maturity portfolio by country or region:

	December 31, 2021		
	Amortized Cost	Carrying Amount/ Fair Value	Percent of Total Carrying Amount
	(Dollars in thousands)		
Europe	$ 2,591,444	$ 2,852,787	5.6 %
Asia/Pacific	397,281	440,845	0.9 %
Latin America	239,427	260,903	0.5 %
Non-U.S. North America	1,351,057	1,497,014	2.9 %
Australia & New Zealand	326,657	351,018	0.7 %
Other	571,475	619,334	1.2 %
	$ 5,477,341	$ 6,021,901	11.8 %

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

	December 31, 2021	
	Amortized Cost	Carrying Amount/ Fair Value
	(Dollars in thousands)	
Europe	$ 38,773	$ 40,129
Asia/Pacific	83	81
Latin America	50,166	51,817
Non-U.S. North America	44,904	45,789
Australia & New Zealand	497	482
Other	64,470	67,600
	$ 198,893	$ 205,898

Watch List

At each balance sheet date, we identify invested assets which have characteristics (i.e., significant unrealized losses compared to amortized cost and industry trends) creating uncertainty as to our future assessment of credit losses. As part of this assessment, we review not only a change in current price relative to its amortized cost but the issuer's current credit rating and the probability of full recovery of principal based upon the issuer's financial strength. For corporate issuers, we evaluate the financial stability and quality of asset coverage for the securities relative to the term to maturity for the issues we own. For asset-backed securities, we evaluate changes in factors such as collateral performance, default rates, loss severities and expected cash flows. At December 31, 2021, the amortized cost and fair value of securities on the watch list (all fixed maturity securities) are as follows:

General Description	Number of Securities	Amortized Cost	Allowance for Credit Losses	Amortized Cost, Net of Allowance	Net Unrealized Gains (Losses), Net of Allowance	Fair Value
			(Dollars in thousands)			
Corporate securities - Public securities	3	$ 6,564	$ —	$ 6,564	$ (580)	$ 5,984
Corporate securities - Private placement securities	1	10,646	—	10,646	(1,140)	9,506
Residential mortgage backed securities	14	27,451	(70)	27,381	316	27,697
Commercial mortgage backed securities	10	114,815	—	114,815	291	115,106
United States municipalities, states and territories	5	19,062	(2,776)	16,286	(574)	15,712
	33	$ 178,538	$ (2,846)	$ 175,692	$ (1,687)	$ 174,005

We expect to recover the unrealized losses, net of allowances, as we did not have the intent to sell and it was not more likely than not that we would be required to sell these securities prior to recovery of the amortized cost basis, net of allowances. Our analysis of these securities and their credit performance at December 31, 2021 is as follows:

Corporate securities: The corporate securities included on the watch list primarily have exposure to the offshore drilling industry. The decline in value of these securities is due to the low level of oil prices over a long period of time. While oil prices have drifted up in recent periods, credit metrics remain under pressure. In addition, the corporate securities included on the watch list include a security in the utilities industry that is under financial stress due to the impact of power outages. While we continue to monitor the status of these securities, we do not currently expect credit losses on these securities.

Structured securities: The structured securities included on the watch list have generally experienced higher levels of stress due to the impact COVID-19 is having on the economy. While there is a heightened level of credit risk for the structured securities on the watch list, we expect minimal credit losses on these securities based on our current analyses.

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

Credit Losses

We have a policy and process to identify securities in our investment portfolio for which we recognize credit loss. See Critical Accounting Policies and Estimates—Evaluation of Allowance for Credit Losses on Available for Sale Fixed Maturity Securities and Mortgage Loan Portfolios and *Note 4 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

During 2021, we recognized credit losses of $6.2 million related to our fixed maturity securities which consisted of $6.9 million of credit losses on commercial mortgage backed securities due to our intent to sell the securities, partially offset by net recoveries on corporate securities, municipal securities and residential mortgage backed securities.

During 2020, we recognized credit losses of $60.4 million on corporate securities, $1.7 million on residential mortgage backed securities, $29.2 million on commercial mortgage backed securities, $0.5 million on other asset backed securities and $2.8 million on municipal securities.

Mortgage Loans on Real Estate

Our financing receivables consist of three mortgage loan portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our commercial mortgage loan portfolio consists of loans with an outstanding principal balance of $3.6 billion and $3.6 billion as of December 31, 2021 and December 31, 2020, respectively. This portfolio consists of mortgage loans collateralized by the related properties and diversified as to property type, location and loan size. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of $408.1 million and $245.8 million as of December 31, 2021 and December 31, 2020, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of $1.7 billion and $366.3 million as of December 31, 2021 and December 31, 2020, respectively. These loans are collateralized by the related properties and diversified as to location within the United States. Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances.

At December 31, 2021 and 2020, the largest principal amount outstanding for any single commercial or agricultural mortgage loan was $81.5 million and $34.7 million, respectively, and the average loan size was $5.3 million and $4.8 million, respectively. In addition, the average loan-to-value ratio for commercial and agricultural mortgage loans combined was 52.3% and 53.6% at December 31, 2021 and 2020, respectively, based upon the underwriting and appraisal at the time the loan was made. This loan-to-value ratio is indicative of our conservative underwriting policies and practices for originating mortgage loans and may not be indicative of collateral values at the current reporting date. Our current practice is to only obtain market value appraisals of the underlying collateral at the inception of the loan unless we identify indicators of impairment in our ongoing analysis of the portfolio, in which case, we either calculate a value of the collateral using a capitalization method or obtain a third party appraisal of the underlying collateral. The commercial mortgage loan portfolio is summarized by geographic region and property type in *Note 5 - Mortgage Loans on Real Estate* of our audited consolidated financial statements of this Form 10-K, which is incorporated by reference in this Item 7.

In the normal course of business, we commit to fund mortgage loans up to 90 days in advance. At December 31, 2021, we had commitments to fund commercial mortgage loans totaling $59.0 million, with interest rates ranging from 3.6% to 5.1%. During 2021 and 2020, due to historically low interest rates, the commercial mortgage loan industry has been very competitive. This competition has resulted in a number of borrowers refinancing with other lenders. For the year ended December 31, 2021, we received $350.6 million in cash for loans being paid in full compared to $199.5 million for the year ended December 31, 2020. Some of the loans being paid off have either reached their maturity or are nearing maturity; however, some borrowers are paying the prepayment fee and refinancing at a lower rate. As December 31, 2021, we had commitments to fund agricultural mortgage loans totaling $69.0 million with interest rates ranging from 3.5% to 8.0%, and had commitments to fund residential mortgage loans totaling $242.4 million with interest rates ranging from 6.75% to 24.0%.

See *Note 5 - Mortgage Loans on Real Estate* to our audited consolidated financial statements, incorporated by reference, for a presentation of our valuation allowance, foreclosure activity and troubled debt restructure analysis. We have a process by which we evaluate the credit quality of each of our mortgage loans. This process utilizes each loan's loan-to-value and debt service coverage ratios as primary metrics. See *Note 5 - Mortgage Loans on Real Estate* to our audited consolidated financial statements, incorporated by reference, for a summary of our portfolio by loan-to-value and debt service coverage ratios.

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

	Current	30-59 days past due	60-89 days past due	Over 90 days past due	Total
As of December 31, 2021:			(Dollars in thousands)		
Commercial mortgage loans	$ 3,628,502	$ —	$ —	$ —	$ 3,628,502
Agricultural mortgage loans	406,999	—	—	—	406,999
Residential mortgage loans	1,631,999	34,447	3,030	7,045	1,676,521
Total mortgage loans	$ 5,667,500	$ 34,447	$ 3,030	$ 7,045	$ 5,712,022
As of December 31, 2020:					
Commercial mortgage loans	$ 3,578,888	$ —	$ —	$ —	$ 3,578,888
Agricultural mortgage loans	245,173	—	—	—	245,173
Residential mortgage loans	346,730	25,449	111	167	372,457
Total mortgage loans	$ 4,170,791	$ 25,449	$ 111	$ 167	$ 4,196,518

Derivative Instruments

Our derivative instruments primarily consist of call options purchased to provide the income needed to fund the annual index credits on our fixed index annuity products. The fair value of the call options is based upon the amount of cash that would be required to settle the call options obtained from the counterparties adjusted for the nonperformance risk of the counterparty. The nonperformance risk for each counterparty is based upon its credit default swap rate. We have no performance obligations related to the call options.

None of our derivatives qualify for hedge accounting, thus, any change in the fair value of the derivatives is recognized immediately in the consolidated statements of operations. A presentation of our derivative instruments along with a discussion of the business strategy involved with our derivatives is included in *Note 7 - Derivative Instruments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

Liabilities

Our liability for policy benefit reserves increased to $65.5 billion at December 31, 2021 compared to $62.4 billion at December 31, 2020. The increase in policy benefit reserves is due to net cash flows from annuity deposits and funds returned to policyholders and interest and index credits credited to policyholders during 2021. Substantially all of our annuity products have a surrender charge feature designed to reduce the risk of early withdrawal or surrender of the policies and to compensate us for our costs if policies are withdrawn early. Our lifetime income benefit rider also reduces the risk of early withdrawal or surrender of the policies as it provides an additional liquidity option to policyholders as the policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value and the rider is not transferable to other contracts. Notwithstanding these policy features, the withdrawal rates of policyholder funds may be affected by changes in interest rates and other factors.

See *Note 11 - Notes Payable and Amounts Due Under Repurchase Agreements* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7 for discussion of our notes payable and borrowings under repurchase agreements.

See *Note 12 - Subordinated Debentures* to our audited consolidated financial statements for additional information concerning our subordinated debentures payable to, and the preferred securities issued by, our subsidiary trusts.

Liquidity and Capital Resources

Liquidity for Insurance Operations

Our insurance subsidiaries' primary sources of cash flow are annuity deposits, investment income, and proceeds from the sale, maturity and calls of investments. The primary uses of funds are investment purchases, payments to policyholders in connection with surrenders and withdrawals, policy acquisition costs and other operating expenses.

Liquidity requirements are met primarily by funds provided from operations. Our life subsidiaries generally receive adequate cash flow from annuity deposits and investment income to meet their obligations. Annuity liabilities are generally long-term in nature. However, a primary liquidity concern is the risk of an extraordinary level of early policyholder withdrawals. We include provisions within our annuity policies, such as surrender charges and bonus vesting, which help limit and discourage early withdrawals. Our lifetime income benefit rider also limits the risk of early withdrawals as it provides an additional liquidity option to policyholders as the policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value and the rider is not transferable to other contracts. At December 31, 2021, approximately 92% or $48.7 billion of our annuity liabilities were subject to penalty upon surrender, with a weighted average remaining surrender charge period of 5.5 years and a weighted average surrender charge percentage of 9.1%.

Our insurance subsidiaries generally have adequate cash flows from annuity deposits and investment income to meet their policyholder and other obligations. Net cash flows from annuity deposits and funds returned to policyholders as surrenders, withdrawals and death claims were $1.3 billion for the year ended December 31, 2021 compared to $39.5 million for the year ended December 31, 2020 with the increase attributable to a $1.9 billion increase in net annuity deposits after coinsurance and a $587.2 million (after coinsurance) increase in funds returned to policyholders. In addition, we have a highly liquid investment portfolio that can be used to meet policyholder and other obligations as needed. Scheduled principal repayments, calls and tenders of available for sale fixed maturity securities and net investment income were $3.7 billion and $2.0 billion, respectively, during the year ended December 31, 2021.

Liquidity of Parent Company

We, as the parent company, are a legal entity separate and distinct from our subsidiaries, and have no business operations. We need liquidity primarily to service our debt (senior notes and subordinated debentures issued to a subsidiary trust), pay operating expenses and pay dividends to common and preferred stockholders. Our assets consist primarily of the capital stock and surplus notes of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our subsidiaries, such as payments under our investment advisory agreements and tax allocation agreement with our subsidiaries. These sources provide adequate cash flow for us to meet our current and reasonably foreseeable future obligations and we expect they will be adequate to fund our parent company cash flow requirements in 2022.

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

Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory capital and surplus at the preceding December 31. For 2022, up to $407.9 million can be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In addition, dividends and surplus note payments may be made only out of statutory earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities in the life subsidiary's state of domicile. American Equity Life had $2.4 billion of statutory earned surplus at December 31, 2021.

The maximum distribution permitted by law or contract is not necessarily indicative of an insurer's actual ability to pay such distributions, which may be constrained by business and regulatory considerations, such as the impact of such distributions on surplus, which could affect the insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends or make other distributions. Further, state insurance laws and regulations require that the statutory surplus of our life subsidiaries following any dividend or distribution must be reasonable in relation to their outstanding liabilities and adequate for their financial needs. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from rating agencies. Both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for our insurance subsidiaries which, in turn, could negatively affect the cash available to us from insurance subsidiaries. As of December 31, 2021, we estimate American Equity Life has sufficient statutory capital and surplus, combined with capital available to the holding company, to maintain its insurer financial strength rating objective. However, this capital may not be sufficient if significant future losses are incurred or a rating agency modifies its rating criteria and access to additional capital could be limited.

On November 21, 2019 we issued 16,000 shares of 5.95% fixed-rate reset non-cumulative preferred stock, Series A, with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $388.9 million. We used a portion of the proceeds to redeem $165 million of our floating rate subordinated debentures in the fourth quarter of 2019 and the first quarter of 2020 and contributed $200 million to American Equity Life during May of 2020.

On June 10, 2020, we issued 12,000 shares of 6.625% fixed-rate reset non-cumulative preferred stock, Series B with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $290.3 million.

On November 30, 2020 we issued 9,106,042 common shares to Brookfield at a value of $37.00 per share for net proceeds of $333.6 million. On January 7, 2022, we issued an additional 6,775,000 shares to Brookfield at a value of $37.33 per share for net proceeds of $252.9 million.

During the fourth quarter of 2020, we repurchased 1.9 million shares of our common stock for $50 million in the open market under our share repurchase program. During 2021, we repurchased an additional 3.1 million share of our common stock for $99.4 million in the open market under our share repurchase program. In addition, on November 30, 2020 we entered into an accelerated share repurchase (ASR) agreement with Citibank, N.A. to repurchase an aggregate of $115 million of our common stock. Under the ASR agreement, we received an initial share delivery of approximately 3.5 million shares. The final settlement of 0.5 million shares, which was based on the volume-weighted average price of our common stock during the term of the transaction, less a discount and subject to customary adjustments, was delivered on February 25, 2021. The average price paid for shares repurchased under the ASR was $28.45 per common share. During 2022, we repurchased an additional 2.5 million shares of our common stock through February 25, 2022 for $105.7 million in the open market under our share repurchase program. Through February 25, 2022, we have repurchased approximately 11.6 million shares of our common shares at an average price of $31.78 per common share and have approximately $630 million remaining under our share repurchase program.

Cash and cash equivalents of the parent holding company at December 31, 2021, were $362.2 million. We also have the ability to issue equity, debt or other types of securities through one or more methods of distribution. The terms of any offering would be established at the time of the offering, subject to market conditions. On February 15, 2022, we established a new five-year credit agreement for $300 million in unsecured delayed draw term loan commitments. This agreement is part of our plans for access to liquidity for general corporate purposes as we continue to implement our strategic transformation to an at-scale origination, spread and capital light fee-based business, and to manage capital to grow as well as produce returns for shareholders. There have been no loans drawn on this agreement to date.

In January 2022, we became a member of the Federal Home Loan Bank of Des Moines ("FHLB"). There have been no advances executed under this membership to date.

Statutory accounting practices prescribed or permitted for our life subsidiaries differ in many respects from those governing the preparation of financial statements under GAAP. Accordingly, statutory operating results and statutory capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items. Information as to statutory capital and surplus and statutory net income for our life subsidiaries as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 is included in *Note 14 - Statutory Financial Information and Dividend Restrictions* to our audited consolidated financial statements.

In the normal course of business, we enter into financing transactions, lease agreements, or other commitments. These commitments may obligate us to certain cash flows during future periods. The following table summarizes such obligations as of December 31, 2021.

	Payments Due by Period				
	Total	Less Than 1 year	1–3 Years	4–5 Years	After 5 Years
	(Dollars in thousands)				
Annuity and single premium universal life products (1)	$ 72,960,114	$ 3,938,038	$ 15,703,072	$ 9,782,847	$ 43,536,157
Notes payable, including interest payments (2)	637,500	25,000	50,000	50,000	512,500
Subordinated debentures, including interest payments (3)	220,675	4,850	9,700	9,700	196,425
Operating leases	12,574	2,509	4,564	3,934	1,567
Mortgage loan funding and other investments	836,400	836,400	—	—	—
Total	$ 74,667,263	$ 4,806,797	$ 15,767,336	$ 9,846,481	$ 44,246,649

(1) Amounts shown in this table are projected payments through the year 2072 which we are contractually obligated to pay to our annuity policyholders. The payments are derived from actuarial models which assume a level interest rate scenario and incorporate assumptions regarding mortality and persistency, when applicable. These assumptions are based on our historical experience.

(2) Period that principal amounts are due is determined by the earliest of the call/put date or the maturity date of each note payable.

(3) Amount shown is net of equity investments in the capital trusts due to the contractual right of offset upon repayment of the notes.

Critical Accounting Policies & Estimates

The increasing complexity of the business environment and applicable authoritative accounting guidance require us to closely monitor our accounting policies. We have identified six critical accounting policies and estimates that are complex and require significant judgment. The following summary of our critical accounting policies and estimates is intended to enhance your ability to assess our financial condition and results of operations and the potential volatility due to changes in estimates.

Valuation of Investments

Our fixed maturity securities classified as available for sale are reported at fair value. Unrealized gains and losses, if any, on these securities are included directly in stockholders' equity as a component of accumulated other comprehensive income (loss), net of income taxes and certain adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves. Unrealized gains and losses represent the difference between the amortized cost or cost basis and the fair value of these investments. We use significant judgment within the process used to determine fair value of these investments.

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. We categorize our financial instruments into three levels of fair value hierarchy based on the priority of inputs used in determining fair value. The hierarchy defines the highest priority inputs (Level 1) as quoted prices in active markets for identical assets or liabilities. The lowest priority inputs (Level 3) are our own assumptions about what a market participant would use in determining fair value such as estimated future cash flows. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

We categorize financial instruments recorded at fair value in the consolidated balance sheets as follows:

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

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

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

The following table presents the fair value of fixed maturity securities, available for sale, by pricing source and hierarchy level as of December 31, 2021 and 2020, respectively:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(Dollars in thousands)			
December 31, 2021				
Priced via third party pricing services	$ 32,742	$ 47,204,947	$ —	$ 47,237,689
Priced via independent broker quotations	—	—	—	—
Priced via other methods	32,695	4,035,559	—	4,068,254
	$ 65,437	$ 51,240,506	$ —	$ 51,305,943
% of Total	0.1 %	99.9 %	— %	100.0 %
December 31, 2020				
Priced via third party pricing services	$ 33,948	$ 46,445,244	$ —	$ 46,479,192
Priced via independent broker quotations	—	296,022	—	296,022
Priced via other methods	—	763,679	—	763,679
	$ 33,948	$ 47,504,945	$ —	$ 47,538,893
% of Total	0.1 %	99.9 %	— %	100.0 %

Management's assessment of all available data when determining fair value of our investments is necessary to appropriately apply fair value accounting.

We utilize independent pricing services in estimating the fair values of investment securities. The independent pricing services incorporate a variety of observable market data in their valuation techniques, including:

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

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

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

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparison of the prices to a secondary pricing source, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis using inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of December 31, 2021 and 2020.

Evaluation of Allowance for Credit Losses on Available for Sale Fixed Maturity Securities and Mortgage Loan Portfolios

The process to identify available for sale fixed maturity securities that could potentially require an allowance for credit loss involves significant judgment and estimates by management. We review and analyze all fixed maturity securities on an ongoing basis for changes in market interest rates and credit deterioration. This review process includes analyzing our ability to recover the amortized cost or cost basis of each fixed maturity security that has a fair value that is materially lower than its amortized cost and requires a high degree of management judgment and involves uncertainty. The evaluation of fixed maturity securities for credit loss is a quantitative and qualitative process, which is subject to risks and uncertainties.

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

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

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

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

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

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

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

The cash flow modeling is performed on a security-by-security basis and incorporates actual cash flows on the residential mortgage backed securities through the current period, as well as the projection of remaining cash flows using a number of assumptions including default rates, prepayment rates and loss severity rates. The default curves we use are tailored to the Prime or Alt-A residential mortgage backed securities that we own, which assume lower default rates and loss severity for Prime securities versus Alt-A securities. These default curves are scaled higher or lower depending on factors such as current underlying mortgage loan performance, rating agency loss projections, loan to value ratios, geographic diversity, as well as other appropriate considerations.

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

For fixed maturity securities which we do not intend to sell and it is not more likely than not we will be required to sell, but our intent changes due to changes or events that could not have been reasonably anticipated, a credit loss may be recognized in operations. Unrealized losses may be recognized in future periods in operations should we later conclude that the decline in fair value below amortized cost represents a credit loss pursuant to our accounting policy described above. The use of different methodologies and assumptions to determine the fair value of investments and the timing and amount of impairments may have a material effect on the amounts presented in our consolidated financial statements.

We establish a valuation allowance to provide for the risk of credit losses inherent in our mortgage loan portfolios. The valuation allowance is maintained at a level believed adequate by management to absorb estimated expected credit losses.

The valuation allowance for commercial mortgage loans is calculated by pooling our loans based on risk rating and property collateral type and applying an estimated loss ratio against each risk pool. Risk ratings are based on an analysis of the current state of the borrower's credit quality, which considers factors such as loan-to-value ("LTV") and debt service coverage ("DSC") ratios, loan performance and economic outlook, among others. The loss ratios are generally based upon historical loss experience for each risk pool and are adjusted for current and forecasted economic factors management believes to be relevant and supportable. Economic factors are forecasted for two years with immediate reversion to historical experience.

A commercial loan is individually evaluated for impairment if it does not continue to share similar risk characteristics of a pool. A commercial mortgage loan that is individually evaluated is impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. If we determine that the value of any specific mortgage loan is impaired, the carrying amount of the mortgage loan will be reduced to its fair value, based upon the present value of expected future cash flows from the loan discounted at the loan's effective interest rate, or the fair value of the underlying collateral less estimated costs to sell.

The valuation allowance for agricultural and residential mortgage loans are estimated by deriving probability of default and recovery rate assumptions based on the characteristics of the loans in our portfolio, historical economic data and loss information, and current and forecasted economics conditions. Key loan characteristics impacting the estimate include delinquency status, time to maturity, original credit scores and loan-to-value ratios.

Policy Liabilities for Fixed Index Annuities

We offer a variety of fixed index annuities with crediting strategies linked to the S&P 500 Index and other equity and bond market indices. We purchase call options on the applicable indices as an investment to provide the income needed to fund the annual index credits on the index products. See Financial Condition—Derivative Instruments. Certain derivative instruments embedded in the fixed index annuity contracts are recognized in the consolidated balance sheets at their fair values and changes in fair value are recognized immediately in our consolidated statements of operations in accordance with accounting standards for derivative instruments and hedging activities.

Accounting for derivatives prescribes that the contractual obligations for future annual index credits are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. Policy liabilities for fixed index annuities are equal to the sum of the "host" (or guaranteed) component and the embedded derivative component for each fixed index annuity policy. The host value is established at inception of the contract and accreted over the policy's life at a constant rate of interest. We estimate the fair value of the embedded derivative component at each valuation date by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk-free interest rates adjusted for our nonperformance risk related to those liabilities. The projections of policy contract values are based on our best estimate assumptions for future policy growth and future policy decrements including lapse, partial withdrawal and mortality rates. Our best estimate assumptions for future policy growth include assumptions for the expected index credits on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values. The amounts reported in the consolidated statements of operations as "Interest sensitive and index product benefits" represent amounts credited to policy liabilities pursuant to accounting by insurance companies for certain long-duration contracts which include index credits through the most recent policy anniversary. The amounts reported in the consolidated statements of operations as "Change in fair value of embedded derivatives" equal the change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date.

In general, the change in the fair value of the embedded derivatives will not correspond to the change in fair value of the purchased call options because the purchased call options are generally one year options while the options valued in the embedded derivatives represent the rights of the contract holder to receive index credits over the entire period the fixed index annuities are expected to be in force, which typically exceeds 10 years.

The most sensitive assumptions in determining policy liabilities for fixed index annuities are 1) the rates used to discount the excess projected contract values, 2) the expected cost of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary date and 3) our best estimate for future policy decrements specific to lapse rates.

As indicated above, the discount rates used to discount excess projected contract value are based on applicable risk-free interest rates adjusted for our nonperformance risk related to those liabilities. If the discount rates used to discount the excess projected contract values at December 31, 2021 were to increase by 100 basis points, our reserves for fixed index annuities would decrease by $546.8 million. A decrease by 100 basis points in the discount rates used to discount the excess projected contract values would increase our reserves for fixed index annuities by $627.3 million.

As of December 31, 2021, we utilized an estimate of 2.10% for the expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of our actual options costs. If the expected cost of annual call options we purchase in the future to fund index credits beyond the next policy anniversary date were to increase by 25 basis points, our reserves for fixed index annuities would increase by $537.8 million. A decrease of 25 basis points in the expected cost of annual call options would decrease our reserves for fixed index annuities by $509.6 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our reserves for fixed index annuities would decrease by $26.1 million. A decrease in lapse rates of 10% would increase our reserves for fixed index annuities by $27.2 million.

Liability for Lifetime Income Benefit Riders

The liability for lifetime income benefit riders is based on the actual and present value of expected benefit payments to be paid in excess of projected policy values recognizing the excess over the expected lives of the underlying policies based on the actual and present value of expected assessments including investment spreads, product charges and fees. The inputs used in the calculation of the liability for lifetime income benefit riders include actual policy values, actual income account values, actual payout factors, actual roll-up rates and our best estimate assumptions for future policy growth, expected utilization of lifetime income benefit riders, which includes the ages at which policyholders are expected to elect to begin to receive lifetime income benefit payments and the percentage of policyholders who elect to receive lifetime income benefit payments, the type of income benefit payments selected upon election and future assumptions for lapse, partial withdrawal and mortality rates. The assumptions are reviewed quarterly and updates to the assumptions are made based on historical results and our best estimates of future experience. The liability for lifetime income benefit riders is included in policy benefit reserves in the consolidated balance sheets and the change in the liability is included in interest sensitive and index product benefits in the consolidated statements of operations. See **Results of Operations for the Three Years Ended December 31, 2021** in this Item 7 for a discussion and presentation of the effects of assumption revisions.

The most sensitive assumptions in the calculation of the liability for lifetime income benefit riders are 1) the expected cost of annual call options we will purchase in the future, 2) the percentage of policyholders who elect to receive lifetime income benefit payments, 3) our best estimate for future policy decrements specific to lapse rates and 4) the net investment earned rate.

We utilize the expected cost of annual call options we will purchase in the future to project policy values and to discount future cash flows. In addition, it is a key component in the calculation of expected assessments in the projection period. As of December 31, 2021, we utilized an estimate of 2.10% for the long-term expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of the cost of our actual call options. If the expected cost of annual call options and fixed crediting rates were to increase by 25 basis points, our liability for lifetime income benefit riders would decrease by $141.1 million. A decrease of 25 basis points in the expected cost of annual call options and fixed crediting rates would decrease our liability for lifetime income benefit riders by $73.9 million.

Our assumptions related to the percentage of policyholders who elect to receive lifetime income benefit payments is based on actual experience and our outlook as to future expectations for utilization rates. If the ultimate floor assumption on the percentage of policyholders who elect to receive lifetime income benefit payments was increased by 10% at December 31, 2021, our liability for lifetime income benefit riders would increase by $152.0 million. A decrease by 10% in the ultimate floor assumption on the percentage of policyholders who elect to receive lifetime income benefit payments would decrease our liability for lifetime income benefit riders by $113.0 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our liability for lifetime income benefit riders would decrease by $24 million. A decrease in lapse rates of 10% would increase our liability for lifetime income benefit riders by $23.4 million.

The net investment earned rate is a key component in the calculation of expected assessments in the projection period. The net investment earned rate is based on current yields being earned in our invested assets portfolio, future expectations for earned yields and the expected mean reversion period. If the net investment earned rate were to increase 10 basis points, our liability for lifetime income benefit riders would decrease by $27.8 million. A decrease in the net investment earned rate of 10 basis points would increase our liability for lifetime income benefit riders by $28.6 million.

Deferred Policy Acquisition Costs and Deferred Sales Inducements

Costs relating to the successful production of new business are not expensed when incurred but instead are capitalized as deferred policy acquisition costs or deferred sales inducements. Only costs which are expected to be recovered from future policy revenues and gross profits may be deferred.

Deferred policy acquisition costs and deferred sales inducements are subject to loss recognition testing on a quarterly basis or when an event occurs that may warrant loss recognition. Deferred policy acquisition costs consist principally of commissions and certain costs of policy issuance. Deferred sales inducements consist of premium and interest bonuses credited to policyholder account balances.

For annuity products, these costs are being amortized in proportion to actual and expected gross profits. Actual and expected gross profits include the the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholders, or the "investment spread"; and to a lesser extent, product charges and fees net of expected excess payments for lifetime income benefit riders and certain policy expenses. Actual and expected gross profits for fixed index annuities also include the impact of amounts recorded for the change in fair value of derivatives and the change in fair value of embedded derivatives. Current period amortization is adjusted retrospectively through an unlocking process when estimates of actual and expected gross profits (including the impact of net realized gains (losses) on investments and credit losses recognized in operations) to be realized from a group of products are updated. Our estimates of future gross profits are based on actuarial assumptions related to the underlying policies terms, lives of the policies, yield on investments supporting the liabilities and level of expenses necessary to maintain the polices over their entire lives. Revisions are made based on historical results and our best estimates of future experience. See **Results of Operations for the Three Years Ended December 31, 2021** in this Item 7 for a discussion and presentation of the effects of assumption revisions.

The most sensitive assumptions used to calculate amortization of deferred policy acquisition costs and deferred sales inducements are 1) the net investment earned rate, 2) our best estimate for future policy decrements specific to lapse rates and 3) the expected cost of annual call options we will purchase in the future.

The net investment earned rate is a key component in the calculation of estimated gross profits. The net investment earned rate is based on current yields being earned in our invested assets portfolio, future expectations for earned yields and the expected mean reversion period. If the net investment earned rate were to increase 10 basis points, our combined balance for deferred policy acquisition costs and deferred sales inducements at December 31, 2021 would increase by $101.5 million. A decrease in the net investment earned rate of 10 basis points would decrease our combined balance for deferred policy acquisition costs and deferred sales inducements at December 31, 2021 by $104.7 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our combined balance of deferred policy acquisition costs and deferred sales inducements would decrease by $83.9 million. A decrease in lapse rates of 10% would increase our combined balance of deferred policy acquisition costs and deferred sales inducements by $87.4 million.

We utilize the expected cost of annual call options we will purchase in the future to project policy values and to discount future cash flows. In addition, it is a key component in the calculation of expected gross profits in the projection period. As of December 31, 2021, we utilized an estimate of 2.10% for the expected long-term cost of annual call options, which is based on estimated long-term account value growth and a historical review of the cost of our actual call options. If the expected cost of annual call options and fixed crediting rates were to increase by 25 basis points, our combined balance of deferred policy acquisition costs and deferred sales inducements would decrease by $60.4 million. A decrease of 25 basis points in the expected cost of annual call options and fixed crediting rates would decrease our combined balance of deferred policy acquisition costs and deferred sales inducements by $45.1 million.

Deferred Income Taxes

We account for income taxes using the liability method. This method provides for the tax effects of transactions reported in the audited consolidated financial statements for both taxes currently due and deferred. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. A temporary difference is a transaction, or amount of a transaction, that is recognized currently for financial reporting purposes but will not be recognized for tax purposes until a future tax period, or is recognized currently for tax purposes but will not be recognized for financial reporting purposes until a future reporting period. Deferred income taxes are measured by applying enacted tax rates for the years in which the temporary differences are expected to be recovered or settled to the amount of each temporary difference.

The realization of deferred income tax assets is primarily based upon management's estimates of future taxable income. Valuation allowances are established when management estimates, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

- future taxable income of the necessary character exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable capital income in prior carryback years; and
- tax planning strategies.

Actual realization of deferred income tax assets and liabilities may materially differ from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting related income tax balances.

The realization of deferred income tax assets related to unrealized losses on our available for sale fixed maturity securities is also based upon our intent to hold these securities for a period of time sufficient to allow for a recovery in fair value and not realize the unrealized loss.

New Accounting Pronouncements

See *Note 1 - Significant Accounting Policies* to our audited consolidated financial statements in this Form 10-K beginning on page F-12, which is incorporated by reference in this Item 7, for new accounting pronouncement disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the fair value of our investments. The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (caps, participation rates or asset fee rates for fixed index annuities) on substantially all of our annuity liabilities at least annually (subject to minimum guaranteed values). Substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. In addition, a significant amount of our fixed index annuity policies and many of our annual reset fixed rate deferred annuities were issued with a lifetime income benefit rider which we believe improves the persistency of such annuity products. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

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

If interest rates were to increase 10% (19 basis points) from levels at December 31, 2021, we estimate that the fair value of our fixed maturity securities would decrease by approximately $791.4 million. The impact on stockholders' equity of such decrease (net of income taxes and certain adjustments for changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves) would be a decrease of $336.5 million in accumulated other comprehensive income and a decrease in stockholders' equity. The models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time. However, any such decreases in the fair value of our fixed maturity securities (unless related to credit concerns of the issuer requiring recognition of a credit loss) would generally be realized only if we were required to sell such securities at losses prior to their maturity to meet our liquidity needs, which we manage using the surrender and withdrawal provisions of our annuity contracts and through other means. See Financial Condition—Liquidity for Insurance Operations for a further discussion of the liquidity risk.

The amortized cost of fixed maturity securities that are callable at the option of the issuer, excluding securities with a make-whole provision, was $2.6 billion as of December 31, 2021. During the years ended December 31, 2021 and 2020, we received $2.3 billion and $1.6 billion, respectively, 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. In addition, we have $3.8 billion of floating rate fixed maturity securities as of December 31, 2021. Generally, interest rates on these floating rate fixed maturity securities are based on the 3 month LIBOR rate and are reset quarterly. Should rates decline to levels which tighten the spread between our average portfolio yield and average cost of interest credited on annuity liabilities, we have the ability to reduce crediting rates (caps, participation rates or asset fees for fixed index annuities) on most of our annuity liabilities to maintain the spread at our targeted level. At December 31, 2021, approximately 92% of our annuity liabilities were subject to annual adjustment of the applicable crediting rates at our discretion, limited by minimum guaranteed crediting rates specified in the policies. At December 31, 2021, approximately 18% of our annuity liabilities were at minimum guaranteed crediting rates.

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

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Proceeds received at expiration of options related to such credits	$ 2,019,477	$ 758,604	$ 605,005
Annual index credits to policyholders on their anniversaries	1,977,888	747,489	587,818

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

Item 8. Consolidated Financial Statements and Supplementary Data

The audited consolidated financial statements are included as a part of this report on Form 10-K on pages F-1 through F-58.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

In accordance with the Securities Exchange Act Rules 13a-15(e) and 15d-15(e), our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-K. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective as of December 31, 2021 in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

(b) Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021 based upon criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management has determined that we maintained effective internal control over financial reporting as of December 31, 2021.

The Company's independent registered public accounting firm, Ernst & Young LLP, who audited the consolidated financial statements included in this annual report on Form 10-K, has issued an attestation report on the effectiveness of management's internal control over financial reporting as of December 31, 2021. This report appears on page F-2 of this annual report on Form 10-K.

(c) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Michelle M. Keeley resigned from the American Equity Investment Life Holding Company Board of Directors on February 23, 2020.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

The information required by Part III is incorporated by reference from our definitive proxy statement for our annual meeting of shareholders to be held June 10, 2022 to be filed with the Commission pursuant to Regulation 14A within 120 days after December 31, 2021.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements and *Financial Statement Schedules.* See Index to Consolidated Financial Statements and Schedules on page F-1 for a list of financial statements and financial statement schedules included in this report.

All other schedules to the audited consolidated financial statements required by Article 7 of Regulation S-X are omitted because they are not applicable, not required, or because the information is included elsewhere in the audited consolidated financial statements or notes thereto.

Exhibit Index

Note Regarding Reliance on Statements in Our Contracts and Other Exhibits: We include agreements and other exhibits to this Annual Report on Form 10-K, to provide information regarding their terms and not to provide any other factual or disclosure information about us, our subsidiaries or affiliates, or the other parties to the agreements, or for any other purpose. The agreements and other exhibits contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement or other arrangement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have in many cases been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or other exhibit, or such other date or dates as may be specified in the document and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit No.	Description
3.1	Articles of Incorporation, including Articles of Amendment (Incorporated by reference to Exhibit 3.1 to Post-Effective Amendment No. 1 to the Registration Statement on Form 10, filed on July 22, 1999, File No. 000-25985)
3.2	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to Form 10-Q for the period ended June 30, 2000 filed on August 14, 2000, File No. 000-25985)
3.3	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form S-1 filed on October 20, 2003, File No. 333-108794)
3.4	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-3 filed on January 15, 2008, File No. 333-148681)
3.5	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.5 to Form 10-Q for the period ended June 30, 2011 filed on August 5, 2011, File No. 001-31911)
3.6	Third Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.1 to Form 8-K filed on September 2, 2008, File No. 001-31911)
3.7	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to Form 8-A12B filed on November 20, 2019, File No. 001-31911)
3.8	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.7 to Form 8-A12B filed on June 16, 2020, File No. 001-31911)
4.1	Indenture dated October 29, 1999 between American Equity Investment Life Holding Company and Wilmington Trust Company (as successor in interest to West Des Moines State Bank), as trustee (Incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.2	Trust Preferred Securities Guarantee Agreement dated October 29, 1999 between American Equity Investment Life Holding Company and Wilmington Trust Company (as successor in interest to West Des Moines State Bank), as trustee (Incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.3	Trust Common Securities Guarantee Agreement dated October 29, 1999 between American Equity Investment Life Holding Company and West Des Moines State Bank, as trustee (Incorporated by reference to Exhibit 10.21 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.4	Instruments of Resignation, Appointment and Acceptance, effective September 12, 2006, among American Equity Investment Life Holding Company, Wilmington Trust Company, West Des Moines State Bank and Delaware Trust Company, National Association (formerly known as First Union Trust Company, National Association) (Incorporated by reference to Exhibit 4.10A to Form 10-K for the year ended December 31, 2008 filed on March 16, 2009)
4.5	Senior Amended and Restated Indenture, dated as of April 22, 2004, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to Amendment No.1 to Form S-3 filed on April 22, 2004).
4.6	Third Supplemental Indenture, dated as of June 16, 2017, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to Form 8-K filed on June 16, 2017)
4.7	Deposit Agreement, dated November 21, 2019, among American Equity Investment Life Holding Company, Computershare Inc. and Computershare Trust Company, N.A., jointly, as depositary, Computershare Inc., as registrar and transfer agent, and the holders from time to time of the depositary receipts (Incorporated by reference to Exhibit 4.1 to Form 8-K filed on November 21, 2019)
4.8	Form of Depository Receipt (included in Exhibit 4.7)
4.9	Deposit Agreement, dated as of June 17, 2020, among the Company, Computershare Inc. and Computershare Trust Company, N.A., jointly as Depositary, the other parties thereto and the holders from time to time of depositary receipts issued thereunder (Incorporated by reference to Exhibit 4.1 to Form 8-K filed on June 17, 2020)
4.10	Form of Depository Receipt (included in Exhibit 4.9)
4.11	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1 *	American Equity Investment Life Holding Company 2011 Director Stock Option Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 25, 2011)

Exhibit No.	Description
10.2 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and each of Anant Bhalla, Ronald J. Grensteiner, and Jeffrey D. Lorenzen (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 14, 2012)
10.3 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and Scott A. Samuelson (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended June 30, 2013 filed on August 8, 2013)
10.4 *	American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 18, 2016)
10.5 *	First Amendment to American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to Exhibit 99.2 to Form S-8 filed on September 8, 2016)
10.6 *	American Equity Marketing Officers Deferred Compensation Agreement, dated as of January 1, 1998, between American Equity Investment Life Insurance Company and Ronald J. Grensteiner (Incorporated by reference to Exhibit 10.27 to Form 10-K for the year ended December 31, 2017 filed on February 23, 2018)
10.7 *	Second Amendment to American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended March 31, 2019 filed on May 8, 2019)
10.8 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2019 filed on February 25, 2020)
10.9 *	Offer Letter dated January 2, 2020 by and between American Equity Investment Life Holding Company and Anant Bhalla (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 9, 2020)
10.10 *	Retirement and Transition Agreement dated February 28, 2020 by and between American Equity Investment Life Holding Company and John M. Matovina (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 2, 2020)
10.11 *	American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 24, 2020)
10.12 *	Form of Director Restricted Stock Award Agreement with Respect to Common Stock of American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 4, 2020)
10.13 *	Form of Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.14 *	Form of Performance Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.15 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.16	Investment Agreement, dated as of October 17, 2020, by and among American Equity Investment Life Holding Company, Brookfield Asset Management Inc. and Burgundy Acquisitions I Ltd. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 19, 2020)
10.17 *	Form of Employee Stock Option Agreement with Respect to Common Stock of American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on November 25, 2020)
10.18 *	American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan (Incorporated by reference to Exhibit 10.32 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.19 *	First Amendment to American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan (Incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.20 *	First Amendment to American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.34 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.21 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and James L. Hamalainen, Phyllis Zanghi and Axel Andre (Incorporated by reference to Exhibit 10.35 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.22 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.36 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.23	Assignment Agreement, Consent and Waiver in Anticipation of Regulatory Form A Filing dated February 28, 2021 by and among Brookfield Asset Management, Inc., Burgundy Acquisitions I Ltd., Brookfield Asset Management Reinsurance Partners Ltd., North End Re (Cayman) SPC and American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.37 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.24 *	Separation Agreement dated April 1, 2021 between American Equity Investment Life Insurance Company and Renee D. Montz (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended March 31, 2021 filed on May 10, 2021)
10.25 *	Form of Employee Restricted Stock Unit Award Agreement - Performance Based Award, effective April 2021 (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended March 31, 2021 filed on May 10, 2021)
10.26	Amendment to Investment Agreement, dated June 10, 2021, by and among American Equity Investment Life Holding Company, Brookfield Asset Management, Inc., Brookfield Asset Management Reinsurance Partners Ltd. and North End Re (Cayman) SPC (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 10, 2021)
10.27 *	Separation Agreement dated May 26, 2021 between American Equity Investment Life Insurance Company and Ted M. Johnson, effective June 20, 2021 (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended June 30, 2021 filed on August 9, 2021)
10.28 *	Offer Letter Agreement dated August 25, 2021 between American Equity Investment Life Insurance Company and Axel Andre (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.29 *	Retention Agreement between American Equity Investment Life Insurance Company and Scott Samuelson dated as of September 30, 2021 (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.30 *	American Equity Transition Benefit Plan, dated as of August 6, 2021 (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.31 *	Form of Separation Agreement under American Equity Transition Benefit Plan, effective August 6, 2021 (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)

Exhibit No.	Description
10.32 *	Excerpts From American Equity Investment Life Holding Company Board of Directors Action by Written Consent Regarding John Matovina Restricted Stock, dated October 25, 2021 (Incorporated by reference to Exhibit 10.5 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.33 *	Offer Letter Agreement dated November 3, 2021 between American Equity Investment Life Insurance Company and Dewayne Lummus
21.2	Subsidiaries of American Equity Investment Life Holding Company
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from American Equity Investment Life Holding Company's Annual Report on Form 10-K for the year ended December 31, 2021 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to Consolidated Financial Statements, (vii) Schedule I - Summary of Investments - Other Than Investments in Related Parties, (viii) Schedule II — Condensed Financial Information of Registrant, (ix) Schedule III - Supplementary Insurance Information and (x) Schedule IV — Reinsurance.
104	The cover page from American Equity Investment Life Holding Company's Annual Report on Form 10-K for the year ended December 31, 2021 formatted in iXBRL and contained in Exhibit 101.

* Denotes management contract or compensatory plan.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, this 1st day of March 2022.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ ANANT BHALLA

Anant Bhalla,
Chief Executive Officer & President

Pursuant to the requirements of the Securities Exchange Act of 1934, this registration statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title (Capacity)	Date
/s/ ANANT BHALLA Anant Bhalla	Chief Executive Officer, President and Director (Principal Executive Officer)	March 1, 2022
/s/ AXEL ANDRE Axel Andre	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2022
/s/ DEWAYNE LUMMUS Dewayne Lummus	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 1, 2022
/s/ DAVID S. MULCAHY David S. Mulcahy	Non-Executive Chairman and Director	March 1, 2022
/s/ JOYCE A. CHAPMAN Joyce A. Chapman	Director	March 1, 2022
/s/ BRENDA J. CUSHING Brenda J. Cushing	Director	March 1, 2022
/s/ JAMES M. GERLACH James M. Gerlach	Director	March 1, 2022
/s/ DOUGLAS T. HEALY Douglas T. Healy	Director	March 1, 2022
/s/ ROBERT L. HOWE Robert L. Howe	Director	March 1, 2022
/s/ WILLIAM R. KUNKEL William R. Kunkel	Director	March 1, 2022
/s/ ALAN D. MATULA Alan D. Matula	Director	March 1, 2022
/s/ GERARD D. NEUGENT Gerard D. Neugent	Director	March 1, 2022
/s/ SACHIN SHAH Sachin Shah	Director	March 1, 2022
/s/ A.J. STRICKLAND, III A.J. Strickland, III	Director	March 1, 2022

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

YEARS ENDED DECEMBER 31, 2021, 2020 and 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
American Equity Investment Life Holding Company

Opinion on Internal Control over Financial Reporting

We have audited American Equity Investment Life Holding Company and subsidiaries’ internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, American Equity Investment Life Holding Company and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company, as of December 31, 2021, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for the year ended December 31, 2021, and the related notes and financial statement schedules I to IV, and our report dated March 1, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Des Moines, Iowa
March 1, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
American Equity Investment Life Holding Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of American Equity Investment Life Holding Company and subsidiaries (the Company) as of December 31, 2021, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for the year ended December 31, 2021, and the related notes and financial statement schedules I to IV (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Deferred Policy Acquisition Costs (DAC), Deferred Sales Inducements (DSI) and liability for Lifetime Income Benefit Rider (LIBR)
Description of the Matter	At December 31, 2021 DAC, DSI, and LIBR balances were $2.2 billion, $1.5 billion, and $2.9 billion, respectively. As discussed in Note 1 to the consolidated financial statements, DAC and DSI are amortized over the lives of the policies in relation to the emergence of actual gross profits (AGPs) and estimated gross profits (EGPs). The LIBR is based on the actual and present value of expected benefit payments to be paid in excess of projected policy values, and the excess is recognized over the expected lives of the underlying policies based on the actual and present value of expected assessments. The expected assessments are calculated using the same assumptions used to determine DAC and DSI EGPs, including investment spreads, product charges, and fees. There is significant uncertainty inherent in calculating EGPs and expected assessments, as the calculation is sensitive to management's best estimate of assumptions such as investment earned rate, the expected cost of annual call options, lapse, mortality, LIBR reset and LIBR utilization. Management's assumptions are adjusted, also known as unlocking, based on actual policyholder behavior and market experience and projecting for expected trends. The unlocking results in amortization being recalculated using the new assumptions for estimated gross profits, resulting either in additional or less cumulative amortization expense. Additionally, the LIBR is adjusted in a similar manner to unlocking of DAC and DSI to reflect the changes in management's assumptions. Auditing the valuation of the Company's DAC, DSI and LIBR was complex because of the highly judgmental nature of the methods and determination of the assumptions applied to determine the EGPs and expected assessments. The high degree of judgment was primarily due to the sensitivity of the EGPs and expected assessments to the methods and assumptions applied which have a significant effect on the valuation of DAC, DSI, and LIBR.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over management's process for the development of the significant assumptions used in calculating the DAC and DSI EGPs, and assessments used in the valuation of LIBR. These controls included, among others, the review and approval process management has in place for the development of the significant assumptions described above.

To evaluate the judgment used by management in determining the EGPs and expected assessments, among other procedures, we involved actuarial specialists and evaluated the methodology applied by management in determining the EGPs and expected assessments with those used in prior periods and the industry. To evaluate the significant assumptions used by management, we compared policyholder behavior assumptions that we identified as being higher risk to prior actual experience, observable market data or management's estimates of prospective changes in these assumptions. We tested management's recalculation of EGPs and performed independent recalculations of LIBR for a sample of policies, which we compared to the actuarial model used by management.

Fixed Index Annuity Embedded Derivative Liability

Description of the Matter

As of December 31, 2021, the fair value of the Company's fixed index annuity embedded derivative liability totaled $40.8 billion, net of coinsurance ceded. The Company's fixed index annuity contracts contain crediting features, where amounts credited to the contract's account value are linked to the performance of certain market indices. The index crediting feature is accounted for as an embedded derivative liability and reported at fair value as discussed in Notes 1 and 2 to the consolidated financial statements. Management reviews the assumptions used to determine the fair value of the embedded derivative on a quarterly basis.

Auditing the valuation of the Company's fixed index annuity embedded derivative was complex because of the highly judgmental nature of the determination of the assumptions required to determine the fair value of the embedded derivative. In particular, the fair value was sensitive to the significant assumptions used to determine future policy growth including lapse, mortality, LIBR reset, LIBR utilization, and the expected cost of annual call options.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over management's process for the development of the significant assumptions used in measuring the fair value of the embedded derivative for fixed index annuities. These controls included, among others, the review and approval process management has in place for the development of the significant assumptions.

To evaluate the judgment used by management in determining the assumptions used in measuring the fair value of the fixed index annuity embedded derivative, among other procedures, we involved actuarial specialists and evaluated the methodology applied by management in determining the fair value with those used in the prior period and in the industry. To evaluate the significant assumptions used by management in the methodology applied, we compared policyholder behavior assumptions to prior actual experience and management's estimate of prospective changes in the assumptions. In addition, we compared the expected cost of annual call options to actual and historical cost of annual call options. We performed an independent recalculation of the embedded derivative for a sample of policies for comparison with the actuarial model used by management.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.

Des Moines, Iowa
March 1, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
American Equity Investment Life Holding Company:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of American Equity Investment Life Holding Company and subsidiaries (the Company) as of December 31, 2020, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (and financial statement schedules I to IV) (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company’s auditor from 2005 to 2020.

Des Moines, Iowa
March 1, 2021

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

	December 31, 2021	December 31, 2020
Assets		
Investments:		
Fixed maturity securities, available for sale, at fair value (amortized cost of $46,999,183 as of 2021 and $42,304,736 as of 2020; allowance for credit losses of $2,846 as of 2021 and $64,771 as of 2020)	$ 51,305,943	$ 47,538,893
Mortgage loans on real estate (net of allowance for credit losses of $24,024 as of 2021 and $31,029 as of 2020)	5,687,998	4,165,489
Real estate investments related to consolidated variable interest entities	337,939	—
Derivative instruments	1,277,480	1,310,954
Other investments (2021 includes $168,711 related to consolidated variable interest entities)	1,767,144	590,078
Total investments	60,376,504	53,605,414
Cash and cash equivalents (2021 includes $23,763 related to consolidated variable interest entities)	4,508,982	9,095,522
Coinsurance deposits (net of allowance for credit losses of $2,264 as of 2021 and $1,888 as of 2020)	8,850,608	4,844,927
Accrued investment income (2021 includes $3 related to consolidated variable interest entities)	445,097	398,082
Deferred policy acquisition costs	2,222,769	2,225,199
Deferred sales inducements	1,546,073	1,448,375
Income taxes recoverable	166,586	862
Other assets (2021 includes $1,524 related to consolidated variable interest entities)	232,490	70,198
Total assets	$ 78,349,109	$ 71,688,579
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	$ 65,477,778	$ 62,352,882
Other policy funds and contract claims	226,844	240,904
Notes payable	496,250	495,668
Subordinated debentures	78,421	78,112
Deferred income taxes	541,972	504,000
Funds withheld for reinsurance liabilities	3,124,740	—
Other liabilities (2021 includes $20,168 related to consolidated variable interest entities)	2,079,977	1,668,025
Total liabilities	72,025,982	65,339,591
Stockholders' equity:		
Preferred stock, Series A; par value $1 per share; $400,000 aggregate liquidation preference; 20,000 shares authorized; issued and outstanding: 2021 - 16,000 shares; 2020 - 16,000 shares	16	16
Preferred stock, Series B; par value $1 per share; $300,000 aggregate liquidation preference; 12,000 shares authorized; issued and outstanding: 2021 - 12,000 shares; 2020 - 12,000 shares	12	12
Common stock; par value $1 per share; 200,000,000 shares authorized; issued and outstanding: 2021 - 92,513,517 shares (excluding 9,936,715 treasury shares); 2020 - 95,720,622 shares (excluding 6,516,525 treasury shares)	92,514	95,721
Additional paid-in capital	1,614,374	1,681,127
Accumulated other comprehensive income	1,848,789	2,203,557
Retained earnings	2,767,422	2,368,555
Total stockholders' equity	6,323,127	6,348,988
Total liabilities and stockholders' equity	$ 78,349,109	$ 71,688,579

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

	Year Ended December 31,		
	2021	**2020**	**2019**
Revenues:			
Premiums and other considerations	$ 58,202	$ 39,382	$ 23,534
Annuity product charges	242,631	251,227	240,035
Net investment income	2,037,475	2,182,078	2,307,635
Change in fair value of derivatives	1,348,735	34,666	906,906
Net realized gains (losses) on investments	(13,242)	(80,680)	6,962
Other than temporary impairment (OTTI) losses on investments:			
Total OTTI losses	—	—	(18,511)
Portion of OTTI losses recognized from other comprehensive income	—	—	(215)
Net OTTI losses recognized in operations	—	—	(18,726)
Other revenue	15,670	—	—
Loss on extinguishment of debt	—	(2,024)	(2,001)
Total revenues	3,689,471	2,424,649	3,464,345
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits	67,983	49,742	35,418
Interest sensitive and index product benefits	2,681,406	1,543,270	1,287,576
Amortization of deferred sales inducements	152,692	438,164	88,585
Change in fair value of embedded derivatives	(358,302)	(1,286,787)	1,454,042
Interest expense on notes payable	25,581	25,552	25,525
Interest expense on subordinated debentures	5,324	5,557	15,764
Amortization of deferred policy acquisition costs	268,328	649,554	87,717
Other operating costs and expenses	243,712	183,636	154,153
Total benefits and expenses	3,086,724	1,608,688	3,148,780
Income before income taxes	602,747	815,961	315,565
Income tax expense	128,755	144,501	69,475
Net income	473,992	671,460	246,090
Less: Preferred stock dividends	43,675	33,515	—
Net income available to common stockholders	$ 430,317	$ 637,945	$ 246,090
Earnings per common share	$ 4.58	$ 6.93	$ 2.70
Earnings per common share - assuming dilution	$ 4.55	$ 6.90	$ 2.68
Weighted average common shares outstanding (in thousands):			
Earnings per common share	93,860	92,055	91,139
Earnings per common share - assuming dilution	94,491	92,392	91,782

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
Net income	$ 473,992	$ 671,460	$ 246,090
Other comprehensive income (loss):			
Change in net unrealized investment gains/losses (1)	(441,008)	1,058,289	1,765,107
Noncredit component of OTTI losses (1)	—	—	103
Reclassification of unrealized investment gains/losses to net income (1)	(4,044)	16,690	8,323
Other comprehensive income (loss) before income tax	(445,052)	1,074,979	1,773,533
Income tax effect related to other comprehensive income (loss)	90,284	(225,746)	(372,472)
Other comprehensive income (loss)	(354,768)	849,233	1,401,061
Comprehensive income	$ 119,224	$ 1,520,693	$ 1,647,151

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

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2018	$ —	$ 90,369	$ 811,186	$ (46,737)	$ 1,549,978	$ 2,404,796
Net income for the year	—	—	—	—	246,090	246,090
Other comprehensive income	—	—	—	1,401,061	—	1,401,061
Issuance of preferred stock	16	—	388,877	—	—	388,893
Share-based compensation	—	—	11,295	—	—	11,295
Issuance of common stock	—	738	953	—	—	1,691
Dividends on common stock ($0.30 per share)	—	—	—	—	(27,304)	(27,304)
Balance at December 31, 2019	16	91,107	1,212,311	1,354,324	1,768,764	4,426,522
Net income for the year	—	—	—	—	671,460	671,460
Other comprehensive income	—	—	—	849,233	—	849,233
Issuance of preferred stock	12	—	290,248	—	—	290,260
Share-based compensation	—	—	10,215	—	—	10,215
Issuance of common stock	—	10,053	328,008	—	—	338,061
Treasury stock acquired, common	—	(5,439)	(159,655)	—	—	(165,094)
Cumulative effect of change in accounting principle	—	—	—	—	(9,295)	(9,295)
Dividends on preferred stock	—	—	—	—	(33,515)	(33,515)
Dividends on common stock ($0.32 per share)	—	—	—	—	(28,859)	(28,859)
Balance at December 31, 2020	28	95,721	1,681,127	2,203,557	2,368,555	6,348,988
Net income for the year	—	—	—	—	473,992	473,992
Other comprehensive loss	—	—	—	(354,768)	—	(354,768)
Share-based compensation	—	—	24,601	—	—	24,601
Issuance of common stock	—	460	4,394	—	—	4,854
Treasury stock acquired, common	—	(3,667)	(95,748)	—	—	(99,415)
Dividends on preferred stock	—	—	—	—	(43,675)	(43,675)
Dividends on common stock ($0.34 per share)	—	—	—	—	(31,450)	(31,450)
Balance at December 31, 2021	$ 28	$ 92,514	$ 1,614,374	$ 1,848,789	$ 2,767,422	$ 6,323,127

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
Operating activities			
Net income	$ 473,992	$ 671,460	$ 246,090
Adjustments to reconcile net income to net cash provided by operating activities:			
Interest sensitive and index product benefits	2,681,406	1,543,270	1,287,576
Amortization of deferred sales inducements	152,692	438,164	88,585
Annuity product charges	(242,631)	(251,227)	(240,035)
Change in fair value of embedded derivatives	(358,302)	(1,286,787)	1,454,042
Change in traditional life and accident and health insurance reserves	40,090	8,694	(3,546)
Policy acquisition costs deferred	(307,857)	(255,154)	(422,516)
Amortization of deferred policy acquisition costs	268,328	649,554	87,717
Provision for depreciation and other amortization	5,527	5,199	4,068
Amortization of discounts and premiums on investments	19,861	57,437	25,846
Loss on extinguishment of debt	—	2,024	2,001
Realized gains/losses on investments	13,242	80,680	11,764
Change in fair value of derivatives	(1,348,704)	(34,668)	(906,201)
Distributions from equity method investments	12,409	1,968	2,753
Deferred income taxes	128,423	141,071	56,947
Share-based compensation	24,601	10,215	11,295
Change in accrued investment income	(47,015)	74,744	(4,097)
Change in income taxes recoverable/payable	(165,724)	(1,291)	26,966
Change in other assets	(4,464)	(849)	(5,607)
Change in other policy funds and contract claims	(19,809)	(21,865)	(21,971)
Change in collateral held for derivatives	17,423	(72,413)	1,190,656
Change in collateral held for securities lending	—	(495,039)	495,101
Change in funds withheld from reinsurers	3,124,740	—	—
Change in other liabilities	(221,726)	38,995	(28,607)
Other	(13,338)	804	(7,425)
Net cash provided by operating activities	4,233,164	1,304,986	3,351,402
Investing activities			
Sales, maturities, or repayments of investments:			
Fixed maturity securities - available for sale	4,490,736	8,291,316	3,266,821
Mortgage loans on real estate	862,666	378,812	294,356
Derivative instruments	2,260,959	860,520	657,885
Other investments	368,837	4,324	472,549
Acquisitions of investments:			
Fixed maturity securities - available for sale	(9,206,733)	(2,429,114)	(5,509,314)
Mortgage loans on real estate	(2,386,712)	(1,121,756)	(799,037)
Real estate investments acquired	(335,767)	—	—
Derivative instruments	(748,061)	(730,333)	(823,077)
Other investments	(1,512,123)	(105,925)	(611,047)
Purchases of property, furniture and equipment	(18,109)	(13,240)	(4,022)
Net cash provided by (used in) investing activities	(6,224,307)	5,134,604	(3,054,886)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
Financing activities			
Receipts credited to annuity policyholder account balances	$ 5,910,024	$ 3,648,936	$ 4,951,211
Coinsurance deposits	(3,187,332)	430,644	91,238
Return of annuity policyholder account balances	(5,145,193)	(4,040,054)	(3,584,960)
Repayment of subordinated debentures	—	(81,450)	(88,160)
Net proceeds from (repayments of) amounts due under repurchase agreements	—	—	(109,298)
Proceeds from issuance of common stock, net	4,854	338,061	1,691
Acquisition of treasury stock	(99,415)	(165,094)	—
Proceeds from issuance of preferred stock, net	—	290,260	388,893
Change in checks in excess of cash balance	(3,210)	3,611	29,169
Dividends paid on common stock	(31,450)	(28,859)	(27,304)
Dividends paid on preferred stock	(43,675)	(33,515)	—
Net cash provided by (used in) financing activities	(2,595,397)	362,540	1,652,480
Increase (decrease) in cash and cash equivalents	(4,586,540)	6,802,130	1,948,996
Cash and cash equivalents at beginning of year	9,095,522	2,293,392	344,396
Cash and cash equivalents at end of year	$ 4,508,982	$ 9,095,522	$ 2,293,392
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest expense	$ 30,000	$ 31,427	$ 42,879
Income taxes	165,537	4,842	28,413
Non-cash operating activity:			
Deferral of sales inducements	95,160	93,610	177,941

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Nature of Operations

American Equity Investment Life Holding Company ("we", "us", "our" or "parent company"), through its wholly-owned subsidiaries, American Equity Investment Life Insurance Company ("American Equity Life"), American Equity Investment Life Insurance Company of New York ("American Equity Life of New York") and Eagle Life Insurance Company ("Eagle Life"), is licensed to sell insurance products in 50 states and the District of Columbia at December 31, 2021. We operate solely in the insurance business.

We market fixed index and fixed rate annuities. Annuity deposits (net of coinsurance) collected in 2021, 2020 and 2019, by product type were as follows:

	Year Ended December 31,		
Product Type	**2021**	**2020**	**2019**
		(Dollars in thousands)	
Fixed index annuities	$ 3,026,211	$ 2,309,580	$ 4,603,490
Annual reset fixed rate annuities	6,000	7,846	10,665
Multi-year fixed rate annuities	2,452,994	1,295,843	47,016
Single premium immediate annuities (SPIA)	59,816	33,461	12,002
	$ 5,545,021	$ 3,646,730	$ 4,673,173

Agents contracted with us through two national marketing organizations accounted for more than 10% of annuity deposits we collected during 2021 representing 14% and 11%, individually, of the annuity deposits collected. Agents contracted with us through two national marketing organization accounted for more than 10% of annuity deposits we collected during 2020 representing 17% and 10%, individually, of the annuity deposits collected. Agents contracted with us through two national marketing organization accounted for more than 10% of annuity deposits we collected during 2019 representing 24% and 14%, individually, of the annuity deposits collected.

Consolidation and Basis of Presentation

The consolidated financial statements include our accounts and our wholly-owned subsidiaries: American Equity Life, American Equity Life of New York, Eagle Life, AERL, L.C., AE Capital, LLC., American Equity Investment Properties, L.C., High Trestle Investment Management, LLC., AEL RE Vermont, Inc., AEL Re Bermuda, Ltd, and NC Securities Holdco, LLC. All significant intercompany accounts and transactions have been eliminated.

In addition, our consolidated financial statements include variable interest entities (VIEs) in which we are the primary beneficiary. We have relationships with various special purpose entities and other legal entities that must be evaluated to determine if the entities meet the criteria of a VIE. This assessment is performed by reviewing contractual, ownership and other rights and requires use of judgment. First, we determine if we hold a variable interest in an entity by assessing if we have the right to receive expected losses and expected residual returns of the entity. If we hold a variable interest, then the entity is assessed to determine if it is a VIE. An entity is a VIE if the equity at risk is not sufficient to support its activities, if the equity holders lack a controlling financial interest or if the entity is structured with non-substantive voting rights. In addition to the previous criteria, if the entity is a limited partnership or similar entity, it is a VIE if the limited partners do not have the power to direct the entity's most significant activities through substantive kick-out rights or participating rights. A VIE is evaluated to determine the primary beneficiary. The primary beneficiary of a VIE is the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. When we are the primary beneficiary, we are required to consolidate the entity in our financial statements. We reassess our involvement with VIEs on a quarterly basis. For further information about VIEs, refer to *Note 6 – Variable Interest Entities*.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are utilized in the calculation of deferred policy acquisition costs, deferred sales inducements, policy benefit reserves, including the liability for lifetime income benefit riders and the fair value of embedded derivatives in fixed index annuity contracts, valuation of derivatives, valuation of investments, allowances for credit losses on available-for-sale fixed maturity securities, allowances for loan losses on mortgage loans and valuation allowances on deferred tax assets. A description of each critical estimate is incorporated within the discussion of the related accounting policies which follow. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized.

Investments

Fixed maturity securities (bonds maturing more than one year after issuance) that may be sold prior to maturity are classified as available for sale. Available for sale securities are reported at fair value and unrealized gains and losses, if any, on these securities are included directly in a separate component of stockholders' equity, net of income taxes and certain adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves. Fair values, as reported herein, of fixed maturity securities are based on quoted market prices in active markets when available, or for those fixed maturity securities not actively traded, yield data and other factors relating to instruments or securities with similar characteristics are used. See *Note 3 - Fair Value of Financial Instruments* for more information on the determination of fair value. Premiums and discounts are amortized/accrued using methods which result in a constant yield over the securities' expected lives. Amortization/accrual of premiums and discounts on residential and commercial mortgage backed securities incorporate prepayment assumptions to estimate the securities' expected lives. Interest income is recognized as earned.

Beginning in 2020, available-for-sale fixed maturity securities are subject to an allowance for credit loss and changes in the allowance are reported in net income as a component of net realized losses on investments. Prior to 2020, the amortized cost of available-for-sale fixed maturity securities was adjusted for declines in value that were other than temporary and impairments in value deemed to be other than temporary were reported as other than temporary impairment losses on investments. See *Note 4 - Investments* for further discussion of the allowance for credit losses on available-for-sale fixed maturity securities and other than temporary impairment losses.

Mortgage loans on real estate are reported at cost adjusted for amortization of premiums and accrual of discounts and net of valuation allowances. Interest income is recorded when earned; however, interest ceases to accrue for loans on which interest is more than 90 days past due based upon contractual terms and/or when the collection of interest is not considered probable. Interest income on impaired loans is recorded on a cash basis. Any changes in the loan valuation allowances are reported in net realized losses on investments. See *Note 5 - Mortgage Loans on Real Estate* for further discussion of the valuation allowance on the mortgage loan portfolios.

Beginning in 2021, we held residential real estate investments through consolidation of an investment company VIE. As this is an investment company VIE, the residential real estate investments are reported at fair value and the change in fair value on these investments is reported in net income as a component of net investment income. Fair values of residential real estate investments are initially based on the cost to purchase the properties and subsequently based on a discounted cash flow methodology. See *Note 3 – Fair Values of Financial Instruments* for more information on the determination of fair value. The residential real estate investments are leased to renters through operating lease arrangements. Rental income is recognized on a straight-line basis over the term of the respective leases.

Other invested assets include company owned life insurance, equity securities, limited partnerships accounted for using the equity method, short-term debt securities with maturities of greater than three months but less than twelve months when purchased, and short-term loans with maturities less than one year. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the end of the reporting period, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Dividends are recognized when declared.

Realized gains and losses on sales of investments are determined on the basis of specific identification based on the trade date.

Derivative Instruments

Our derivative instruments include call options used to fund fixed index annuity credits. Prior to the redemption of our floating rate subordinated debentures in 2019 and 2020, our derivative instruments also included an interest rate swap and interest rate caps which were used to manage interest rate risk associated with the floating rate component on certain of our subordinated debentures. All of our derivative instruments are recognized in the balance sheet at fair value and changes in fair value are recognized immediately in operations. See *Note 7 - Derivative Instruments* for more information on derivative instruments.

Cash and Cash Equivalents

We consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Book Overdrafts

Under our cash management system, checks issued but not yet presented to banks frequently result in overdraft balances for accounting purposes and are classified as Other liabilities on our consolidated balance sheets. We report the changes in the amount of the overdraft balance as a financing activity in our consolidated statement of cash flows as Change in checks in excess of cash balance.

Deferred Policy Acquisition Costs and Deferred Sales Inducements

For annuity products, these costs are being amortized in proportion to actual and expected gross profits. Actual and expected gross profits include the the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholders, or the "investment spread"; and to a lesser extent, product charges and fees net of expected excess payments for lifetime income benefit riders and certain policy expenses. Actual and expected gross profits for fixed index annuities also include the impact of amounts recorded for the change in fair value of derivatives and the change in fair value of embedded derivatives. Current period amortization is adjusted retrospectively through an unlocking process when estimates of actual and expected gross profits (including the impact of net realized gains (losses) on investments) to be realized from a group of products are revised. Deferred policy acquisition costs and deferred sales inducements are also adjusted for the change in amortization that would have occurred if available for sale fixed maturity securities had been sold at their aggregate fair value at the end of the reporting period and the proceeds reinvested at current yields. The impact of this adjustment is included in accumulated other comprehensive income (loss) within consolidated stockholders' equity, net of applicable taxes. See *Note 8 - Deferred Policy Acquisition Costs, Deferred Sales Inducements and Liability for Lifetime Income Benefit Riders* for more information on deferred policy acquisition costs and deferred sales inducements.

Policy Benefit Reserves

Policy benefit reserves for fixed index annuities with returns linked to the performance of a specified market index are equal to the sum of the fair value of the embedded derivatives and the host (or guaranteed) component of the contracts. The host value is established at inception of the contract and accreted over the policy's life at a constant rate of interest. Future policy benefit reserves for fixed index annuities earning a fixed rate of interest and other deferred annuity products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. For the years ended December 31, 2021, 2020 and 2019, interest crediting rates for these products ranged from 1.45% to 2.65%.

The liability for lifetime income benefit riders is based on the actual and present value of expected benefit payments to be paid in excess of projected policy values recognizing the excess over the expected lives of the underlying policies based on the actual and present value of expected assessments including investment spreads, product charges and fees. The inputs used in the calculation of the liability for lifetime income benefit riders include actual policy values, actual income account values, actual payout factors, actual roll-up rates and our best estimate assumptions for future policy growth, expected utilization of lifetime income benefit riders, which includes the ages at which policyholders are expected to elect to begin to receive lifetime income benefit payments and the percentage of policyholders who elect to receive lifetime income benefit payments, the type of income benefit payments selected upon election and future assumptions for lapse, partial withdrawal and mortality rates. See *Note 8 - Deferred Policy Acquisition Costs, Deferred Sales Inducements and Liability for Lifetime Income Benefit Riders* for more information on lifetime income benefit rider reserves.

Policy benefit reserves are not reduced for amounts ceded under coinsurance agreements which are reported as coinsurance deposits on our consolidated balance sheets. See *Note 9 - Reinsurance and Policy Provisions* for more information on reinsurance.

Deferred Income Taxes

Deferred income tax assets or liabilities are computed based on the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. The effect on deferred income tax assets and liabilities resulting from a change in the enacted marginal tax rate is recognized in income in the period that includes the enactment date. Deferred income tax expenses or benefits are based on the changes in the asset or liability from period to period. Deferred income tax assets are subject to ongoing evaluation of whether such assets will more likely than not be realized. The realization of deferred income tax assets primarily depends on generating future taxable income during the periods in which temporary differences become deductible. Deferred income tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In making such a determination, all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations, is considered. The realization of deferred income tax assets related to unrealized losses on available-for-sale fixed maturity securities is also based upon our intent and ability to hold those securities for a period of time sufficient to allow for a recovery in fair value and not realize the unrealized loss. See *Note 10 - Income Taxes* for more information on deferred income taxes.

Recognition of Premium Revenues and Costs

Revenues for annuity products include surrender and living income benefit rider charges assessed against policyholder account balances during the period. Interest sensitive and index product benefits related to annuity products include interest credited or index credits to policyholder account balances pursuant to accounting by insurance companies for certain long-duration contracts. The change in fair value of the embedded derivatives for fixed index annuities equals the change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date.

Considerations from immediate annuities and supplemental contract annuities with life contingencies are recognized as revenue when the policy is issued.

All insurance-related revenues, including the change in the fair value of derivatives for call options related to the business ceded under coinsurance agreements (see *Note 9 - Reinsurance and Policy Provisions*), benefits, losses and expenses are reported net of reinsurance ceded.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes all changes in stockholders' equity during a period except those resulting from investments by and distributions to stockholders. Other comprehensive income (loss) excludes net realized investment gains (losses) included in net income which merely represents transfers from unrealized to realized gains and losses.

Reclassifications

Certain amounts in the prior years' consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation.

Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") that significantly changed the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model that requires these assets be presented at the net amount expected to be collected. In addition, credit losses on available-for-sale debt securities are recorded through an allowance account subsequent to the adoption of this ASU. We adopted this ASU on January 1, 2020. The adoption of this ASU resulted in an increase in our mortgage loan allowance for credit losses of $8.6 million and the recognition of an allowance for credit losses on our reinsurance recoverable/coinsurance deposits balances of $3.2 million on the date of adoption. Retained earnings was decreased by $9.3 million, which reflects the net of tax impact of the increase in the mortgage loan allowance for credit losses and the recognition of an allowance for credit losses on our reinsurance recoverable/coinsurance deposits balances on the date of adoption.

New Accounting Pronouncements

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

2. Revision of Immaterial Misstatement in Prior Year Financial Statements

Management identified an error in the Company's historical financial statements as further described below. In accordance with the guidance set forth in SEC Staff Accounting Bulletin No. 99, Materiality, and SEC Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, management concluded that the error was not material to the consolidated financial statements as presented in the Company's quarterly and annual financial statements that had been previously filed in the Company's Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. As a result, amendment of such reports is not required. The Company revised the previously issued annual consolidated financial statements in this Form 10-K to correct this error.

The corrected immaterial error was in the calculation of the impact of unrealized gains and losses on lifetime income benefit reserves as of December 31, 2020 determined in the first quarter of 2021. This immaterial error resulted in an increase in the lifetime income benefit reserves which are included in policy benefit reserves in the consolidated balance sheet, an increase in the deferred policy acquisition costs and deferred sales inducements and a decrease in deferred income taxes with an offsetting change in accumulated other comprehensive income which is a component of total stockholders' equity. The immaterial error had no impact on the consolidated statement of operations or consolidated statement of cash flows.

The effect of the revisions on the Company's previously issued financial statements are provided in the tables below. Amounts throughout the consolidated financial statements and notes thereto have been adjusted to incorporate the revised amounts, where applicable. The following tables reconcile selected lines from the Company's year-end December 31, 2020 consolidated balance sheet and the years ended December 31, 2020 and 2019 consolidated statement of comprehensive income from the previously reported amounts to the revised amounts.

Revised Consolidated Balance Sheet	**Year Ended December 31, 2020**		
	As Reported	**Adjustment**	**As Revised**
		(Dollars in thousands)	
Assets			
Deferred policy acquisition costs	$ 2,045,812	$ 179,387	$ 2,225,199
Deferred sales inducements	1,328,857	119,518	1,448,375
Total assets	71,389,674	298,905	71,688,579
Liabilities and Stockholders' Equity			
Liabilities:			
Policy benefit reserves	61,768,246	584,636	62,352,882
Deferred income taxes	564,003	(60,003)	504,000
Total liabilities	64,814,958	524,633	65,339,591
Stockholders' equity:			
Accumulated other comprehensive income	2,429,285	(225,728)	2,203,557
Total stockholders' equity	6,574,716	(225,728)	6,348,988
Total liabilities and stockholders' equity	71,389,674	298,905	71,688,579

Revised Consolidated Statement of Comprehensive Income	**Year Ended December 31, 2020**		
	As Reported	**Adjustment**	**As Revised**
		(Dollars in thousands)	
Other comprehensive income:			
Change in net unrealized investment gains/losses (1)	$ 1,162,252	$ (103,963)	$ 1,058,289
Other comprehensive income before income tax	1,178,942	(103,963)	1,074,979
Income tax effect related to other comprehensive income	(247,578)	21,832	(225,746)
Other comprehensive income	931,364	(82,131)	849,233
Comprehensive income	1,602,824	(82,131)	1,520,693

	Year Ended December 31, 2019		
	As Reported	**Adjustment**	**As Revised**
		(Dollars in thousands)	
Other comprehensive income:			
Change in net unrealized investment gains/losses (1)	$ 1,954,044	$ (188,937)	$ 1,765,107
Other comprehensive income before income tax	1,962,470	(188,937)	1,773,533
Income tax effect related to other comprehensive income	(412,117)	39,645	(372,472)
Other comprehensive income	1,550,353	(149,292)	1,401,061
Comprehensive income	1,796,443	(149,292)	1,647,151

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

3. Fair Values of Financial Instruments

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

	December 31,			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
Assets				
Fixed maturity securities, available for sale	$ 51,305,943	$ 51,305,943	$ 47,538,893	$ 47,538,893
Mortgage loans on real estate	5,687,998	5,867,227	4,165,489	4,327,885
Real estate investments	337,939	337,939	—	—
Derivative instruments	1,277,480	1,277,480	1,310,954	1,310,954
Other investments	1,767,144	1,767,144	590,078	590,078
Cash and cash equivalents	4,508,982	4,508,982	9,095,522	9,095,522
Coinsurance deposits	8,850,608	7,938,292	4,844,927	4,411,051
Liabilities				
Policy benefit reserves	65,076,041	56,375,076	61,406,599	52,928,174
Single premium immediate annuity (SPIA) benefit reserves	226,207	235,891	240,226	247,679
Notes payable	496,250	569,485	495,668	567,345
Subordinated debentures	78,421	93,721	78,112	87,951

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

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

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

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

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

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

Our assets and liabilities which are measured at fair value on a recurring basis as of December 31, 2021 and 2020 are presented below based on the fair value hierarchy levels:

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
December 31, 2021				
Assets				
Fixed maturity securities, available for sale:				
United States Government full faith and credit	$ 37,793	$ 32,737	$ 5,056	$ —
United States Government sponsored agencies	1,040,953	—	1,040,953	—
United States municipalities, states and territories	3,927,201	—	3,927,201	—
Foreign government obligations	402,545	—	402,545	—
Corporate securities	34,660,234	32,700	34,627,534	—
Residential mortgage backed securities	1,125,049	—	1,125,049	—
Commercial mortgage backed securities	4,840,311	—	4,840,311	—
Other asset backed securities	5,271,857	—	5,271,857	—
Other investments: equity securities	12,226	—	5,877	6,349
Real estate investments	337,939	—	—	337,939
Derivative instruments	1,277,480	—	1,277,480	—
Cash and cash equivalents	4,508,982	4,508,982	—	—
	$ 57,442,570	$ 4,574,419	$ 52,523,863	$ 344,288
Liabilities				
Fixed index annuities - embedded derivatives	$ 7,964,961	$ —	$ —	$ 7,964,961
December 31, 2020				
Assets				
Fixed maturity securities, available for sale:				
United States Government full faith and credit	$ 39,771	$ 33,940	$ 5,831	$ —
United States Government sponsored agencies	1,039,551	—	1,039,551	—
United States municipalities, states and territories	3,776,131	—	3,776,131	—
Foreign government obligations	202,706	—	202,706	—
Corporate securities	31,156,827	8	31,156,819	—
Residential mortgage backed securities	1,512,831	—	1,512,831	—
Commercial mortgage backed securities	4,261,227	—	4,261,227	—
Other asset backed securities	5,549,849	—	5,549,849	—
Derivative instruments	1,310,954	—	1,310,954	—
Cash and cash equivalents	9,095,522	9,095,522	—	—
	$ 57,945,369	$ 9,129,470	$ 48,815,899	$ —
Liabilities				
Fixed index annuities - embedded derivatives	$ 7,938,281	$ —	$ —	$ 7,938,281

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

Fixed maturity securities

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

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

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

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

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparison of the prices to a secondary pricing source, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis using inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of December 31, 2021 and 2020.

Mortgage loans on real estate

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

Real estate investments

The fair values of residential real estate investments are initially calculated based on the cost to purchase the properties and subsequently calculated based on a discounted cash flow methodology. Under the discounted cash flow method, net operating income is forecasted assuming a 10-year hold period commencing as of the valuation date. An additional year is forecast in order to determine the residual sale price at the end of the hold period, using a residual (terminal) capitalization rate. The significant inputs into the fair value calculation under the discounted cash flow method include the residual capitalization rate and discount rate. These inputs are unobservable market data; therefore, fair value of residential real estate investments falls into Level 3 in the fair value hierarchy. At December 31, 2021, the residual capitalization rates used in the fair value calculations ranged from 5.00% to 6.25% with an average rate of 5.72%. At December 31, 2021, the discount rates used in the fair value calculations ranged from 6.25% to 7.50% with an average rate of 6.97%.

Derivative instruments

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

Other investments

Equity securities are the only financial instruments included in other investments that are measured at fair value on a recurring basis. The fair value for these securities are determined using the same methods discussed above for fixed maturity securities. Financial instruments included in other investments that are not measured at fair value on a recurring basis are equity method investments, short-term loans and company owned life insurance ("COLI"). The fair values of our equity method investments are obtained from third parties and are determined using a variety of valuation techniques, including discounted cash flow analysis, valuation multiples analysis for comparable investments and appraisal values. As the risk spread and liquidity discount are unobservable market inputs, the fair value of our equity method investments falls within Level 3 of the fair value hierarchy. The fair value of equity method investments was $520.1 million and $179.7 million as of December 31, 2021 and 2020, respectively. Due to the short-term nature of the investment, the fair value of our short-term loans approximates the carrying value. The fair value of short-term loans was $320.0 million and $0 as of December 31, 2021 and 2020, respectively. The fair value of our COLI approximates the cash surrender value of the policies and falls within Level 2 of the fair value hierarchy. The fair value of COLI was $384.3 million and $373.6 million as of December 31, 2021 and 2020, respectively.

Cash and cash equivalents

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

Policy benefit reserves, coinsurance deposits and SPIA benefit reserves

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

Notes payable

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

Subordinated debentures

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

Fixed index annuities - embedded derivatives

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

Within this determination we have the following significant unobservable inputs: 1) the expected cost of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary and 2) our best estimates for future policy decrements, primarily lapse, partial withdrawal and mortality rates. As of both December 31, 2021 and 2020, we utilized an estimate of 2.10% for the expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of our actual option costs.

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

	Average Lapse Rates		Average Partial Withdrawal Rates	
Contract Duration (Years)	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
1 - 5	3.04%	1.22%	2.19%	2.63%
6 - 10	2.84%	1.50%	2.26%	3.14%
11 - 15	4.47%	5.66%	2.14%	3.58%
16 - 20	8.93%	7.08%	1.33%	3.79%
20+	4.93%	7.36%	—%	3.63%

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

The following table provides a reconciliation of the beginning and ending balances for our Level 3 assets and liabilities, which are measured at fair value on a recurring basis using significant unobservable inputs for the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
	(Dollars in thousands)	
Other investments: equity securities		
Beginning balance	$ —	$ —
Transfers in	6,349	—
Ending balance	$ 6,349	$ —
Real estate investments		
Beginning balance	$ —	$ —
Purchases and sales, net	335,767	—
Change in fair value	2,172	—
Ending balance	$ 337,939	$ —
Fixed index annuities - embedded derivatives		
Beginning balance	$ 7,938,281	$ 9,624,395
Premiums less benefits	1,424,372	235,971
Change in fair value, net	(876,803)	(1,922,085)
Reserve release related to in-force ceded reinsurance	(520,889)	—
Ending balance	$ 7,964,961	$ 7,938,281

The fair value of our fixed index annuities embedded derivatives is net of coinsurance ceded of $1,245.0 million and $655.3 million as of December 31, 2021 and 2020, respectively. Change in fair value, net for each period in our embedded derivatives is included in change in fair value of embedded derivatives in the consolidated statements of operations.

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

The most sensitive assumption in determining policy liabilities for fixed index annuities is the rates used to discount the excess projected contract values. As indicated above, the discount rate reflects our nonperformance risk. If the discount rates used to discount the excess projected contract values at December 31, 2021, were to increase by 100 basis points, the fair value of the embedded derivatives would decrease by $546.8 million recorded through operations as a decrease in the change in fair value of embedded derivatives and there would be a corresponding decrease of $234.3 million to our combined balance for deferred policy acquisition costs and deferred sales inducements recorded through operations as an increase in amortization of deferred policy acquisition costs and deferred sales inducements. A decrease by 100 basis points in the discount rates used to discount the excess projected contract values would increase the fair value of the embedded derivatives by $627.3 million recorded through operations as an increase in the change in fair value of embedded derivatives and there would be a corresponding increase of $274.1 million to our combined balance for deferred policy acquisition costs and deferred sales inducements recorded through operations as a decrease in amortization of deferred policy acquisition costs and deferred sales inducements.

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions in 2021, 2020 and 2019. In addition, we implemented an enhanced actuarial valuation system during 2019, and as a result, our 2019 assumption updates include model refinements resulting from the implementation.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity benefit policy reserves in 2021 was changes in lapse rate assumptions. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on policies with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The net impact of the updates to the lapse rate assumption resulted in a decrease in the embedded derivative component of our fixed index annuity policy benefit reserves as less funds ultimately qualify for excess benefits.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves in 2020 was a decrease in the crediting rate/option budget to 2.10% from 2.90% as a result of a revised estimate of the cost of options. This assumption change resulted in a decrease in the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves due to a reduction in the projected policy contract values over the expected lives of the contracts. During 2020, we revised the derivation of the discount rate used in calculating the fair value of embedded derivatives which increased the discount rate and resulted in a decrease in the change in fair value of embedded derivatives. The net impact of the updates to lapse and partial withdrawal assumptions resulted in an increase in the embedded derivative component of our fixed index annuity policy benefit reserves as more funds ultimately qualify for excess benefits.

The most significant assumption updates to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves in 2019 were to decrease lapse rate assumptions. We had credible lapse and utilization data based upon a comprehensive experience study spanning over 10 years on our products with lifetime income benefit riders and have experienced lapse rates that are lower than previously estimated. The impact of the lapse rate assumption changes was partially offset by a decrease in the option budget from 3.10% to 2.90% as a result of a revised estimate of the cost of options over the 20 year mean reversion period.

4. Investments

At December 31, 2021 and 2020, the amortized cost and fair value of fixed maturity securities were as follows:

	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses (2)	Allowance for Credit Losses	Fair Value
			(Dollars in thousands)		
December 31, 2021					
Fixed maturity securities, available for sale:					
United States Government full faith and credit	$ 37,109	$ 718	$ (34)	$ —	$ 37,793
United States Government sponsored agencies	1,008,920	32,123	(90)	—	1,040,953
United States municipalities, states and territories	3,495,563	437,456	(3,042)	(2,776)	3,927,201
Foreign government obligations	380,646	22,742	(843)	—	402,545
Corporate securities	31,084,629	3,614,047	(38,442)	—	34,660,234
Residential mortgage backed securities	1,056,778	70,434	(2,093)	(70)	1,125,049
Commercial mortgage backed securities	4,708,878	149,152	(17,719)	—	4,840,311
Other asset backed securities	5,226,660	95,304	(50,107)	—	5,271,857
	$ 46,999,183	$ 4,421,976	$ (112,370)	$ (2,846)	$ 51,305,943
December 31, 2020					
Fixed maturity securities, available for sale:					
United States Government full faith and credit	$ 37,471	$ 2,300	$ —	$ —	$ 39,771
United States Government sponsored agencies	995,465	44,132	(46)	—	1,039,551
United States municipalities, states and territories	3,236,767	543,252	(1,044)	(2,844)	3,776,131
Foreign government obligations	177,062	25,644	—	—	202,706
Corporate securities	26,745,196	4,507,716	(35,892)	(60,193)	31,156,827
Residential mortgage backed securities	1,399,956	117,135	(2,526)	(1,734)	1,512,831
Commercial mortgage backed securities	4,119,650	206,255	(64,678)	—	4,261,227
Other asset backed securities	5,593,169	103,320	(146,640)	—	5,549,849
	$ 42,304,736	$ 5,549,754	$ (250,826)	$ (64,771)	$ 47,538,893

(1) Amortized cost excludes accrued interest receivable of $400.7 million and $377.5 million as of December 31, 2021 and 2020, respectively.

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

The amortized cost and fair value of fixed maturity securities at December 31, 2021, by contractual maturity are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives and are shown below as separate lines.

	Available for sale	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
Due in one year or less	$ 1,950,504	$ 1,968,323
Due after one year through five years	7,573,038	7,962,521
Due after five years through ten years	7,230,026	7,860,389
Due after ten years through twenty years	10,119,850	12,053,093
Due after twenty years	9,133,449	10,224,400
	36,006,867	40,068,726
Residential mortgage backed securities	1,056,778	1,125,049
Commercial mortgage backed securities	4,708,878	4,840,311
Other asset backed securities	5,226,660	5,271,857
	$ 46,999,183	$ 51,305,943

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

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Net unrealized gains on available for sale fixed maturity securities	$ 4,309,606	$ 5,297,040
Adjustments for assumed changes in amortization of deferred policy acquisition costs, deferred sales inducements and policy benefit reserves	(1,993,869)	(2,536,251)
Deferred income tax valuation allowance reversal	22,534	22,534
Deferred income tax expense	(489,482)	(579,766)
Net unrealized gains reported as accumulated other comprehensive income	$ 1,848,789	$ 2,203,557

The National Association of Insurance Commissioners ("NAIC") assigns designations to fixed maturity securities. These designations range from Class 1 (highest quality) to Class 6 (lowest quality). In general, securities are assigned a designation based upon the ratings they are given by the Nationally Recognized Statistical Rating Organizations ("NRSRO's"). The NAIC designations are utilized by insurers in preparing their annual statutory statements. NAIC Class 1 and 2 designations are considered "investment grade" while NAIC Class 3 through 6 designations are considered "non-investment grade." Based on the NAIC designations, we had 98% and 97% of our fixed maturity portfolio rated investment grade at December 31, 2021 and 2020, respectively.

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

	December 31,			
	2021		2020	
NAIC Designation	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
1	$ 26,157,531	$ 28,785,839	$ 23,330,149	$ 26,564,542
2	19,758,594	21,396,020	17,312,485	19,377,013
3	909,311	941,210	1,292,124	1,299,455
4	133,070	147,160	282,049	256,651
5	16,496	15,357	29,396	16,288
6	24,181	20,357	58,533	24,944
	$ 46,999,183	$ 51,305,943	$ 42,304,736	$ 47,538,893

The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 1,427 and 843 securities, respectively) have been in a continuous unrealized loss position, at December 31, 2021 and 2020:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)
	(Dollars in thousands)					
December 31, 2021						
Fixed maturity securities, available for sale:						
United States Government full faith and credit	$ 1,007	$ (34)	$ —	$ —	$ 1,007	$ (34)
United States Government sponsored agencies	759,970	(90)	—	—	759,970	(90)
United States municipalities, states and territories	168,942	(2,468)	15,711	(3,350)	184,653	(5,818)
Foreign government obligations	42,861	(843)	—	—	42,861	(843)
Corporate securities	2,375,603	(30,070)	116,819	(8,372)	2,492,422	(38,442)
Residential mortgage backed securities	250,964	(1,408)	26,917	(755)	277,881	(2,163)
Commercial mortgage backed securities	784,464	(5,500)	142,224	(12,219)	926,688	(17,719)
Other asset backed securities	1,351,324	(11,345)	1,771,182	(38,762)	3,122,506	(50,107)
	$ 5,735,135	$ (51,758)	$ 2,072,853	$ (63,458)	$ 7,807,988	$ (115,216)
December 31, 2020						
Fixed maturity securities, available for sale:						
United States Government sponsored agencies	$ 250,475	$ (46)	$ —	$ —	$ 250,475	$ (46)
United States municipalities, states and territories	31,802	(3,887)	868	(1)	32,670	(3,888)
Corporate securities	606,277	(45,150)	154,633	(50,935)	760,910	(96,085)
Residential mortgage backed securities	156,016	(2,384)	13,599	(1,876)	169,615	(4,260)
Commercial mortgage backed securities	934,593	(54,834)	35,153	(9,844)	969,746	(64,678)
Other asset backed securities	1,013,781	(16,607)	2,567,723	(130,033)	3,581,504	(146,640)
	$ 2,992,944	$ (122,908)	$ 2,771,976	$ (192,689)	$ 5,764,920	$ (315,597)

(1) Unrealized losses have not been reduced to reflect the allowance for credit losses of $2.8 million and $64.8 million as of December 31, 2021 and 2020, respectively.

The unrealized losses at December 31, 2021 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at December 31, 2021, and the continued impact the COVID-19 pandemic had on credit markets. Approximately 85% and 75% of the unrealized losses on fixed maturity securities shown in the above table for December 31, 2021 and 2020, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

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

Changes in net unrealized gains/losses on investments for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Fixed maturity securities available for sale carried at fair value	$ (987,434)	$ 1,955,496	$ 3,549,007
Adjustment for effect on other balance sheet accounts:			
Deferred policy acquisition costs, deferred sales inducements and policy benefit reserves	542,382	(880,517)	(1,775,474)
Deferred income tax asset/liability	90,284	(225,746)	(372,472)
	632,666	(1,106,263)	(2,147,946)
Change in net unrealized gains/losses on investments carried at fair value	$ (354,768)	$ 849,233	$ 1,401,061

Components of net investment income are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Fixed maturity securities	$ 1,772,675	$ 2,035,762	$ 2,171,768
Real estate investments	14,138	—	—
Mortgage loans on real estate	215,138	170,749	145,344
Cash and cash equivalents	3,385	4,871	5,164
Other investments	96,556	3,168	7,202
	2,101,892	2,214,550	2,329,478
Less investment expenses	(64,417)	(32,472)	(21,843)
Net investment income	$ 2,037,475	$ 2,182,078	$ 2,307,635

Proceeds from sales of available for sale fixed maturity securities for the years ended December 31, 2021, 2020 and 2019 were $0.8 billion, $5.4 billion and $1.0 billion, respectively. Scheduled principal repayments, calls and tenders for available for sale fixed maturity securities for the years ended December 31, 2021, 2020 and 2019 were $3.7 billion, $2.9 billion and $2.3 billion, respectively.

Net realized gains (losses) on investments for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Available for sale fixed maturity securities:			
Gross realized gains	$ 10,167	$ 305,170	$ 21,449
Gross realized losses	(19,140)	(276,847)	(6,397)
Net credit loss (provision) release (1)	(6,241)	(94,560)	—
	(15,214)	(66,237)	15,052
Other investments:			
Gross realized gains	—	—	7,296
Gross realized losses	—	—	(14,446)
	—	—	(7,150)
Mortgage loans on real estate:			
Decrease (increase) in allowance for credit losses	7,005	(15,447)	(940)
Recovery of specific allowance	—	712	—
Gain (loss) on sale of mortgage loans	(5,033)	292	—
	1,972	(14,443)	(940)
Total net realized (losses) gains	$ (13,242)	$ (80,680)	$ 6,962

(1) Prior to adopting authoritative guidance effective January 1, 2020, credit losses on available for sale fixed maturity securities were classified as other than temporary impairments and reported in a separate line item in the Consolidated Statements of Operations. We recognized $18.7 million of other than temporary impairments during the year ended December 31, 2019.

Realized losses on available for sale fixed maturity securities in 2021, 2020 and 2019 were realized primarily due to strategies to reposition the fixed maturity security portfolio that result in improved net investment income, credit risk or duration profiles as they pertain to our asset liability management. In addition, certain realized gains and losses on available for sale fixed maturity securities in 2020 were realized as a result of efforts to de-risk the portfolio. Realized gains and losses on sales are determined on the basis of specific identification of investments based on the trade date.

The following table summarizes the carrying value of our investments that have been non-income producing for 12 consecutive months:

	December 31,	
	2021	2020
	(Dollars in thousands)	
Fixed maturity securities, available for sale	$ 4,118	$ 5,766

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

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

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

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

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

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

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

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

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

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

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

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

	Year Ended December 31, 2021					
	United States Municipalities, States and Territories	Corporate Securities	Commercial Mortgage Backed Securities	Residential Mortgage Backed Securities	Other Asset Backed Securities	Total
	(Dollars in thousands)					
Beginning balance	$ 2,844	$ 60,193	$ —	$ 1,734	$ —	$ 64,771
Additions for credit losses not previously recorded	—	705	—	407	—	1,112
Change in allowance on securities with previous allowance	(68)	443	—	(857)	—	(482)
Reduction for securities with credit losses due to intent to sell	—	(209)	—	—	—	(209)
Reduction for securities sold during the period	—	(50,758)	—	—	—	(50,758)
Write-offs charged against the allowance	—	(10,032)	—	—	—	(10,032)
Recoveries of amounts previously written off	—	(342)	—	(1,214)	—	(1,556)
Ending balance	$ 2,776	$ —	$ —	$ 70	$ —	$ 2,846

	Year Ended December 31, 2020					
	United States Municipalities, States and Territories	Corporate Securities	Commercial Mortgage Backed Securities	Residential Mortgage Backed Securities	Other Asset Backed Securities	Total
	(Dollars in thousands)					
Beginning balance (1)	$ —	$ —	$ —	$ —	$ —	$ —
Additions for credit losses not previously recorded	2,844	60,193	29,241	1,734	548	94,560
Reduction for securities with credit losses due to intent to sell	—	—	(21,888)	—	(548)	(22,436)
Reduction for securities sold during the period	—	—	(7,353)	—	—	(7,353)
Ending balance	$ 2,844	$ 60,193	$ —	$ 1,734	$ —	$ 64,771

(1) The allowance for credit loss associated with available for sale fixed maturity securities was applied prospectively upon adoption of authoritative guidance effective January 1, 2020. See *Note 1 - Significant Accounting Policies* for further details.

At December 31, 2021 and 2020, cash and invested assets of $49.3 billion and $53.5 billion, respectively, were on deposit with state agencies to meet regulatory requirements. There are no restrictions on these assets.

At December 31, 2021 and 2020, we had no investment in any person or its affiliates that exceeded 10% of stockholders' equity.

5. Mortgage Loans on Real Estate

Our financing receivables consist of the following three portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our mortgage loan portfolios are summarized in the following table. There were commitments outstanding of $370.4 million at December 31, 2021.

	December 31,	
	2021	2020
	(Dollars in thousands)	
Commercial mortgage loans:		
Principal outstanding	$ 3,633,131	$ 3,580,154
Deferred fees and costs, net	(4,629)	(1,266)
Amortized cost	3,628,502	3,578,888
Valuation allowance	(17,926)	(25,529)
Commercial mortgage loans, carrying value	3,610,576	3,553,359
Agricultural mortgage loans:		
Principal outstanding	408,135	245,807
Deferred fees and costs, net	(1,136)	(634)
Amortized cost	406,999	245,173
Valuation allowance	(519)	(2,130)
Agricultural mortgage loans, carrying value	406,480	243,043
Residential mortgage loans:		
Principal outstanding	1,652,910	366,320
Deferred fees and costs, net	1,468	925
Unamortized discounts and premiums, net	22,143	5,212
Amortized cost	1,676,521	372,457
Valuation allowance	(5,579)	(3,370)
Residential mortgage loans, carrying value	1,670,942	369,087
Mortgage loans, carrying value	$ 5,687,998	$ 4,165,489

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

	December 31,			
	2021		2020	
	Principal	Percent	Principal	Percent
	(Dollars in thousands)			
Geographic distribution				
East	$ 614,406	16.9 %	$ 699,741	19.5 %
Middle Atlantic	293,494	8.1 %	281,971	7.9 %
Mountain	452,818	12.5 %	391,025	10.9 %
New England	60,172	1.6 %	24,774	0.7 %
Pacific	863,879	23.8 %	659,743	18.4 %
South Atlantic	785,679	21.6 %	832,739	23.3 %
West North Central	235,864	6.5 %	266,050	7.4 %
West South Central	326,819	9.0 %	424,111	11.9 %
	$ 3,633,131	100.0 %	$ 3,580,154	100.0 %
Property type distribution				
Office	$ 315,374	8.7 %	$ 297,065	8.3 %
Medical Office	10,827	0.3 %	20,584	0.6 %
Retail	1,016,101	28.0 %	1,187,484	33.2 %
Industrial/Warehouse	924,779	25.4 %	929,325	25.9 %
Apartment	864,580	23.8 %	939,084	26.2 %
Hotel	283,500	7.8 %	—	— %
Mixed Use/Other	217,970	6.0 %	206,612	5.8 %
	$ 3,633,131	100.0 %	$ 3,580,154	100.0 %

Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of $408.1 million and $245.8 million as of December 31, 2021 and 2020, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of $1.7 billion and $366.3 million as of December 31, 2021 and 2020, respectively. These loans are collateralized by the related properties and diversified as to location within the United States.

Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Interest income is included in Net investment income on our consolidated statements of operations. Accrued interest receivable, which was $37.0 million and $16.6 million as of December 31, 2021 and 2020, respectively, is included in Accrued investment income on our consolidated balance sheets.

Loan Valuation Allowance

We establish a valuation allowance to provide for the risk of credit losses inherent in our mortgage loan portfolios. The valuation allowance is maintained at a level believed to be adequate by management to absorb estimated expected credit losses. The valuation allowance is based on amortized cost, which excludes accrued interest receivable. We do not measure a credit loss allowance on accrued interest receivable as we write off any uncollectible accrued interest receivable balances to net investment income in a timely manner. We did not charge off any uncollectible accrued interest receivable on our commercial, agricultural or residential mortgage loan portfolios for the years ended December 31, 2021 or 2020, respectively.

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

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

	Year Ended December 31, 2021			
	Commercial	Agricultural	Residential	Total
	(Dollars in thousands)			
Beginning allowance balance	$ (25,529)	$ (2,130)	$ (3,370)	$ (31,029)
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Change in provision for credit losses	7,603	1,611	(2,209)	7,005
Ending allowance balance	$ (17,926)	$ (519)	$ (5,579)	$ (24,024)

	Year Ended December 31, 2020			
	Commercial	Agricultural	Residential	Total
	(Dollars in thousands)			
Beginning allowance balance (1)	$ (17,579)	$ (200)	$ —	$ (17,779)
Charge-offs	1,485	—	—	1,485
Recoveries	712	—	—	712
Change in provision for credit losses	(10,147)	(1,930)	(3,370)	(15,447)
Ending allowance balance	$ (25,529)	$ (2,130)	$ (3,370)	$ (31,029)

(1) Upon adoption of authoritative guidance effective January 1, 2020, we updated our accounting policies and methodology for calculating the general loan loss allowance, resulting in an adjustment to our mortgage loan valuation allowance. See *Note 1 - Significant Accounting Policies* for further details.

Charge-offs include allowances that have been established on loans that were satisfied either by taking ownership of the collateral or by some other means such as discounted pay-off or loan sale. When ownership of the property is taken it is recorded at the lower of the loan's carrying value or the property's fair value (based on appraised values) less estimated costs to sell. The real estate owned is recorded as a component of Other investments and the loan is recorded as fully paid, with any allowance for credit loss that has been established charged off. Fair value of the real estate is determined by third party appraisal. There is no real estate held in Other investments as of December 31, 2021 or December 31, 2020. Recoveries are situations where we have received a payment from the borrower in an amount greater than the carrying value of the loan (principal outstanding less specific allowance).

Credit Quality Indicators

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

LTV and DSC ratios for our commercial mortgage loans are originally calculated at the time of loan origination and are updated annually for each loan using information such as rent rolls, assessment of lease maturity dates and property operating statements, which are reviewed in the context of current leasing and in place rents compared to market leasing and market rents. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our commercial mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at December 31, 2021 and 2020.

The amortized cost of our commercial mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at December 31, 2021 and 2020 (by year of origination):

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

	2020		2019		2018		2017		2016		Prior		Total	
As of December 31, 2020:	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**
Debt Service Coverage Ratio:							**(Dollars in thousands)**							
Greater than or equal to 1.5	$ 364,574	63 %	$ 442,370	66 %	$ 399,193	62 %	$ 316,738	57 %	$ 359,321	54 %	$ 715,706	47 %	$ 2,597,902	57 %
Greater than or equal to 1.2 and less than 1.5	161,779	66 %	226,166	70 %	124,267	72 %	124,564	67 %	52,513	62 %	111,690	55 %	800,979	66 %
Greater than or equal to 1.0 and less than 1.2	17,638	82 %	22,917	67 %	2,769	71 %	7,597	66 %	—	— %	32,327	65 %	83,248	69 %
Less than 1.0	—	— %	64,131	58 %	1,441	89 %	10,156	80 %	—	— %	21,031	60 %	96,759	61 %
Total	$ 543,991	65 %	$ 755,584	67 %	$ 527,670	64 %	$ 459,055	60 %	$ 411,834	55 %	$ 880,754	49 %	$ 3,578,888	59 %

LTV and DSC ratios for our agricultural mortgage loans are calculated at the time of loan origination and are evaluated annually for each loan using land value averages. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our agricultural mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at December 31, 2021 and 2020.

The amortized cost of our agricultural mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at December 31, 2021 and 2020 (by year of origination):

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

	2020		2019		2018		2017		2016		Prior		Total	
As of December 31, 2020:	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**	**Amortized Cost**	**Average LTV**
Debt Service Coverage Ratio:							**(Dollars in thousands)**							
Greater than or equal to 1.5	$ 78,631	52 %	$ 13,985	47 %	$ 25,000	11 %	$ —	— %	$ —	— %	$ —	— %	$ 117,616	43 %
Greater than or equal to 1.2 and less than 1.5	101,879	44 %	3,425	23 %	—	— %	—	— %	—	— %	—	— %	105,304	44 %
Greater than or equal to 1.0 and less than 1.2	4,213	37 %	6,573	43 %	—	— %	—	— %	—	— %	—	— %	10,786	41 %
Less than 1.0	11,467	48 %	—	— %	—	— %	—	— %	—	— %	—	— %	11,467	48 %
Total	$ 196,190	47 %	$ 23,983	42 %	$ 25,000	11 %	$ —	— %	$ —	— %	$ —	— %	$ 245,173	43 %

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

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

	2020	2019	2018	2017	2016	Prior	Total
As of December 31, 2020:	(Dollars in thousands)						
Commercial mortgage loans							
Current	$ 543,991	$ 755,584	$ 527,670	$ 459,055	$ 411,834	$ 880,754	$ 3,578,888
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	$ 543,991	$ 755,584	$ 527,670	$ 459,055	$ 411,834	$ 880,754	$ 3,578,888
Agricultural mortgage loans							
Current	$ 196,190	$ 23,983	$ 25,000	$ —	$ —	$ —	$ 245,173
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total agricultural mortgage loans	$ 196,190	$ 23,983	$ 25,000	$ —	$ —	$ —	$ 245,173
Residential mortgage loans							
Current	$ 321,779	$ 24,951	$ —	$ —	$ —	$ —	$ 346,730
30 - 59 days past due	25,150	299	—	—	—	—	25,449
60 - 89 days past due	111	—	—	—	—	—	111
Over 90 days past due	167	—	—	—	—	—	167
Total residential mortgage loans	$ 347,207	$ 25,250	$ —	$ —	$ —	$ —	$ 372,457

Commercial, agricultural and residential mortgage loans are considered nonperforming when they become 90 days or more past due. When loans become nonperforming, we place them on non-accrual status and discontinue recognizing interest income. If payments are received on a nonperforming loan, interest income is recognized to the extent it would have been recognized if normal principal and interest would have been received timely. If payments are received to bring a nonperforming loan back to less than 90 days past due, we will resume accruing interest income on that loan. There were 13 loans in non-accrual status at December 31, 2021 and one loan in non-accrual status at December 31, 2020. During the year ended December 31, 2021 we recognized interest income of $65 thousand on loans which were in non-accrual status at the respective period end. During the years ended December 31, 2020 and 2019, we recognized no interest income on loans which were in non-accrual status at the respective period end.

Troubled Debt Restructuring

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

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

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

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

Mortgage loan workouts, refinances or restructures that are classified as TDRs are individually evaluated and measured for impairment. There were no mortgage loans that we determined to be a TDR at December 31, 2021 and 2020, respectively.

6. Variable Interest Entities

We have relationships with various types of entities which may be VIEs. Certain VIEs are consolidated in our financial results. See *Note 1 - Significant Accounting Policies* for further details on our consolidation accounting policies.

Consolidated Variable Interest Entities

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

We are invested in one limited partnership which invests in a limited partnership fund that holds infrastructure credit assets. The feeder fund limited partnership is a VIE, and we determined we are the primary beneficiary as a result of our significant ownership of the limited partnership and our obligation to absorb losses or receive benefits from the VIE. We have consolidated the assets and liabilities of the limited partnership, which primarily consist of an equity interest in the infrastructure fund.

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

	December 31,			
	2021		2020	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(Dollars in thousands)			
Real estate investments	$ 363,229	$ 20,168	$ —	$ —
Infrastructure credit fund	168,711	—	—	—
	$ 531,940	$ 20,168	$ —	$ —

Unconsolidated Variable Interest Entities

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

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

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

	December 31,			
	2021		2020	
	Asset Carrying Value	Maximum Exposure to Loss	Asset Carrying Value	Maximum Exposure to Loss
	(Dollars in thousands)			
Fixed maturity securities, available for sale	$ 459,681	$ 459,681	$ —	$ —
Other investments	345,000	345,000	—	—

7. Derivative Instruments

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

	December 31,	
	2021	2020
	(Dollars in thousands)	
Assets		
Derivative instruments		
Call options	$ 1,276,574	$ 1,310,954
Warrants	906	—
	$ 1,277,480	$ 1,310,954
Liabilities		
Policy benefit reserves - annuity products		
Fixed index annuities - embedded derivatives, net	$ 7,964,961	$ 7,938,281
Funds withheld for reinsurance liabilities		
Reinsurance related embedded derivative	(2,362)	—
	$ 7,962,599	$ 7,938,281

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

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Change in fair value of derivatives:			
Call options	$ 1,347,925	$ 34,604	$ 908,556
Warrants	810	—	—
Interest rate swap	—	—	(1,059)
Interest rate caps	—	62	(591)
	$ 1,348,735	$ 34,666	$ 906,906
Change in fair value of embedded derivatives:			
Fixed index annuities - embedded derivatives	$ (876,803)	$ (1,922,085)	$ 562,302
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	520,863	635,298	891,740
Reinsurance related embedded derivative	(2,362)	—	—
	$ (358,302)	$ (1,286,787)	$ 1,454,042

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

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

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

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

			December 31,			
			2021		2020	
Counterparty	Credit Rating (S&P)	Credit Rating (Moody's)	Notional Amount	Fair Value	Notional Amount	Fair Value
			(Dollars in thousands)			
Bank of America	A+	Aa2	$ 3,556,256	$ 99,229	$ 2,835,420	$ 95,378
Barclays	A	A1	4,213,658	157,865	5,710,978	277,692
Canadian Imperial Bank of Commerce	A+	Aa2	3,956,329	141,540	6,593,815	279,053
Citibank, N.A.	A+	Aa3	3,190,833	115,860	3,118,979	96,757
Credit Suisse	A+	A1	3,716,868	113,295	4,422,798	78,823
J.P. Morgan	A+	Aa2	4,482,832	105,899	3,600,636	54,762
Morgan Stanley	A+	Aa3	2,223,743	47,950	2,856,466	62,969
Royal Bank of Canada	AA-	A2	3,567,972	100,472	1,289,699	32,753
Societe Generale	A	A1	2,548,072	86,494	1,494,904	34,394
Truist	A	A2	2,547,808	94,924	2,375,124	96,573
Wells Fargo	A+	Aa2	5,820,381	206,403	4,848,541	196,801
Exchange traded			266,601	6,643	214,819	4,999
			$ 40,091,353	$ 1,276,574	$ 39,362,179	$ 1,310,954

As of December 31, 2021 and 2020, we held $1.3 billion and $1.3 billion, respectively, of cash and cash equivalents and other investments from counterparties for derivative collateral, which is included in Other liabilities on our Consolidated Balance Sheets. This derivative collateral limits the maximum amount of economic loss due to credit risk that we would incur if parties to the call options failed completely to perform according to the terms of the contracts to $8.5 million and $35.1 million at December 31, 2021 and 2020, respectively.

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

The reinsurance agreement with North End Re (Cayman) SPC (“North End Re”) to cede certain fixed index annuity product liabilities on a modified coinsurance basis contains an embedded derivative. The obligation to pay the total return on the assets supporting liabilities associated with this reinsurance agreement represents a total return swap. The fair value of the total return swap is based on the unrealized gains and losses of the underlying assets held in the modified coinsurance portfolio. The reinsurance related embedded derivative is reported in Funds withheld for reinsurance liabilities on the Consolidated Balance Sheets and the change in the fair value of the embedded derivative is reported in Change in fair value of embedded derivatives on the Consolidated Statements of Operations. See *Note 9 – Reinsurance and Policy Provisions* for further discussion on this reinsurance agreement.

We entered into an interest rate swap and interest rate caps to manage interest rate risk associated with the floating rate component on certain of our subordinated debentures. See *Note 12 - Subordinated Debentures* for more information on our subordinated debentures. As of December 31, 2021, all of our floating rate subordinated debentures have been redeemed and the interest rate swap and interest rate caps have been terminated. The terms of the interest rate swap provided that we paid a fixed rate of interest and received a floating rate of interest. The terms of the interest rate caps limited the three month LIBOR to 2.50%. The interest rate swap and caps were not effective hedges under accounting guidance for derivative instruments and hedging activities. Therefore, we recorded the interest rate swap and caps at fair value and any net cash payments received or paid were included in the change in fair value of derivatives in the consolidated statements of operations.

8. Deferred Policy Acquisition Costs, Deferred Sales Inducements and Liability for Lifetime Income Benefit Riders

Policy acquisition costs deferred and amortized are as follows:

	December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Balance at beginning of year	$ 2,225,199	$ 3,033,649	$ 3,529,855
Costs deferred during the year:			
Commissions	303,192	251,428	419,166
Policy issue costs	4,665	3,725	3,351
Amortization:			
Amortization	(313,990)	(2,769)	(280,699)
Impact of unlocking	45,662	(646,785)	192,982
Effect of net unrealized gains/losses	299,478	(414,049)	(831,006)
Write-off related to in-force ceded reinsurance	(341,437)	—	—
Balance at end of year	$ 2,222,769	$ 2,225,199	$ 3,033,649

Sales inducements deferred and amortized are as follows:

	December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Balance at beginning of year	$ 1,448,375	$ 2,042,060	$ 2,512,590
Costs deferred during the year	95,160	93,610	177,941
Amortization:			
Amortization	(197,799)	(10,063)	(193,292)
Impact of unlocking	45,107	(428,101)	104,707
Effect of net unrealized gains/losses	155,230	(249,131)	(559,886)
Balance at end of year	$ 1,546,073	$ 1,448,375	$ 2,042,060

The following table presents a rollforward of the liability for lifetime income benefit riders (net of coinsurance ceded):

	December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Balance at beginning of year	$ 2,485,123	$ 1,670,750	$ 790,884
Benefit expense accrual	206,180	311,211	179,901
Impact of unlocking	243,658	285,825	315,383
Effect of net unrealized gains/losses	(101,848)	217,337	384,582
Reduction related to in-force ceded reinsurance	(38,484)	—	—
Claim payments	—	—	—
Balance at end of year	$ 2,794,629	$ 2,485,123	$ 1,670,750

We periodically update the key assumptions used in the calculation of amortization of deferred policy acquisition costs and deferred sales inducements retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of realized investment gains and losses) to be realized from a group of products are revised. In addition, we periodically update the assumptions used in determining the liability for lifetime income benefit riders.

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions in 2021, 2020 and 2019. In addition, we implemented an enhanced actuarial valuation system during 2019, and as a result, our 2019 assumption updates include model refinements resulting from the implementation.

In 2021, American Equity Life entered into a reinsurance agreement which ceded in-force fixed index annuity product liabilities. As a result, there was a write-off of deferred acquisition costs and a reduction of the liability for lifetime income benefit riders associated with this block of in-force liabilities ceded under the agreement. See *Note 9 - Reinsurance and Policy Provisions* for further discussion of this reinsurance agreement.

2021 Assumption Updates

The most significant assumption updates made in 2021 were to investment spread assumptions, including the net investment earned rate and crediting rate on policies, lifetime income benefit rider utilization assumptions, mortality assumptions, and lapse rate assumptions as discussed below.

Due to the continued low interest rate environment, we updated our assumption for investment spread for American Equity Life to 2.25% in the near term and increasing to 2.50% over an eight-year reversion period and our assumption for crediting/discount rate to 1.55% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was at 2.60% at then end of an eight-year reversion period, with a near term crediting/discount rate of 1.60% increasing to 2.10% over an eight-year reversion period. The assumption change to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements.

We updated lapse rate and mortality assumptions based on historical experience. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on polices with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The overall mortality assumption was lowered to reflect historical experience. The net impact of the updates to the lapse rate and mortality assumptions resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and mortality assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

We updated the lifetime income benefit rider utilization assumption based on historical experience. The ultimate utilization assumption was lowered for policies with a fee rider and certain policies with a no-fee rider. In addition, the utilization assumption was changed to reflect seasonality with higher utilization rates during the first quarter of each year. The net impact of the updates to the utilization assumption resulted in a decrease in the liability for lifetime income benefit riders due to a lower amount of expected benefits payments due to lower expected utilization. The net impact of the updates to the utilization assumption resulted in higher expected future gross profits as compared to previous estimates and an increase in the balances of deferred policy acquisition costs and deferred sales inducements.

2020 Assumption Updates

The most significant assumption updates made in 2020 were to investment spread assumptions, including the net investment earned rate and crediting rates on policies, as well as updates to lapse rate and partial withdrawal assumptions.

Due to the economic and low interest rate environments, we updated our assumption for aggregate investment spread to 2.40% in the near-term increasing to 2.60% over an eight-year reversion period and our assumption for crediting/discount rate to 1.60% increasing to 2.10% over an eight-year reversion period. Prior to these assumption updates, our long-term assumption for aggregate investment spread was steady at 2.60%, with a near term crediting/discount rate of 1.90% increasing to 2.90% over a 20 year reversion period. The assumption update to decrease aggregate investment spread resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The decrease in the crediting rate, which is used as the discount rate in the calculation of the liability for lifetime income benefit riders, resulted in an increase in the liability for lifetime income benefit riders.

We updated lapse rate and partial withdrawal assumptions based on actual historical experience. For certain annuity products without a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were increased while for certain annuity products with a lifetime income benefit rider, lapse rate and partial withdrawal assumptions were decreased. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in lower expected future gross profits as compared to previous estimates and a decrease in the balances of deferred policy acquisition costs and deferred sales inducements. The net impact of the updates to lapse rate and partial withdrawal assumptions resulted in an increase in the liability for lifetime income benefit riders due to a greater amount of expected benefit payments in excess of account values.

2019 Assumption Updates

The most significant assumption updates made during 2019 were to lapse and utilization assumptions. We had credible lapse and utilization data based upon a comprehensive experience study spanning over 10 years on our products with lifetime income benefit riders and have experienced lapse rates that are lower than previously estimated.

Lower lapse assumptions resulted in an expectation that more policyholders will turn on their lifetime income benefit than previously anticipated which results in a greater amount of benefit payments in excess of account value and the need for a greater liability for lifetime income benefit riders. The decrease in lapse rate assumptions also resulted in policies being in force for a longer period of time and an increase in expected gross profits as compared to previous estimates. The higher level of expected future gross profits resulted in an increase in the balances of deferred policy acquisition costs and deferred sales inducements.

Our historical experience also indicated that the ultimate utilization of certain lifetime income benefit riders was expected to be less than our prior assumptions and the timing of utilization of lifetime income benefit riders is later than in our prior assumptions. We reduced our ultimate utilization assumptions for fee riders from 75% to 60% and for no-fee riders from 37.5% to 30%, for policies issued in 2014 and prior years. The net effect of the utilization assumption revisions resulted in a decrease in the liability for lifetime income benefit riders and partially offset the increase in the reserve for lifetime income benefit riders from the change in lapse assumptions.

In addition, we updated our assumptions regarding future crediting/discount rates. We assumed a 3.80% U.S. Treasury rate with a 20 year mean revision period. Our assumption for aggregate investment spread was 2.60% which translated to an ultimate discount rate of 2.90%. While the aggregate spread of 2.60% did not change from prior estimates, our estimates of the profitability of individual cohorts changed with the use of an aggregate portfolio yield across all cohorts. This assumption update resulted in a change in the allocation of profitability by cohort, which caused a reduction in the deferred policy acquisition costs and deferred sales inducements assets and partially offset the increase in the deferred policy acquisition costs and deferred sales inducements assets from the change in lapse assumptions.

9. Reinsurance and Policy Provisions

Coinsurance

We have two coinsurance agreements with EquiTrust Life Insurance Company ("EquiTrust"), covering 70% of certain of American Equity Life's fixed index and fixed rate annuities issued from August 1, 2001 through December 31, 2001, 40% of those contracts issued during 2002 and 2003, and 20% of those contracts issued from January 1, 2004 to July 31, 2004. The business reinsured under these agreements may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves transferred to EquiTrust under these agreements) were $381.4 million and $428.0 million at December 31, 2021 and 2020, respectively. We remain liable to policyholders with respect to the policy liabilities ceded to EquiTrust should EquiTrust fail to meet the obligations it has coinsured. The balance due under these agreements to EquiTrust was $7.8 million and $9.7 million at December 31, 2021 and 2020, respectively, and represents the fair value of call options held by us to fund index credits related to the ceded business net of cash due to or from EquiTrust related to monthly settlements of policy activity and other expenses.

We have three coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda. One agreement ceded 20% of certain of American Equity Life's fixed index annuities issued from January 1, 2009 through March 31, 2010. The second agreement ceded 80% of American Equity Life's multi-year rate guaranteed annuities issued from July 1, 2009 through December 31, 2013 and 80% of Eagle Life's multi-year rate guaranteed annuities issued from November 20, 2013 through December 31, 2013. The third agreement ceded 80% of certain of American Equity Life's and Eagle Life's multi-year rate guaranteed annuities issued on or after January 1, 2014 through December 31, 2020, 80% of Eagle Life's fixed index annuities issued prior to January 1, 2017, 50% of certain of Eagle Life's fixed index annuities issued from January 1, 2017 through December 31, 2018, 20% of certain of Eagle Life's fixed index annuities issued on or after January 1, 2019 through December 31, 2020 and 80% of certain of American Equity Life's fixed index annuities issued from August 1, 2016 through December 31, 2016. Effective January 1, 2021, no new business is being ceded to Athene. The business reinsured under any of the Athene agreements may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves transferred to Athene under these agreements) were $3.7 billion and $4.4 billion at December 31, 2021 and 2020, respectively. American Equity Life is an intermediary for reinsurance of Eagle Life's business ceded to Athene. American Equity Life and Eagle Life remain liable to policyholders with respect to the policy liabilities ceded to Athene should Athene fail to meet the obligations it has coinsured. The annuity deposits that have been ceded to Athene are secured by assets held in trusts and American Equity Life is the sole beneficiary of the trusts. The assets in the trusts are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the trust accounts would ever be less than the amount of the ceded policy benefit liabilities on a statutory basis, Athene is required to either establish a letter of credit or deposit securities in the trusts for the amount of any shortfall. The balance due under these agreements to Athene was $74.8 million and $105.8 million at December 31, 2021 and 2020, respectively, and represents the fair value of call options held by us to fund index credits related to the ceded business net of cash due from Athene related to monthly settlements of policy activity. Effective January 1, 2021, no new business is being ceded to Athene.

Effective July 1, 2021 American Equity Life entered into a reinsurance agreement with North End Re (North End Re reinsurance treaty), a wholly-owned subsidiary of Brookfield Asset Management Reinsurance Partners Ltd. (“Brookfield Reinsurance” or “Brookfield”) to reinsure approximately $4.3 billion of in-force fixed indexed annuity product liabilities as of the effective date of the reinsurance agreement, 70% on a modified coinsurance (“modco”) basis and 30% on a coinsurance basis. The liabilities reinsured on a coinsurance basis are secured by assets held in both a statutory and supplemental trust (collectively referred to as the “trusts”). The liabilities reinsured on a modco basis are secured by a segregated modco account in which the assets are maintained by American Equity Life. American Equity Life transferred cash of $2.6 billion to the segregated modco account and $1.1 billion to the statutory trust at close of this reinsurance agreement on October 8, 2021. American Equity Life will receive an annual ceding commission equal to 49 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment partially contingent on certain performance obligations for both parties. The initial net present value of the ceding commission related to the in-force business was $114.1 million.

As part of the North End Re reinsurance treaty, American Equity Life is also ceding 75% of certain fixed index annuities issued after the effective date of the agreement, 70% on a modco basis and 30% on a coinsurance basis to North End Re. On sales subsequent to the effective date of the North End Re reinsurance treaty, American Equity Life will receive an annual ceding commission equal to 140 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six years with the additional and final seventh year payment being contingent on certain performance obligations for both parties. The initial net present value of the ceding commission related to the flow business ceded in 2021 was $27.1 million. The asset liability management fee recognized in Other revenue in 2021 was $5.5 million.

In addition, American Equity Life will receive certain acquisition cost reimbursements and an on-going annual expense reimbursement on each policy subject to the reinsurance agreement for the entirety of the policy duration.

As a result of the North End Re reinsurance treaty, there is a deferred gain of $321.7 million which is recorded in Other liabilities as of December 31, 2021. This deferred gain represents the unamortized portion of the cost of reinsurance related to the in-force business and new business in the third and fourth quarter which will be amortized over the life of the underlying reinsured policies. The deferred gain consists primarily of the difference between liabilities ceded and assets transferred as part of the reinsurance agreement and the present value of the ceding commissions previously noted offset by a reduction in deferred policy acquisition costs associated with the the in-force business ceded. The amortization of the deferred gain recognized in Other revenue in 2021 was $10.2 million.

American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to North End Re should North End Re fail to meet the obligations it has reinsured.

The assets in the trusts and modco account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and modco account are subject to investment management agreements between American Equity Life and North End Re.

As of December 31, 2021, coinsurance deposits (aggregate policy benefits reserves transferred to North End Re under these agreements) were $4.6 billion. The balance due under these agreements to North End Re was $127.9 million which is recorded in Other liabilities at December 31, 2021.

Separate from the reinsurance transaction, Brookfield Reinsurance, has an approximate 9.8% interest in the Company's outstanding common stock as of December 31, 2021. See *Note 16 - Earnings Per Common Share and Stockholders' Equity* for further discussion of Brookfield's ownership.

Amounts ceded to EquiTrust, Athene and North End Re under these agreements are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Consolidated Statements of Operations			
Annuity product charges	$ 20,351	$ 7,021	$ 7,792
Change in fair value of derivatives	140,641	43,080	97,195
	$ 160,992	$ 50,101	$ 104,987
Interest sensitive and index product benefits	$ 303,035	$ 152,485	$ 132,127
Change in fair value of embedded derivatives	(76,915)	4,352	109,002
Other operating costs and expenses	16,440	17,663	18,778
	$ 242,560	$ 174,500	$ 259,907
Consolidated Statements of Cash Flows			
Annuity deposits	$ (424,819)	$ (35,667)	$ (290,040)
Cash payments to policyholders	984,260	466,311	381,276
	$ 559,441	$ 430,644	$ 91,236

We calculate estimated losses on reinsurance recoverable balances by determining an expected loss ratio. The expected loss ratio is based on industry historical loss experience and expected recovery timing adjusted for certain current and forecasted environmental factors management believes to be relevant. Estimated losses related to our reinsurance recoverable balances were $2.3 million and $1.9 million as of December 31, 2021 and 2020, respectively.

We monitor concentration of reinsurance risk with third party reinsurers and monitor concentration as well as financial strength ratings of our reinsurers.

Financing Arrangements

Effective April 1, 2019, we entered into a reinsurance agreement with Hannover Life Reassurance Company of America ("Hannover"), which was treated as reinsurance under statutory accounting practices and as a financing arrangement under GAAP. The statutory surplus benefit under this agreement was eliminated under GAAP and the associated charges were recorded as risk charges and included in Other operating costs and expenses in the Consolidated Statements of Operations. The 2019 Hanover Agreement was a coinsurance funds withheld reinsurance agreement for statutory purposes covering 80% of lifetime income benefit rider payments in excess of policy fund values and waived surrender charges related to penalty free withdrawals on certain business.

The reserve credit recorded on a statutory basis by American Equity Life under the 2019 Hannover agreement was $1.4 billion at December 31, 2020. We paid a quarterly risk charge based on the pretax statutory benefit as of the end of each calendar quarter. Risk charges attributable to our 2019 agreement with Hannover were $33.1 million, $44.7 million, and $37.8 million during 2021, 2020 and 2019, respectively. Effective October 1, 2021, we recaptured the 2019 Hannover agreement.

Intercompany Reinsurance Agreements

Effective October 1, 2021, American Equity Life entered into a reinsurance agreement with AEL Re Vermont, a wholly-owned captive reinsurance company, to cede a portion of lifetime income benefit rider payments in excess of policy fund values on a funds withheld basis ("The AEL Re Vermont Agreement"). In connection with the agreement, AEL Re Vermont entered into an excess of loss ("XOL") reinsurance agreement with Hannover to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the AEL Re Vermont Agreement after the funds withheld account balance is exhausted. AEL Re Vermont is permitted to carry the XOL treaty as an admitted asset on the AEL Re Vermont statutory balance sheet. The effects of this agreement are not accounted for as reinsurance as it does not satisfy the risk transfer requirements for GAAP. AEL Re Vermont incurred risk charges of $2.8 million during the year ended December 31, 2021 in relation to this XOL agreement with Hannover. The risk charges are included in other Operating costs and expenses in the Consolidated Statements of Operations.

Effective December 31, 2021, American Equity Life executed a coinsurance agreement with AEL Re Bermuda, an affiliated Bermuda reinsurer wholly owned by American Equity Investment Life Holding Company, to reinsure a quota share of fixed index annuities issued from January 1, 1997 through December 31, 2007. The treaty is maintained on a funds withheld basis. American Equity Life ceded $3.8 billion of statutory reserves and interest maintenance reserves.

All intercompany balances have been eliminated in the preparation of the accompanying financial statements.

10. Income Taxes

We file consolidated federal income tax returns that include all of our wholly-owned subsidiaries. Our income tax expense as presented in the consolidated financial statements is summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Consolidated statements of operations:			
Current income taxes	$ 332	$ 3,430	$ 12,528
Deferred income taxes	128,423	141,071	56,947
Total income tax expense included in consolidated statements of operations	128,755	144,501	69,475
Stockholders' equity:			
Expense (benefit) relating to:			
Adoption of expected credit loss model	—	(2,543)	—
Change in net unrealized investment losses	(90,284)	225,746	372,472
Total income tax expense included in consolidated financial statements	$ 38,471	$ 367,704	$ 441,947

Income tax expense in the consolidated statements of operations differed from the amount computed at the applicable statutory federal income tax rates of 21% for the years ended December 31, 2021, 2020, and 2019 as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Income before income taxes	$ 602,747	$ 815,961	$ 315,565
Income tax expense on income before income taxes	$ 126,577	$ 171,352	$ 66,269
Tax effect of:			
State income taxes	5,239	5,749	5,111
Tax exempt net investment income	(4,715)	(4,602)	(4,385)
Tax rate differential on net operating loss carryback	—	(30,041)	—
Other	1,654	2,043	2,480
Income tax expense	$ 128,755	$ 144,501	$ 69,475
Effective tax rate	21.4 %	17.7 %	22.0 %

The effective tax rate for the year ended December 31, 2020 was positively impacted by $30.0 million related to the provision of the CARES ACT which allowed net operating losses for 2018 through 2020 to be carried back to previous tax years in which a 35% statutory tax rate was in effect.

Deferred income tax assets or liabilities are established for temporary differences between the financial reporting amounts and tax bases of assets and liabilities that will result in deductible or taxable amounts, respectively, in future years. The tax effects of temporary differences that give rise to the deferred tax assets and liabilities at December 31, 2021 and 2020, are as follows:

	December 31,	
	2021	2020
	(Dollars in thousands)	
Deferred income tax assets:		
Policy benefit reserves	$ 1,373,485	$ 1,586,000
Credit losses/Impairments	15,275	28,519
Other policyholder funds	3,332	3,789
Deferred compensation	3,434	2,161
Share-based compensation	5,171	2,189
Net operating loss carryforwards	87,314	—
Other	1,140	3,569
Gross deferred tax assets	1,489,151	1,626,227
Deferred income tax liabilities:		
Deferred policy acquisition costs and deferred sales inducements	(1,170,859)	(1,268,790)
Net unrealized gains on available for sale fixed maturity securities	(489,290)	(579,766)
Derivative instruments	(107,717)	(119,444)
Policy benefit reserves	(98,616)	(123,270)
Investment income items	(56,285)	(28,719)
Amounts due reinsurer	(103,234)	(5,636)
Other	(5,122)	(4,602)
Gross deferred tax liabilities	(2,031,123)	(2,130,227)
Net deferred income tax liability	$ (541,972)	$ (504,000)

Included in deferred income taxes is the expected income tax benefit attributable to unrealized losses on available for sale fixed maturity securities. There is no valuation allowance provided for the deferred income tax asset attributable to unrealized losses on available for sale fixed maturity securities. Management expects that the passage of time will result in the reversal of these unrealized losses due to the fair value increasing as these securities near maturity. We have the intent and ability to hold these securities to maturity and do not believe it would be necessary to liquidate these securities at a loss. In addition, we have the ability to sell fixed maturity securities in unrealized gain positions to offset realized deferred income tax assets attributable to unrealized losses on available for sale fixed maturity securities.

Realization of our deferred income tax assets is more likely than not based on expectations as to our future taxable income and considering all other available evidence, both positive and negative. Therefore, no valuation allowance against deferred income tax assets has been established as of December 31, 2021 and 2020.

There were no material income tax contingencies requiring recognition in our consolidated financial statements as of December 31, 2021. Our tax returns are subject to audit by various federal, state and local tax authorities. The Company's income tax returns are subject to examination by the IRS and state tax authorities, generally for three years after they are due or filed, whichever is later. Tax years ended before December 31, 2018 are no longer open to examination by the IRS.

At December 31, 2021, we have $87.3 million of net operating loss carryforwards for federal income tax purposes.

11. Notes Payable and Amounts Due Under Repurchase Agreements

Notes payable includes the following:

	December 31,	
	2021	2020
	(Dollars in thousands)	
Senior notes due 2027		
Principal	$ 500,000	$ 500,000
Unamortized debt issue costs	(3,537)	(4,086)
Unamortized discount	(213)	(246)
	$ 496,250	$ 495,668

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

On September 30, 2016, we entered into a credit agreement with six banks that provided for a $150 million unsecured revolving line of credit (the "Revolving Facility") that terminated on September 30, 2021 and a $100 million term loan that was scheduled to terminate on September 30, 2019 but was repaid on June 16, 2017 without penalty. No amounts were outstanding under the Revolving Facility at December 31, 2020.

As part of our investment strategy, we enter into securities repurchase agreements (short-term collateralized borrowings). When we do borrow cash on these repurchase agreements, we pledge collateral in the form of debt securities with fair values approximately equal to the amount due and we use the cash to purchase debt securities ahead of the time we collect the cash from selling annuity policies to avoid a lag between the investment of funds and the obligation to credit interest to policyholders. We earn investment income on the securities purchased with these borrowings at a rate in excess of the cost of these borrowings. We had no borrowings under repurchase agreements during the year ended December 31, 2021. Such borrowings averaged $14.3 million and $33.0 million for the years ended December 31, 2020 and 2019, respectively. The maximum amount borrowed during 2020 and 2019 was $186.4 million and $243.6 million, respectively. The weighted average interest rate on amounts due under repurchase agreements was 1.73% and 2.99% for the years ended December 31, 2020 and 2019, respectively.

12. Subordinated Debentures

Our wholly-owned subsidiary trusts (which are not consolidated) have issued fixed rate and floating rate trust preferred securities and have used the proceeds from these offerings to purchase subordinated debentures from us. We also issued subordinated debentures to the trusts in exchange for all of the common securities of each trust. The sole assets of the trusts are the subordinated debentures and any interest accrued thereon. The interest payment dates on the subordinated debentures correspond to the distribution dates on the trust preferred securities issued by the trusts. The trust preferred securities mature simultaneously with the subordinated debentures. Our obligations under the subordinated debentures and related agreements provide a full and unconditional guarantee of payments due under the trust preferred securities. All subordinated debentures are callable by us at any time, except for the Trust II subordinated debt obligations.

Following is a summary of subordinated debt obligations to the trusts at December 31, 2021 and 2020:

	December 31,			
	2021	2020	Interest Rate	Due Date
	(Dollars in thousands)			
American Equity Capital Trust II	$ 78,421	$ 78,112	5%	June 1, 2047

The principal amount of the subordinated debentures issued by us to American Equity Capital Trust II ("Trust II") is $100.0 million. These debentures were assigned a fair value of $74.7 million at the date of issue (based upon an effective yield-to-maturity of 6.8%). The difference between the fair value at the date of issue and the principal amount is being accreted over the life of the debentures. The trust preferred securities issued by Trust II were issued to Iowa Farm Bureau Federation, which owns more than 50% of the voting capital stock of FBL Financial Group, Inc. ("FBL"). The consideration received by Trust II in connection with the issuance of its trust preferred securities consisted of fixed income securities of equal value which were issued by FBL.

We redeemed subordinated debentures issued to American Equity Capital Trust IV and American Equity Capital Trust XII during January 2020 and subordinated debentures issued to American Equity Capital Trust III during February 2020.

13. Retirement and Share-based Compensation Plans

We have adopted a contributory defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all of our full-time employees subject to minimum eligibility requirements. Employees can contribute a percentage of their annual salary (up to a maximum annual contribution of $19,500 in 2021, $19,500 in 2020 and $19,000 in 2019) to the plan. We contribute an additional amount, subject to limitations, based on the voluntary contribution of the employee. Further, the plan provides for additional employer contributions based on the discretion of the Board of Directors. Plan contributions charged to expense were $2.7 million, $2.4 million and $1.8 million for the years ended December 31, 2021, 2020 and 2019, respectively.

The following table summarizes compensation expense recognized for employees and directors as a result of share-based compensation:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
ESOP	$ 3,377	$ 2,908	$ 2,547
Employee Incentive Plans	22,886	7,855	6,559
Director Equity Plans	1,262	1,056	922
	$ 27,525	$ 11,819	$ 10,028

The principal purpose of the American Equity Investment Employee Stock Ownership Plan ("ESOP") is to provide each eligible employee with an equity interest in us. Employees become eligible once they have completed a minimum of six months of service. Employees become 100% vested after two years of service. Our contribution to the ESOP is determined by the Board of Directors.

During 2020, the 2016 Employee Incentive Plan ("2016 Plan") was amended and renamed the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan ("Amended Plan"). The Amended Plan increased the number of shares of Common stock reserved for issuance by 3,000,000 shares to 5,500,000 shares of our Common stock which may be issued in the form of grants of options, stock appreciation rights, restricted stock awards and restricted stock units. In addition, the Amended Plan allows for awards to be granted to members of the Board of Directors of the Company.

At December 31, 2021, we had 1,924,101 shares of common stock available for future grant under the Amended Plan.

We have a long-term performance incentive plan under which certain members of our management team are granted performance-based restricted stock units pursuant to the Amended Plan or the 2016 Plan. During 2021, 2020 and 2019, we granted 186,091, 217,781 and 152,678 restricted stock units under these plans, respectively. For the 2021 grant, vesting is tied to threshold, target and maximum performance goals for the three year period ending December 31, 2023. Fifty percent of the restricted stock units will vest if we meet threshold goals, 100% of the restricted stock units will vest if we meet target performance goals and 200% of the restricted stock units will vest if we meet maximum performance goals. For the 2020 and 2019 grants, vesting is tied to threshold, target and maximum performance goals for the three year periods ending December 31, 2022 and December 31, 2021, respectively. Fifty percent of the restricted stock units will vest if we meet threshold goals, 100% of the restricted stock units will vest if we meet target performance goals and 150% of the restricted stock units will vest if we meet maximum performance goals. Compensation expense is recognized over the three year vesting period based on the likelihood of meeting threshold, target and maximum goals. Restricted stock units that ultimately vest are payable in an equal number of shares of our common stock. Restricted stock units are accounted for as equity awards and the estimated fair value of restricted stock units is based upon the closing price of our common stock on the date of grant.

During 2021, 2020 and 2019 we granted 199,597, 133,429 and 72,696, respectively, time-based restricted stock units to employees under the Amended Plan or the 2016 Plan. These grants vest one to three years following the grant date provided the participant remains employed with us. Shares will vest early upon an employee reaching 65 years of age with 10 years of service with us. Compensation expense is recognized over the vesting period. Restricted stock units that ultimately vest are payable in an equal number of shares of our common stock. Restricted stock units are accounted for as equity awards and the estimated fair value of restricted stock units is based upon the closing price of our common stock on the date of grant.

During 2021 and 2020, we granted 391,553 and 105,809 options to employees under the Amended Plan or the 2016 Plan at an exercise price equal to the fair market value of our common stock on the date of grant. These options vest over a period of one to five years and expire 10 years after the grant date. Compensation expense is recognized over the vesting period.

During 2021 and 2020, we granted 855,052 and 709,958 performance-based options ("Performance Options") to employees under the Amended Plan at an exercise price equal to the fair market value of our common stock on the date of grant. These Performance Options vest based upon the timing of meeting the market condition of a 30-day volume weighted average common stock price of $37.00 per common share. Fifty percent of the Performance Options granted vest upon the later of: (i) the market condition noted above being met; and (ii) the one year anniversary of the Grant Date. The remaining fifty percent of the Performance Options granted vest on the one year anniversary of the vesting of the initial fifty percent of the Performance Options. The market condition for these performance options was met on January 4, 2022. Compensation expense for the Performance Options is recognized over the requisite service period.

During 2021 and 2020, we issued 39,273 and 51,450 shares of common stock under the Amended Plan to our Directors, all of which are restricted stock, and which vest on the earlier of the next annual meeting date or one year from the grant date provided the individual remains a Director during that time period.

The 2013 Director Equity and Incentive Plan authorized the grant of options, stock appreciation rights, restricted stock awards and restricted stock units convertible into or based upon our common stock of up to 250,000 shares to our Directors. During 2019, we issued 32,000 shares of common stock, respectively, all of which are restricted stock, and which vested on the earlier of the next annual meeting date or one year from the grant date provided the individual remains a Director during that time period. At December 31, 2021, there were no shares of common stock available for future grant under the 2013 Director and Equity Incentive Plan.

During 2014, we established the 2014 Independent Insurance Agent Restricted Stock and Restricted Stock Unit Plan, which was amended during 2016. Under the amended plan, agents of American Equity Life received grants of restricted stock and restricted stock units based upon their individual sales. The plan authorized grants of up to 1,800,000 shares of our common stock. At December 31, 2021, there were no shares of common stock available for future grant under the amended 2014 Independent Insurance Agent Restricted Stock and Restricted Stock Unit Plan. We recognized commission expense and an increase to additional paid-in capital as share-based compensation equal to the fair value of the restricted stock and restricted stock units as they were earned.

In January 2017, American Equity Life's agents were granted 363,624 restricted stock units based on their production during 2016. In January 2020, agents vested in 58,617 restricted stock units granted in January 2017 based on their continued service as an independent agent and their 2019 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $1.4 million in 2019. In January 2021, agents vested in 41,735 restricted stock units granted in January 2017 based on their continued service as an independent agent and their 2020 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $0.9 million in 2020. In January 2022, agents vested in 3,568 restricted stock units granted in January 2017 based on their continued service as an independent agent and their 2021 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $0.2 million in 2021.

In January 2016, American Equity Life's agents were granted 650,683 restricted stock units based on their production during 2015. In January 2020, agents vested in 89,382 restricted stock units granted in January 2016 based on their continued service as an independent agent and their 2019 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $2.2 million in 2019. In January 2021, agents vested in 4,042 restricted stock units granted in January 2016 based on their continued service as an independent agent and their 2020 individual sales of our products, and for which we recorded commission expense (capitalized as deferred policy acquisition costs) of $0.1 million in 2020.

For the restricted stock units granted to agents in January of 2017 and 2016, 20% of the restricted stock units vested one year from the grant date if the agent was in good standing with American Equity Life at that date. The remaining 80% of the restricted stock units granted to retirement eligible individuals vest over a three year period if the agent remains in good standing with American Equity Life. The remaining 80% of the restricted stock units granted to non-retirement eligible individuals vest based on the agent's individual sales and continued service as an independent agent over a period of time not to exceed five years.

Our 2000 Director Stock Option Plan, 2009 Employee Incentive Plan and 2011 Director Stock Option Plan authorized grants of options to officers, directors and employees for an aggregate of up to 2,975,000 shares of our common stock. All options granted under these plans have ten year terms and a six month or three year vesting period after which they become fully exercisable immediately. As of December 31, 2021, there were no options available for grant under these plans.

During 2007, 2010 and 2012 we established Independent Insurance Agent Stock Option plans. Under these plans, agents of American Equity Life received grants of options to acquire shares of our common stock based upon their individual sales. The plans authorized grants of options to agents for an aggregate of up to 8,000,000 shares of our common stock. As of December 31, 2021, there were no options available for future grant under these plans. We recognized commission expense and an increase to additional paid-in capital as share-based compensation equal to the fair value of the options as they were earned.

Changes in the number of stock options granted to employees and agents outstanding during the years ended December 31, 2021, 2020 and 2019 are as follows:

	Number of Shares	Weighted-Average Exercise Price per Share	Total Exercise Price
	(Dollars in thousands, except per share data)		
Outstanding at January 1, 2019	1,221,865	$ 17.41	$ 21,273
Granted	—	—	—
Canceled	(22,600)	18.14	(410)
Exercised	(370,352)	11.76	(4,357)
Outstanding at December 31, 2019	828,913	19.91	16,506
Granted	815,767	26.70	21,778
Canceled	(31,200)	21.50	(670)
Exercised	(355,563)	16.98	(6,038)
Outstanding at December 31, 2020	1,257,917	25.10	31,576
Granted	1,246,605	29.15	36,336
Canceled	(146,803)	25.44	(3,735)
Exercised	(295,000)	22.88	(6,749)
Outstanding at December 31, 2021	2,062,719	27.84	$ 57,428

The following table summarizes information about stock options outstanding at December 31, 2021:

	Stock Options Outstanding			Stock Options Vested		
Range of Exercise Prices	Number of Awards	Remaining Life (yrs)	Weighted-Average Exercise Price Per Share	Number of Awards	Remaining Life (yrs)	Weighted-Average Exercise Price Per Share
$10.52	42,000	0.43	$ 10.52	42,000	0.43	$ 10.52
$21.89 - $26.72	398,320	8.84	26.11	—	0.00	—
$27.05 - $32.58	1,622,399	9.10	28.71	—	0.00	—
$10.52 - $32.58	2,062,719	8.87	27.84	42,000	0.43	10.52

The aggregate intrinsic value for stock options outstanding and vested awards was $22.9 million and $1.2 million, respectively, at December 31, 2021. For the years ended December 31, 2021, 2020 and 2019, the total intrinsic value of options exercised by officers, directors and employees was $1.2 million, $2.2 million and $3.4 million, respectively. Intrinsic value for stock options is calculated as the difference between the exercise price of the underlying awards and the price of our common stock as of the reporting date. Cash received from stock options exercised for the years ended December 31, 2021, 2020 and 2019 was $6.7 million, $6.0 million and $4.4 million, respectively.

We have deferred compensation arrangements with certain officers, directors, and consultants, whereby these individuals agreed to take our common stock at a future date in lieu of cash payments at the time of service. The common stock is to be issued in conjunction with a "trigger event," as that term is defined in the individual agreements. At both December 31, 2021 and 2020, these individuals have earned, and we have reserved for future issuance, 4,500 shares of common stock pursuant to these arrangements. No equity-based deferred compensation arrangements were in effect during 2021, 2020 or 2019.

We have deferred compensation agreements with certain former officers whereby these individuals have deferred certain salary and bonus compensation which is deposited into the American Equity Officer Rabbi Trust (Officer Rabbi Trust). The assets of the Officer Rabbi Trust are included in our assets and a corresponding deferred compensation liability is recorded. The deferred compensation liability is recorded at the fair market value of the assets in the Officer Rabbi Trust with the change in fair value included as a component of compensation expense. The deferred compensation liability related to these agreements was $1.0 million and $0.8 million at December 31, 2021 and 2020, respectively. The Officer Rabbi Trust held 26,011 shares and 27,661 shares of our common stock at December 31, 2021 and 2020, respectively, which are treated as treasury shares.

14. Statutory Financial Information and Dividend Restrictions

Statutory accounting practices prescribed or permitted by regulatory authorities for our life insurance subsidiaries differ from GAAP. Net income (loss) for our primary life insurance subsidiary as determined in accordance with statutory accounting practices was as follows:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
American Equity Life	$ (863,818)	$ (34,467)	$ 143,309

Statutory capital and surplus for our primary life insurance subsidiary was as follows:

	December 31,	
	2021	2020
	(Dollars in thousands)	
American Equity Life	$ 4,078,532	$ 3,728,732

The net loss realized by American Equity Life in accordance with statutory accounting practices for the year ended December 31, 2021 was primarily due to the impact of the recapture of the 2019 Hannover Agreement. American Equity Life is domiciled in the State of Iowa and is regulated by the Iowa Insurance Division. In some instances, the Iowa Insurance Division has adopted prescribed or permitted statutory accounting practices that differ from the required accounting outlined in National Association of Insurance Commissioners ("NAIC") Statutory Accounting Principles ("SAP"). For the year ended December 31, 2021, American Equity Life's use of prescribed statutory accounting practices resulted in lower statutory capital and surplus of $210.2 million relative to NAIC SAP due to its accounting for call option derivative instruments and fixed index annuity reserves. For the year ended December 31, 2020, American Equity Life's use of the same prescribed statutory accounting practice resulted in lower statutory capital and surplus of $366.3 million. We purchase call options to hedge the growth in interest credited on fixed index products. The Iowa Insurance Division allows an insurer to elect (1) to use an amortized cost method to account for such call options and (2) to use a fixed index annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero.

Life insurance companies are subject to the NAIC risk-based capital (RBC) requirements which are intended to be used by insurance regulators as an early warning tool to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. Calculations using the NAIC formula indicated that American Equity Life's ratio of total adjusted capital to the highest level of required capital at which regulatory action might be initiated (Company Action Level) is as follows:

	December 31,	
	2021	2020
	(Dollars in thousands)	
Total adjusted capital	$ 4,437,574	$ 3,978,901
Company Action Level RBC	1,108,796	1,069,434
Ratio of adjusted capital to Company Action Level RBC	400 %	372 %

Prior approval of regulatory authorities is required for the payment of dividends to the parent company by American Equity Life which exceed an annual limitation. American Equity Life may pay dividends without prior approval, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) net gain from operations before net realized capital gains/losses for the preceding calendar year or, (2) 10% of the American Equity Life's surplus at the preceding year-end. The amount of dividends permitted to be paid by American Equity Life to its parent company without prior approval of regulatory authorities is $407.9 million as of December 31, 2021.

The Parent Company relies on its subsidiaries for cash flow, which has primarily been in the form of investment management fees and dividends. Retained earnings in our consolidated financial statements primarily represent undistributed earnings of American Equity Life. As such, our ability to pay dividends is limited by the regulatory restriction placed upon insurance companies as described above. In addition, American Equity Life retains funds to allow for sufficient capital for growth.

15. Commitments and Contingencies

We lease our home office space and certain equipment under various operating leases. Rent expense for the years ended December 31, 2021, 2020 and 2019 totaled $3.8 million, $4.2 million and $3.3 million, respectively. At December 31, 2021, the aggregate future minimum lease payments are $12.6 million. The following represents payments due by period for operating lease obligations as of December 31, 2021 (dollars in thousands):

Year Ending December 31:		
2022	$	2,509
2023		2,296
2024		2,268
2025		2,154
2026		1,780
2027 and thereafter		1,567

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

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

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

In addition to our commitments to fund mortgage loans, we have unfunded commitments at December 31, 2021 to limited partnerships of $439.6 million and to fixed maturity securities of $26.4 million.

16. Earnings Per Common Share and Stockholders' Equity

Earnings Per Common Share

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

	Year Ended December 31,		
	2021	**2020**	**2019**
	(Dollars in thousands, except per share data)		
Numerator:			
Net income available to common stockholders - numerator for earnings per common share	$ 430,317	$ 637,945	$ 246,090
Denominator:			
Weighted average common shares outstanding	93,860,378	92,055,035	91,139,453
Effect of dilutive securities:			
Stock options and deferred compensation agreements	271,422	93,014	304,196
Restricted stock and restricted stock units	359,359	244,447	338,593
Denominator for earnings per common share - assuming dilution	94,491,159	92,392,496	91,782,242
Earnings per common share	$ 4.58	$ 6.93	$ 2.70
Earnings per common share - assuming dilution	$ 4.55	$ 6.90	$ 2.68

There were no options to purchase shares of our common stock outstanding excluded from the computation of diluted earnings per common share during the years ended December 31, 2021, 2020 and 2019, as the exercise price of all options outstanding was less than the average market price of our common shares for those periods.

Stockholders' Equity

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

On November 21, 2019 we issued 16,000 shares of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A ("Series A") with a $1.00 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $388.9 million. We used a portion of the proceeds to redeem all of our floating rate subordinated debentures. See *Note 12 - Subordinated Debentures* for more information on the redemption of our subordinated debentures.

Dividends on the Series A and Series B preferred stock are payable on a non-cumulative basis only when, as and if declared, quarterly in arrears on the first day of March, June, September and December of each year, commencing on March 1, 2020 for Series A and on December 1, 2020 for Series B. For the year ended December 31, 2021, we paid dividends totaling $23.8 million and $19.9 million on the Series A preferred stock and Series B preferred stock, respectively. For the year ended December 31, 2020, we paid dividends totaling $24.5 million and $9.0 million on the Series A preferred stock and Series B preferred stock, respectively. The Series A and Series B preferred stock rank senior to our common stock with respect to dividends, to the extent declared, and in liquidation, to the extent of the liquidation preference. The Series A and Series B preferred stock are not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions.

Brookfield Equity Investment

On October 18, 2020, we announced an agreement with Brookfield under which Brookfield will acquire up to a 19.9% ownership interest of common stock in the Company. The equity investment by Brookfield will take place in two stages: an initial purchase of a 9.9% equity interest at $37.00 per share which closed on November 30, 2020 with Brookfield purchasing 9,106,042 shares, and a second purchase of up to an incremental 10.0% equity interest, at the greater value of $37.00 per share or adjusted book value per share (excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives). The second equity investment is subject to finalization of a reinsurance transaction that closed on October 8, 2021, receipt of applicable regulatory approvals and other closing conditions. Regulatory approval related to the second equity investment was received on December 29, 2021 and an additional 6,775,000 shares were issued to Brookfield at $37.33 per share in January of 2022. Brookfield also received one seat on the Company’s Board of Directors following the initial equity investment.

Share Repurchase Program

On October 18, 2020, the Company's Board of Directors approved a $500 million share repurchase program. The purpose of the share repurchase program is to both offset dilution from the issuance of shares to Brookfield and to institute a regular cash return program for shareholders. We started the buyback program on October 30, 2020 and repurchased 5.1 million shares of our common stock for $149.4 million in the open market as of December 31, 2021. On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional $500 million of Company common stock.

On November 30, 2020 we entered into an accelerated share repurchase (ASR) agreement with Citibank, N.A. to repurchase an aggregate of $115 million of our common stock. Under the ASR agreement, we received an initial share delivery of approximately 3.5 million shares. The final settlement of 0.5 million shares, which was based on the volume-weighted average price of our common stock during the term of the transaction, less a discount and subject to customary adjustments, was delivered on February 25, 2021. The average price paid for shares repurchased under the ASR was $28.45 per common share. The ASR agreement was determined to be an equity contract.

As of December 31, 2021, we had repurchased approximately 9.1 million shares of our common stock at an average price of $29.04 per common share. As of December 31, 2021, we had $736 million of Company stock authorized for repurchase by the Company's Board of Directors.

Through February 25, 2022, we have repurchased approximately 11.6 million shares of our common shares at an average price of $31.78 per common share and have approximately $630 million remaining under our share repurchase program.

Treasury Stock

As of December 31, 2021, we held 9,936,715 shares of treasury stock with a carrying value of $260.6 million. As of December 31, 2020, we held 6,516,525 shares of treasury stock with a carrying value of $151.6 million.

Schedule I—Summary of Investments—
Other Than Investments in Related Parties

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

December 31, 2021

Column A	Column B	Column C	Column D
Type of Investment	**Amortized Cost (1)**	**Fair Value**	**Amount at which shown in the balance sheet**
		(Dollars in thousands)	
Fixed maturity securities:			
Available for sale:			
United States Government full faith and credit	$ 37,109	$ 37,793	$ 37,793
United States Government sponsored agencies	1,008,920	1,040,953	1,040,953
United States municipalities, states and territories	3,495,563	3,927,201	3,927,201
Foreign government obligations	380,646	402,545	402,545
Corporate securities	31,084,629	34,660,234	34,660,234
Residential mortgage backed securities	1,056,778	1,125,049	1,125,049
Commercial mortgage backed securities	4,708,878	4,840,311	4,840,311
Other asset backed securities	5,226,660	5,271,857	5,271,857
Total fixed maturity securities	46,999,183	51,305,943	51,305,943
Mortgage loans on real estate	5,687,998	5,867,227	5,687,998
Real estate investments	335,767	337,939	337,939
Derivative instruments	402,877	1,277,480	1,277,480
Other investments	1,764,016		1,767,144
Total investments	$ 55,189,841		$ 60,376,504

(1) On the basis of cost adjusted for repayments and amortization of premiums and accrual of discounts for fixed maturity securities and short-term investments, original cost for derivative instruments and unpaid principal balance less allowance for credit losses for mortgage loans.

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Balance Sheets

(Dollars in thousands)

	December 31,	
	2021	2020
Assets		
Cash and cash equivalents	$ 362,245	$ 486,670
Equity securities of subsidiary trusts	2,353	2,343
Receivable from subsidiaries	2,783	2,418
Notes receivable from subsidiaries	165,000	—
Federal income tax recoverable, including amount from subsidiaries	217,174	—
Other assets	20,134	3,078
	769,689	494,509
Investment in and advances to subsidiaries	6,387,912	6,448,924
Total assets	$ 7,157,601	$ 6,943,433
Liabilities and Stockholders' Equity		
Liabilities:		
Notes payable	$ 496,250	$ 495,668
Subordinated debentures payable to subsidiary trusts	78,421	78,112
Deferred income taxes	223,304	590
Federal income tax payable	—	5,395
Other liabilities	36,499	14,680
Total liabilities	834,474	594,445
Stockholders' equity:		
Preferred stock, Series A	16	16
Preferred stock, Series B	12	12
Common stock	92,514	95,721
Additional paid-in capital	1,614,374	1,681,127
Accumulated other comprehensive income	1,848,789	2,203,557
Retained earnings	2,767,422	2,368,555
Total stockholders' equity	6,323,127	6,348,988
Total liabilities and stockholders' equity	$ 7,157,601	$ 6,943,433

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Statements of Operations

(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
Revenues:			
Net investment income	$ 114	$ 1,115	$ 1,755
Dividends from subsidiary trusts	159	167	469
Dividends from subsidiaries	250,000	—	—
Investment advisory fees	126,643	114,228	107,945
Surplus note interest from subsidiary	4,080	4,080	4,080
Change in fair value of derivatives	—	62	(1,650)
Loss on extinguishment of debt	—	(2,024)	(2,001)
Other revenue	8,511	346	—
Total revenues	389,507	117,974	110,598
Expenses:			
Interest expense on notes payable	25,581	25,552	25,525
Interest expense on subordinated debentures issued to subsidiary trusts	5,324	5,557	15,764
Other operating costs and expenses	72,435	46,686	28,357
Total expenses	103,340	77,795	69,646
Income before income taxes and equity in undistributed income of subsidiaries	286,167	40,179	40,952
Income tax expense	11,565	13,142	11,586
Income before equity in undistributed income of subsidiaries	274,602	27,037	29,366
Equity in undistributed income of subsidiaries	199,390	644,423	216,724
Net income	473,992	671,460	246,090
Less: Preferred stock dividends	43,675	33,515	—
Net income available to common stockholders	$ 430,317	$ 637,945	$ 246,090

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,		
	2021	2020	2019
Operating activities			
Net income	$ 473,992	$ 671,460	$ 246,090
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for depreciation and amortization	1,232	1,138	1,136
Accrual of discount on equity security	(10)	(3)	(8)
Equity in undistributed income of subsidiaries	(199,390)	(644,423)	(216,724)
Non cash dividend from subsidiaries	(80,000)	—	—
Change in fair value of derivatives	—	(62)	945
Loss on extinguishment of debt	—	2,024	2,001
Accrual of discount on debenture issued to subsidiary trust	309	289	270
Share-based compensation	10,235	3,303	2,923
Deferred income taxes	222,714	6,408	2,087
Changes in operating assets and liabilities:			
Receivable from subsidiaries	(365)	(1,208)	(40)
Federal income tax recoverable/payable	(222,569)	(3,879)	382
Other assets	(5,054)	(320)	(1,229)
Other liabilities	21,819	7,617	(1,846)
Net cash provided by operating activities	222,913	42,344	35,987
Investing activities			
Notes receivable from subsidiaries	$ (165,000)	$ —	$ —
Repayment of equity securities	—	2,445	2,660
Contribution to subsidiaries	—	(210,000)	(50,000)
Purchases of property, plant and equipment	(12,642)	(48)	(117)
Net cash used in investing activities	(177,642)	(207,603)	(47,457)
Financing activities			
Repayment of subordinated debentures	$ —	$ (81,450)	$ (88,160)
Proceeds from issuance of common stock	4,844	338,061	1,691
Acquisition of treasury stock	(99,415)	(165,094)	—
Proceeds from issuance of preferred stock, net	—	290,260	388,893
Dividends paid on common stock	(31,450)	(28,859)	(27,304)
Dividends paid on preferred stock	(43,675)	(33,515)	—
Net cash provided by (used in) financing activities	(169,696)	319,403	275,120
Increase (decrease) in cash and cash equivalents	(124,425)	154,144	263,650
Cash and cash equivalents at beginning of year	486,670	332,526	68,876
Cash and cash equivalents at end of year	$ 362,245	$ 486,670	$ 332,526
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest on notes payable	$ 25,000	$ 25,000	$ 25,000
Interest on subordinated debentures	5,000	6,181	16,891

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Note to Condensed Financial Statements

December 31, 2021

1. Basis of Presentation

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of American Equity Investment Life Holding Company (Parent Company).

In the Parent Company financial statements, its investment in and advances to subsidiaries are stated at cost plus equity in undistributed income (losses) of subsidiaries since the date of acquisition and net unrealized gains/losses on the subsidiaries' fixed maturity securities classified as "available for sale" and equity securities.

See *Note 11- Notes Payable and Amounts Due Under Repurchase Agreements* and *Note 12 - Subordinated Debentures* to our audited consolidated financial statements in this Form 10-K for a description of the Parent Company's notes payable and subordinated debentures payable to subsidiary trusts.

Schedule III—Supplementary Insurance Information

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Column A	Column B	Column C	Column D	Column E
	Deferred policy acquisition costs	Future policy benefits, losses, claims and loss expenses	Unearned premiums	Other policy claims and benefits payable
	(Dollars in thousands)			
As of December 31, 2021: Life insurance	$ 2,222,769	$ 65,477,778	$ —	$ 226,844
As of December 31, 2020: Life insurance	$ 2,225,199	$ 62,352,882	$ —	$ 240,904
As of December 31, 2019: Life insurance	$ 3,033,649	$ 62,261,244	$ —	$ 256,105

Column A	Column F	Column G	Column H	Column I	Column J
	Premium revenue	Net investment income	Benefits, claims, losses and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses
	(Dollars in thousands)				
For the year ended December 31, 2021: Life insurance	$ 300,833	$ 2,037,475	$ 2,543,779	$ 268,328	$ 274,617
For the year ended December 31, 2020: Life insurance	$ 290,609	$ 2,182,078	$ 744,389	$ 649,554	$ 214,745
For the year ended December 31, 2019: Life insurance	$ 263,569	$ 2,307,635	$ 2,865,621	$ 87,717	$ 195,442

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule IV—Reinsurance

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Column A	Column B	Column C	Column D	Column E	Column F
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percent of amount assumed to net
			(Dollars in thousands)		
Year ended December 31, 2021					
Life insurance in force, at end of year	$ 48,943	$ 5,131	$ 46,119	$ 89,931	51.28 %
Insurance premiums and other considerations:					
Annuity product charges	$ 262,982	$ 20,351	$ —	$ 242,631	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	58,150	117	169	58,202	0.29 %
	$ 321,132	$ 20,468	$ 169	$ 300,833	0.06 %
Year ended December 31, 2020					
Life insurance in force, at end of year	$ 52,234	$ 5,925	$ 49,577	$ 95,886	51.70 %
Insurance premiums and other considerations:					
Annuity product charges	$ 258,248	$ 7,021	$ —	$ 251,227	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	39,323	139	198	39,382	0.50 %
	$ 297,571	$ 7,160	$ 198	$ 290,609	0.07 %
Year ended December 31, 2019					
Life insurance in force, at end of year	$ 56,451	$ 6,722	$ 52,653	$ 102,382	51.43 %
Insurance premiums and other considerations:					
Annuity product charges	$ 247,827	$ 7,792	$ —	$ 240,035	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	23,395	145	284	23,534	1.21 %
	$ 271,222	$ 7,937	$ 284	$ 263,569	0.11 %

See accompanying Report of Independent Registered Public Accounting Firm.

DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

The following is a description of each class of securities of American Equity Investment Life Holding Company that is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2021, the end of the period covered by the Annual Report on Form 10-K (the "Form 10-K") of which this exhibit is a part.

The following summary does not purport to be complete and is subject in all respects to the applicable provisions of the Iowa Business Corporation Act (the "IBCA"), our articles of incorporation, as amended (our "amended articles of incorporation"), our amended and restated bylaws (our "bylaws"), and the Deposit Agreement (as defined below), each of which is an exhibit to the Form 10-K.

As used in this exhibit, and except where the context otherwise requires, "we," "us," "our" and the "Company" refer to American Equity Investment Life Holding Company.

The total number of shares we may issue is 202,000,000 shares, of which 200,000,000 shares are Common Stock, par value $1 per share (the "Common Stock"), and 2,000,000 shares are Series Preferred Stock, par value $1 per share (the "Preferred Stock").

As of December 31, 2021, we had three classes of securities registered under Section 12 of the Exchange Act: (i) the Common Stock, (ii) depositary shares, each representing a 1/1,000th interest in a share of our 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A, par value $1.00 and $25,000 liquidation preference per share (the "Series A Preferred Stock"), and (iii) depositary shares, each representing a 1/1,000th interest in a share of our 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B, par value $1.00 and $25,000 liquidation preference per share (the "Series B Preferred Stock").

Common Stock

Each outstanding share of Common Stock is entitled to one vote per share on each matter submitted to the vote of shareholders. Except as otherwise provided in our amended articles of incorporation, directors are elected by a plurality of the votes cast by the shares entitled to be voted in the election at a meeting at which a quorum is present. Cumulative voting for the election of directors is not permitted. If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless our amended articles of incorporation or the IBCA require a greater number of affirmative votes.

Subject to the rights of holders of Preferred Stock, holders of Common Stock (i) have equal ratable rights to dividends from funds legally available therefor, when, as and if declared by our board of directors and (ii) are entitled to share ratably in all of our assets available for distribution upon our liquidation, dissolution or winding up. Holders of Common Stock have no preemptive, conversion, redemption or subscription rights.

Since we are a holding company, our ability to pay cash dividends depends in large measure on our subsidiaries' ability to make distributions of cash or property to us. Financial covenants under our existing or future loan agreements and reinsurance agreements, or provisions of the laws of the states where we or our subsidiaries are organized, may limit our subsidiaries' ability to make sufficient distributions to us to permit us to pay cash dividends on the Common Stock.

We are authorized to issue up to 2,000,000 shares of Preferred Stock. Our amended articles of incorporation authorize our board, without any further shareholder action or approval, to issue these shares from time to time in one or more series with such rights and preferences as may be determined by our board of directors. Our board may authorize the issuance of Preferred Stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of Common Stock. The Preferred Stock could be deemed to have an anti-takeover effect in that, if a hostile takeover situation should arise, shares of Preferred Stock could be issued to purchasers sympathetic with our management or others in such a way as to render more difficult or to discourage a merger, tender offer, proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management.

Under the terms of the Series A Preferred Stock and Series B Preferred Stock, our ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of Common Stock or any other shares of the Company that rank junior to, or on parity with, the Series A Preferred Stock or Series B Preferred Stock (whichever is applicable) is subject to certain restrictions in the event that the Company does not declare and pay (or set aside) dividends on the Series A Preferred Stock or Series B Preferred Stock (whichever is applicable) for the last preceding dividend period. The terms of the Series A Preferred Stock are described more fully below under the heading "Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series A Preferred Stock—Series A Preferred Stock," and the terms of the Series B Preferred Stock are described more fully below under the heading "Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series B Preferred Stock—Series B Preferred Stock."

Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series A Preferred Stock

On November 21, 2019, we issued 16,000,000 depositary shares, each representing a 1/1,000th interest in a share of Series A Preferred Stock. All of the shares of Series A Preferred Stock are held by Computershare Inc. and Computershare Trust Company, N.A., acting jointly, as depositary (collectively, the "Depositary"). Holders of the depositary shares are entitled through the Depositary to exercise the rights and preferences of the Series A Preferred Stock, as described under the heading "Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series A Preferred Stock—Depositary Shares" below.

Series A Preferred Stock

General

The Series A Preferred Stock represents a single series of our authorized Preferred Stock. The "stated amount" per share of Series A Preferred Stock is $25,000. Holders of the Series A Preferred Stock do not have preemptive or subscription rights to acquire more stock of the Company.

The Series A Preferred Stock is not convertible into, or exchangeable for, shares of Common Stock or any other class or series of stock or other securities of us. The Series A Preferred Stock is perpetual and has no stated maturity date, and is not subject to any sinking fund, retirement fund or purchase fund or other obligation of us to redeem, repurchase or retire the Series A Preferred Stock.

We may at any time and from time to time, without notice to or the consent of holders of the Series A Preferred Stock or related depositary shares, issue additional shares of Series A Preferred Stock and the related depositary shares either through public or private sales that would be deemed to form a single series with the Series A Preferred Stock and the related depositary shares, respectively, provided that such additional shares of Series A Preferred Stock and the related depositary shares are fungible for U.S. federal income tax purposes with the previously issued Series A Preferred Stock and the related depositary shares. We may also issue additional shares of other series of Preferred Stock at any time and from time to time, without notice to or the consent of holders of the Series A Preferred Stock or the related depositary shares. Any additional Preferred Stock may be issued from time to time in one or more series, each with preferences, limitations, designations, conversion or exchange rights, voting rights, dividend rights, redemption provisions, voluntary and involuntary liquidation rights and other rights as our board may determine at the time of issuance.

Ranking

With respect to the distribution of assets upon our liquidation, dissolution or winding-up, the Series A Preferred Stock ranks:

- senior to our junior stock as to the distribution of assets upon our liquidation, dissolution or winding-up (junior stock includes Common Stock and any other class of our stock that ranks junior to the Series A Preferred Stock as to the distribution of assets upon our liquidation, dissolution or winding-up); and

- equally with each other series of parity stock that we may issue as to the distribution of assets upon our liquidation, dissolution or winding-up.

As used herein, "parity stock" means any class or series of our stock that ranks equally with the Series A Preferred Stock in the distribution of assets upon our liquidation, dissolution or winding-up.

As used herein, "junior stock" means our common stock and any other class or series of our stock that ranks junior to the Series A Preferred Stock as to the distribution of assets upon our liquidation, dissolution or winding-up.

In addition, we will generally be able to pay dividends, any redemption price and distributions upon liquidation, dissolution or winding-up only out of lawfully available funds for such payment (i.e., after taking account of all existing and future indebtedness and other non-equity claims).

Dividends

Dividends on the Series A Preferred Stock are not mandatory. Holders of Series A Preferred Stock are entitled to receive, when, as and if declared by our board of directors (or a duly authorized committee of the board), out of funds legally available for the payment of dividends, under Iowa law, quarterly in arrears on the first day of March, June, September and December of each year, non-cumulative cash dividends that accrue for the relevant dividend period as follows:

- from the date of original issue, to, but excluding, December 1, 2024 (the "First Call Date"), at a fixed rate per annum of 5.95% on the stated amount of $25,000 per share (equivalent to $25.00 per depositary share); and

- from the First Call Date, during each reset period (as defined below), at a rate per annum equal to the Five-year U.S. Treasury Rate (as defined below) as of the most recent reset dividend determination date plus 4.322% on the stated amount of $25,000 per share (equivalent to $25.00 per depositary share).

If we issue additional shares of Series A Preferred Stock after the original issue date, dividends on such shares accrue from the original issue date if such shares are issued prior to the first dividend payment date. Dividends on Series A Preferred Stock issued after the first dividend payment date accrue from either the date on which such shares are issued (if such shares are issued on a dividend payment date) or the dividend payment date next preceding the date such shares are issued (if such shares are not issued on a dividend payment date).

Dividends are payable to holders of record of the Series A Preferred Stock as they appear on our books on the applicable record date, which is the 15th calendar day before that dividend payment date or such other record date fixed by our board of directors (or a duly authorized committee of the board) that is not more than 60 nor less than 10 days prior to such dividend payment date (each, a “dividend record date”). Dividend record dates apply regardless of whether a particular dividend record date is a business day.

Dividends payable on the Series A Preferred Stock are calculated on the basis of a 360-day year consisting of twelve 30-day months. If any dividend payment date is a day that is not a business day, then the dividend with respect to that dividend payment date is instead paid on the immediately succeeding business day, without interest or other payment in respect of such delayed payment. “Business day” means any day other than (i) a Saturday or Sunday or a legal holiday or (ii) a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized or obligated by law, executive order or regulation to close.

A “dividend period” (in the case of dividend periods following the initial dividend period) is the period from, and including, a dividend payment date to, but excluding, the next dividend payment date.

A “reset date” means the First Call Date and each date falling on the fifth anniversary of the preceding reset date. A “reset period” means the period from and including the First Call Date to, but excluding, the next following reset date and thereafter each period from and including each reset date to, but excluding, the next following reset date. A “reset dividend determination date” means, in respect of any reset period, the day falling two business days prior to the beginning of such reset period.

The “Five-year U.S. Treasury Rate” means, as of any reset dividend determination date, as applicable, (i) an interest rate (expressed as a decimal) determined to be the per annum rate equal to the average of the yields to maturity for the five business days immediately prior to such reset dividend determination date for U.S. Treasury securities with a maturity of five years from the next reset date and trading in the public securities markets or (ii) if there is no such published U.S. Treasury security with a maturity of five years from the next reset date and trading in the public securities markets, then the rate will be determined by interpolation between the average of the yields to maturity for the five business days immediately prior to such reset dividend determination date for two series of U.S. Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the reset date following the next succeeding reset dividend determination date, and (B) the other maturity as close as possible to, but later than, the reset date following the next succeeding reset dividend determination date, in each case as published in the most recent H.15 (519) under the caption “Treasury constant maturities.” If the Five-year U.S. Treasury Rate cannot be determined pursuant to the methods described in clauses (i) or (ii) above, then the Five-year U.S. Treasury Rate will be the same interest rate determined for the prior reset dividend determination date.

“H.15 (519)” means the statistical release designated as “H.15 Daily Update,” or any successor publication, published by the Board of Governors of the U.S. Federal Reserve System, and “most recent H.15 (519)” means the H.15 (519) published closest in time but at or prior to the close of business on the reset dividend determination date.

Unless we have validly called all shares of Series A Preferred Stock for redemption on the First Call Date, we will appoint a calculation agent with respect to the Series A Preferred Stock prior to the reset dividend determination date preceding the First Call Date. The applicable dividend rate for each reset period will be determined by the calculation agent, as of the applicable reset dividend determination date. Promptly upon such determination, the calculation agent will notify us of the dividend rate for the reset period. The calculation agent’s determination of any dividend rate, and its calculation of the amount of dividends for any dividend period beginning on or after the First Call Date will be on file at our principal offices, will be made available to any holder of Series A Preferred Stock upon request and will be final and binding in the absence of manifest error.

Dividends on the Series A Preferred Stock are not cumulative. Accordingly, if our board of directors (or a duly authorized committee of the board), does not declare a dividend on the Series A Preferred Stock payable in respect of any dividend period before the related dividend payment date, such dividend does not accrue, we have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on the Series A Preferred Stock are declared for any future dividend period, and no interest, or sum of money in lieu of interest, is payable in respect of any dividend not so declared. References to the “accrual” of dividends herein refer only to the determination of the amount of such dividend and do not imply that any right to a dividend arises prior to the date on which a dividend is declared.

So long as any Series A Preferred Stock remains outstanding for any dividend period, unless the full dividends for the latest completed dividend period on all outstanding Series A Preferred Stock have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside), during a dividend period:

- no dividend may be paid or declared on the Common Stock or any other shares of our junior stock or parity stock (except, in the case of parity stock, on a pro rata basis with the Series A Preferred Stock as described below), other than:
    - any dividend paid on junior stock or parity stock in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock

as that on which the dividend is being paid or is other junior stock or (solely in the case of parity stock) other parity stock, or

    - any dividend in connection with the implementation of a shareholders' rights plan, or the issuance of rights, stock or other property under such plan, or the redemption or repurchase of any rights under such plan, and

- no Common Stock or other junior stock or parity stock (except, in the case of parity stock, on a pro rata basis with the Series A Preferred Stock as described below), may be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly, other than:

    - as a result of a reclassification of junior stock for or into other junior stock or a reclassification of parity stock for or into other parity stock, as applicable,

    - the exchange, redemption or conversion of one share of junior stock for or into another share of junior stock or the exchange, redemption or conversion of one share of parity stock for or into another share of parity stock, as applicable,

    - purchases, redemptions or other acquisitions of shares of junior stock or parity stock in connection with (x) any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors, consultants or independent contractors, (y) a dividend reinvestment or shareholder stock purchase plan, or (z) the satisfaction of our obligations pursuant to any contract relating to the foregoing clauses (x) or (y) outstanding at the beginning of the applicable dividend period requiring such purchase, redemption or other acquisition,

    - the purchase of fractional interests in shares of junior stock or parity stock, as the case may be, pursuant to the conversion or exchange provisions of such securities or the security being converted or exchanged,

    - through the use of the proceeds of a substantially contemporaneous sale of junior stock or parity stock, as applicable, or

    - in the case of parity stock, pro rata purchases, offers or other acquisitions for consideration by us to purchase all, or a pro rata portion of, the Series A Preferred Stock and such parity stock.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) in full on any dividend payment date (or, in the case of parity stock having dividend payment dates different from the dividend payment dates pertaining to the Series A Preferred Stock, on a dividend payment date falling within the related dividend period for the Series A Preferred Stock) upon the Series A Preferred Stock and any shares of parity stock, all dividends declared on the Series A Preferred Stock and all such parity stock and payable on such dividend payment date (or, in the case of parity stock having dividend payment dates different from the dividend payment dates pertaining to the Series A Preferred Stock, on a dividend payment date falling within the related dividend period for the Series A Preferred Stock) are declared pro rata so that the respective amounts of such dividends bear the same ratio to each other as all accrued but unpaid dividends per share of Series A Preferred Stock and all parity stock payable on such dividend payment date (or, in the case of parity stock having dividend payment dates different from the dividend payment dates pertaining to the Series A Preferred Stock, on a dividend payment date falling within the related dividend period for the Series A Preferred Stock) bear to each other. As used in this paragraph, payment of dividends "in full" means, as to any parity stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such parity stock current in dividends, including undeclared dividends for past dividend periods. To the extent a dividend period with respect to the Series A Preferred Stock or any shares of parity stock (in either case, the "first series") coincides with more than one dividend period with respect to another series, as applicable (in either case, a "second series"), then, for purposes of this paragraph, our board of directors (or a duly authorized committee of the board) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any parity stock and dividend period(s) with respect to the Series A Preferred Stock for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such parity stock and the Series A Preferred Stock.

Subject to the foregoing, dividends (payable in cash, stock or otherwise, as may be determined by our board of directors or a duly authorized committee of the board) may be declared and paid on the Common Stock and any other junior stock from time to time out of any funds legally available for such payment, and the Series A Preferred Stock is not entitled to participate in any such dividend.

Dividends on the Series A Preferred Stock cannot be declared, paid or set aside for payment if we fail to comply, or if such act would cause us to fail to comply, with applicable laws, rules and regulations.

Liquidation Rights

Upon our voluntary or involuntary liquidation, dissolution or winding-up, holders of the Series A Preferred Stock and any parity stock are entitled to receive out of our assets available for distribution to shareholders, after satisfaction of liabilities to creditors and any required distributions to holders of stock, if any, that ranks senior to the Series A Preferred Stock in the distribution of assets upon liquidation, dissolution or winding-up but before any distribution of assets is made to holders of Common Stock and any other junior stock, a liquidating distribution equal to the stated amount of $25,000 per share (equivalent to $25.00 per depositary share) plus declared but unpaid dividends, without accumulation of any undeclared dividends. Holders of the Series A Preferred Stock will not be entitled to any other amounts from us after they have received their full liquidation preference.

In any such distribution, if our assets are not sufficient to pay the liquidation preferences in full to all holders of the Series A Preferred Stock and all holders of any parity stock, the amounts paid to the holders of Series A Preferred Stock and to the holders of any parity stock must be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of Preferred Stock or parity stock means the amount payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and any unpaid, accrued cumulative dividends in the case of any holder of stock (other than Series A Preferred Stock) on which dividends accrue on a cumulative basis). If the liquidation preference has been paid in full to all holders of the Series A Preferred Stock and any holders of parity stock, the holders of our junior stock become entitled to receive all of our remaining assets according to their respective rights and preferences.

For purposes of this section, the merger or consolidation of us with any other entity, including a merger or consolidation in which the holders of the Series A Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange of all or substantially all of our assets, for cash, securities or other property does not constitute a liquidation, dissolution or winding-up of us.

Optional Redemption

We may redeem the Series A Preferred Stock at our option:

- in whole or in part, from time to time, on or after December 1, 2024, at a redemption price equal to the stated amount of $25,000 per share of Series A Preferred Stock (equivalent to $25.00 per depositary share), plus (except as provided below) an amount equal to any declared but unpaid dividends and the portion of the quarterly dividend per share attributable to the then-current dividend period that has not been declared and paid to, but excluding, the redemption date,

- in whole, but not in part, at any time prior to December 1, 2024, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to $25,500 per share of Series A Preferred Stock (102% of the stated amount of $25,000 per share) (equivalent to $25.50 per depositary share), plus (except as provided below) an amount equal to any declared but unpaid dividends and the portion of the quarterly dividend per share attributable to the then-current dividend period that has not been declared and paid to, but excluding, the redemption date, or

- in whole, but not in part, at any time prior to December 1, 2024, within 90 days after the occurrence of a "regulatory capital event," at a redemption price equal to the stated amount of $25,000 per share of Series A Preferred Stock (equivalent to $25.00 per depositary share), plus (except as provided below) an amount equal to any declared but unpaid dividends and the portion of the quarterly dividend per share attributable to the then-current dividend period that has not been declared and paid to, but excluding, the redemption date.

Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the dividend record date for a dividend period does not constitute a part of and is not paid to the holder entitled to receive the redemption price on the redemption date, but rather is paid to the holder of record of the redeemed shares on the dividend record date relating to the dividend payment date.

"Rating agency event" means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act, that then publishes a rating for us (a "rating agency") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series A Preferred Stock, which amendment, clarification or change results in:

- the shortening of the length of time the Series A Preferred Stock are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock; or

- the lowering of the equity credit (including up to a lesser amount) assigned to the Series A Preferred Stock by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock.

"Regulatory capital event" means that we become subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to us as a result of being so subject set forth criteria pursuant to which the liquidation preference amount of the Series A Preferred Stock would not qualify as capital under such capital adequacy guidelines, as we may determine at any time, in our sole discretion.

If the Series A Preferred Stock is to be redeemed, the notice of redemption must be given by first class mail to the holders of record of the Series A Preferred Stock to be redeemed, mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof. Any notice mailed as provided in this paragraph is conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of

Series A Preferred Stock designated for redemption does not affect the validity of the proceedings for the redemption of any other shares of Series A Preferred Stock. Notwithstanding the foregoing, if the Series A Preferred Stock is held in book-entry form through The Depository Trust Company ("DTC") or any other similar facility, such notice of redemption may be given to the holders of Series A Preferred Stock at such time and in any manner permitted by such facility.

Each notice of redemption must include a statement setting forth:

- the redemption date;
- the number of shares of Series A Preferred Stock to be redeemed and, if less than all the shares of Series A Preferred Stock held by such holder are to be redeemed, the number of shares of such Series A Preferred Stock to be redeemed (if determinable at the time of such notice) from such holder;
- the redemption price;
- if shares of Series A Preferred Stock are evidenced by definitive certificates, the place or places where holders may surrender certificates evidencing those shares of Series A Preferred Stock for payment of the redemption price; and
- that dividends will not accrue for any period beginning on or after the redemption date.

If notice of redemption of any Series A Preferred Stock has been given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any Series A Preferred Stock so called for redemption, then, from and after the redemption date, dividends will not accrue on such Series A Preferred Stock for any period beginning on or after the redemption date, such Series A Preferred Stock will no longer be deemed outstanding and all rights of the holders of such Series A Preferred Stock will terminate, except the right to receive the redemption price, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, must be released from the trust so established and may be commingled with our other funds, and after that time the holders of the shares so called for redemption may look only to us for payment of the redemption price of such shares.

In case of any redemption of only part of the Series A Preferred Stock at the time outstanding, the Series A Preferred Stock to be redeemed must be selected either pro rata, by lot or by such other method in accordance with the procedures of DTC.

Voting Rights

Except as provided below or as otherwise required by applicable law, the holders of the Series A Preferred Stock will have no voting rights.

Right to Elect Two Directors on Nonpayment of Dividends. Whenever dividends on any shares of Series A Preferred Stock have not been declared and paid for six or more dividend periods, whether or not for consecutive dividend periods (a "Nonpayment"), the holders of such shares of Series A Preferred Stock, voting together as a single class with holders of any and all other series of voting Preferred Stock (as defined below) then outstanding, are entitled to vote for the election of a total of two additional members of our board of directors (the "Preferred Stock Directors"), provided that the election of any such directors cannot cause us to violate the corporate governance requirement of the NYSE (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors and provided, further, that our board of directors must at no time include more than two Preferred Stock directors. In that event, the number of directors on our board of directors will automatically increase by two, and the new directors will be elected at a special meeting called at the request of the holders of record of at least 20% of the Series A Preferred Stock or of any other series of voting Preferred Stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders, in which event such election will be held at such next annual or special meeting of shareholders), and at each subsequent annual meeting. These voting rights will continue until dividends on the shares of Series A Preferred Stock and any such series of voting Preferred Stock for at least four consecutive dividend periods (or the equivalent thereof, in the case of any other series of voting Preferred Stock) following the Nonpayment have been fully paid.

As used herein, "voting Preferred Stock" means any other class or series of our Preferred Stock ranking equally with the Series A Preferred Stock as to the distribution of assets upon our liquidation, dissolution or winding-up and upon which like voting rights have been conferred and are exercisable. Whether a plurality, majority or other portion of the Series A Preferred Stock and any other voting Preferred Stock have been voted in favor of any matter is determined by reference to the respective stated amounts of the Series A Preferred Stock and voting Preferred Stock voted.

If and when dividends for at least four consecutive dividend periods (or the equivalent thereof, in the case of any other series of voting Preferred Stock) following a Nonpayment have been paid in full, the holders of the Series A Preferred Stock will be divested of the foregoing voting rights (subject to revesting in the event of each subsequent Nonpayment) and, if such voting rights for all other holders of voting Preferred Stock have terminated, the term of office of each Preferred Stock Director so elected will immediately terminate and the number of directors on our board of directors will automatically decrease by two. In determining whether dividends have been paid for at least four consecutive dividend periods (or the equivalent thereof, in the case of any other series of voting Preferred Stock) following a Nonpayment, we may take account of any dividend we elect to pay for such a dividend period after the regular dividend date for that period has passed. Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of Series A Preferred Stock and any other shares of voting Preferred Stock then outstanding (voting together as a class) when they have the voting rights described above. So long as a Nonpayment continues, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election after a Nonpayment) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding Series A Preferred Stock and any other shares of voting Preferred Stock then outstanding (voting together as a class) when they have the voting rights described above, provided that the filling of any such vacancy cannot cause us to violate the corporate governance requirement of the NYSE (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors. Any such vote to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting called at the request of the holders of record of at least 20% of the Series A Preferred Stock or of any other series of voting Preferred Stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders, in which event such election will be held at such next annual or special meeting of shareholders). The Preferred Stock Directors are each entitled to one vote per director on any matter.

Other Voting Rights. So long as any shares of Series A Preferred Stock remain outstanding, the affirmative vote or consent of the holders of at least two-thirds of all outstanding shares of the Series A Preferred Stock, voting separately as a class, is required to:

- authorize or increase the authorized amount of, or issue shares of any class or series of senior stock, or issue any obligation or security convertible into or evidencing the right to purchase any such shares;

- amend the provisions of our amended articles of incorporation or bylaws so as to adversely affect the powers, preferences, privileges or rights of the Series A Preferred Stock, taken as a whole; provided, however, that any increase in the amount of the authorized or issued Series A Preferred Stock or authorized Common Stock or Preferred Stock or the creation and issuance, or an increase in the authorized or issued amount, of other series of Preferred Stock ranking equally with or junior to the Series A Preferred Stock with respect to the distribution of assets upon our liquidation, dissolution or winding-up, whether or not dividends payable thereon are cumulative or noncumulative, will not be deemed to adversely affect the powers, preferences, privileges or rights of the Series A Preferred Stock; or

- consolidate with or merge into any other corporation, enter into a binding share exchange or reclassification involving the Series A Preferred Stock or convert, transfer, domesticate or continue our company into another entity or an entity organized under the laws of another jurisdiction unless, in each case, the shares of Series A Preferred Stock remain outstanding or the shares of Series A Preferred Stock outstanding at the time of such consolidation or merger or sale, or such exchange, reclassification, conversion, transfer, domestication or continuance, are converted into or exchanged for preference securities, and such shares remain outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series A Preferred Stock, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation, or any conversion, transfer, domestication or continuance described above would materially and adversely affect one or more but not all series of voting Preferred Stock (including the Series A Preferred Stock for this purpose), then only the series materially and adversely affected and entitled to vote will vote to the exclusion of all other series of Preferred Stock. If all series of Preferred Stock are not equally affected by the proposed amendment, alteration, repeal, share exchange, reclassification, merger or consolidation, or conversion, transfer, domestication or continuance, described above, there will be required a two-thirds approval of each series that will have a diminished status.

To the fullest extent permitted by law, without the consent of the holders of the Series A Preferred Stock, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series A Preferred Stock, we may supplement any terms of the Series A Preferred Stock:

- to cure any ambiguity, or to cure, correct or supplement any provision contained in the Certificate of Designations that may be defective or inconsistent; or

- to make any provision with respect to matters or questions arising with respect to the Series A Preferred Stock that is not inconsistent with the provisions of the Certificate of Designations.

The foregoing voting provisions do not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required will be effected, all outstanding shares of the Series A Preferred Stock have been redeemed or called for redemption on proper notice and sufficient funds have been set aside by us for the benefit of the holders of the Series A Preferred Stock to effect the redemption unless in the case of a vote or consent required to authorize senior stock if all outstanding shares of Series A Preferred Stock are being redeemed with the proceeds from the sale of the stock to be authorized.

Transfer Agent and Registrar

The transfer agent and registrar for the Series A Preferred Stock is Computershare Inc. We may terminate such appointment and may appoint a successor transfer agent and registrar at any time and from time to time. The transfer agent and/or registrar may be a person or entity affiliated with us.

Calculation Agent

The "calculation agent" means, at any time, the person or entity appointed by us and serving as such agent with respect to the Series A Preferred Stock at such time. Unless we have validly called all shares of Series A Preferred Stock for redemption on the First Call Date, we will appoint a calculation agent with respect to the Series A Preferred Stock prior to the reset dividend determination date preceding the First Call Date. We may terminate any such appointment and may appoint a successor agent at any time and from time to time. We may appoint ourselves or an affiliate of ours as calculation agent.

Depositary Shares

All references in the below summary to "holders" of the depositary shares mean those who own the depositary shares registered in their own names, on the books that we or the Depositary maintain for this purpose, and not indirect holders who own beneficial interests in the depositary shares registered in street name or issued in book-entry form through DTC.

Each depositary share represents a 1/1,000th interest in a share of the Series A Preferred Stock and is evidenced by a depositary receipt. The shares of the Series A Preferred Stock represented by the depositary shares were deposited under a deposit agreement (the "Deposit Agreement"), dated as of November 21, 2019, among us, the Depositary and the holders from time to time of the depositary receipts evidencing the depositary shares. Subject to the terms of the Deposit Agreement, each holder of depositary shares is entitled, through the Depositary, in proportion to the applicable fraction of a share of the Series A Preferred Stock represented by such depositary shares, to all the rights and preferences of the Series A Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).

Dividends and Other Distributions

Each dividend on a depositary share is in an amount equal to 1/1,000th of the dividend declared on each share of Series A Preferred Stock.

The Depositary distributes any cash dividends or other cash distributions received in respect of the deposited Series A Preferred Stock to the record holders of the depositary shares relating to the underlying Series A Preferred Stock in proportion to the number of the depositary shares held by the holders. The Depositary distributes any property received by it other than cash to the record holders of the depositary shares entitled to those distributions, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make a distribution. In that event, the Depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders of the depositary shares in proportion to the number of the depositary shares they hold.

Record dates for the payment of dividends and other matters relating to the depositary shares are the same as the corresponding record dates for the Series A Preferred Stock.

The amounts distributed to holders of the depositary shares are reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

Withdrawal of Preferred Stock

Unless the depositary shares have been previously called for redemption, a holder of depositary shares may surrender his or her depositary receipts at the principal office of the Depositary, pay any taxes, charges and fees provided for in the Deposit Agreement and comply with any other requirements of the Deposit Agreement for the number of whole shares of Series A Preferred Stock and any money or other property represented by such holder's depositary receipts. A holder of depositary shares who exchanges such depositary receipts for shares of Series A Preferred Stock is entitled to receive whole shares of Series A Preferred Stock on the basis set forth herein; partial shares of Series A Preferred Stock will not be issued.

However, holders of whole shares of Series A Preferred Stock are not entitled to deposit those shares under the Deposit Agreement or to receive depositary shares for those shares after the withdrawal. If the depositary shares surrendered by the holder in connection with the withdrawal exceed the number of depositary shares that represent the number of whole shares of Series A Preferred Stock to be withdrawn, the Depositary will deliver to the holder at the same time a new depositary receipt evidencing the excess number of depositary shares.

Redemption of the Depositary Shares

If we redeem the Series A Preferred Stock represented by the depositary shares, the depositary shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series A Preferred Stock held by the Depositary. The redemption price per depositary share will be equal to 1/1,000th of the redemption price per share payable with respect to the Series A Preferred Stock (equivalent to $25.00 per depositary share or, in the case of a redemption following a rating agency event occurring prior to December 1, 2024, $25.50 per depositary share), plus any dividends payable thereon upon redemption as described under "Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series A Preferred Stock—Series A Preferred Stock—Optional Redemption." Whenever we redeem shares of the Series A Preferred Stock held by the Depositary, the Depositary redeems, as of the same redemption date, the number of the depositary shares representing shares of the Series A Preferred Stock so redeemed.

In case of any redemption of less than all of the outstanding depositary shares, the depositary shares to be redeemed will be selected by us pro rata, by lot or by such other method in accordance with DTC's procedures. In any such case, we will redeem the depositary shares only in increments of 1,000 shares and any integral multiple thereof.

The Depositary is obligated to mail (or otherwise transmit by an authorized method) notice of redemption to holders of the depositary shares not less than 30 and not more than 60 days prior to the date fixed for redemption of the Series A Preferred Stock and the depositary shares.

Voting of the Depositary Shares

When the Depositary receives notice of any meeting at which the holders of the Series A Preferred Stock are entitled to vote as described above in "Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series A Preferred Stock—Series A Preferred Stock—Voting Rights," the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the depositary shares relating to the Series A Preferred Stock. Each record holder of depositary shares on the record date, which is the same date as the record date for the Series A Preferred Stock, may instruct the Depositary to vote the amount of the Series A Preferred Stock represented by the holder's depositary shares. Although each depositary share is entitled to 1/1,000th of a vote, the Depositary can only vote whole shares of Series A Preferred Stock. To the extent possible, the Depositary will vote the amount of the Series A Preferred Stock represented by the depositary shares in accordance with the instructions it receives. We will take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any depositary shares, it will not vote the amount of the Series A Preferred Stock represented by such depositary shares.

Amendment and Termination of the Deposit Agreement

The form of depositary receipt evidencing the depositary shares and any provision of the Deposit Agreement may be amended by agreement between us and the Depositary. However, any amendment that materially and adversely alters the rights of the holders of depositary receipts evidencing the depositary shares will not be effective unless such amendment has been approved by the record holders of depositary receipts representing in the aggregate at least a two-thirds majority of the depositary shares then outstanding. The Deposit Agreement may be terminated if all outstanding depositary shares have been redeemed or if there has been made a final distribution in respect of the Series A Preferred Stock in connection with our liquidation, dissolution or winding-up and such distribution has been made to the holders of depositary receipts evidencing the depositary shares.

Fees, Charges and Expenses of Depositary

We pay all transfer and other taxes, assessments, and governmental charges arising solely from the existence of the depositary arrangements. We also pay all charges of the Depositary in connection with the initial deposit of the Series A Preferred Stock. Holders of depositary receipts pay transfer and other taxes, assessments, and governmental charges and any other charges as are expressly provided in the Deposit Agreement to be for their accounts. The Depositary may refuse to effect any transfer of a depositary receipt or any withdrawals of shares of Series A Preferred Stock represented by the depositary shares evidenced by a depositary receipt until all taxes, assessments, and governmental charges with respect to such depositary receipt are paid by the holder.

Resignation and Removal of Depositary

The Depositary may resign at any time by delivering to us 30 days' written notice of its election to do so, and we may at any time remove the Depositary by delivering the Depositary 30 days' written notice, any resignation or removal to take effect upon the appointment of a successor depositary and its acceptance of such appointment, but in no event later than 30 days after delivery of such notice. The successor depositary must be appointed within 30 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $50 million; provided that we will use commercially reasonable efforts to ensure that there is, at all relevant times when the Series A Preferred Stock is outstanding, a person or entity appointed and serving as the Depositary. If a successor is not appointed within 30 days, any record holders of depositary receipts or the outgoing depositary may petition a court to appoint a successor.

Miscellaneous

The Depositary will forward to the holders of depositary shares all of our reports and communications which are delivered to the Depositary and which we are required to furnish to the holders of depositary receipts evidencing the depositary shares.

Neither we nor the Depositary will be liable if we are prevented or delayed by law or any circumstance beyond our control in performing our obligations under the Deposit Agreement. All the Depositary's obligations under the Deposit Agreement are limited to performance in good faith of its duties set forth in the Deposit Agreement, and the Depositary does not have any duty in the case of the receipt of a written demand from any holder of depositary receipts with respect to any action or default by us, including any duty to initiate any proceedings or to make any demand upon us. The Depositary may rely upon written advice of counsel or accountants, or information provided by persons presenting Series A Preferred Stock for deposit, holders of depositary receipts evidencing depositary shares or other persons believed in the absence of bad faith to be competent and on documents believed to be genuine.

Form of the Depositary Shares

The depositary shares are issued in book-entry only form through DTC in the form of one or more global depositary receipts. The Series A Preferred Stock is issued in registered form to the Depositary.

DTC has advised us that it is a member of the U.S. Federal Reserve System, a limited-purpose trust company under the New York banking law and a registered clearing agency with the U.S. Securities and Exchange Commission (the "Commission"). DTC holds securities that its participants deposit with DTC and facilitates the settlement among participants of securities transactions in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation, which is owned by a number of its participants and by The New York Stock Exchange, Inc., the American Stock Exchange LLC and the Financial Industry Regulatory Authority. Access to DTC's book-entry system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the Commission.

Further Issuances

We may from time to time elect to issue additional depositary shares, and all the additional depositary shares would be deemed to form a single series with the depositary shares related to the Series A Preferred Stock.

Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series B Preferred Stock

On June 17, 2020, we issued 12,000,000 depositary shares, each representing a 1/1,000th interest in a share of Series B Preferred Stock. All of the shares of Series B Preferred Stock are held by Computershare Inc. and Computershare Trust Company, N.A., acting jointly, as depositary (collectively, the "Depositary"). Holders of the depositary shares are entitled through the Depositary to exercise the rights and preferences of the Series B Preferred Stock, as described under the heading "Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series B Preferred Stock—Depositary Shares" below.

Series B Preferred Stock

General

The Series B Preferred Stock represents a single series of our authorized Preferred Stock. The "stated amount" per share of Series B Preferred Stock is $25,000. Holders of the Series B Preferred Stock do not have preemptive or subscription rights to acquire more stock of the Company.

The Series B Preferred Stock is not convertible into, or exchangeable for, shares of Common Stock or any other class or series of stock or other securities of us. The Series B Preferred Stock is perpetual and has no stated maturity date, and is not subject to any sinking fund, retirement fund or purchase fund or other obligation of us to redeem, repurchase or retire the Series B Preferred Stock.

We may at any time and from time to time, without notice to or the consent of holders of the Series B Preferred Stock or related depositary shares, issue additional shares of Series B Preferred Stock and the related depositary shares either through public or private sales that would be deemed to form a single series with the Series B Preferred Stock and the related depositary shares, respectively, provided that such additional shares of Series B Preferred Stock and the related depositary shares are fungible for U.S. federal income tax purposes with the previously issued Series B Preferred Stock and the related depositary shares, respectively. We may also issue additional shares of other series of Preferred Stock at any time and from time to time, without notice to or the consent of holders of the Series B Preferred Stock or the related depositary shares. Any additional Preferred Stock may be issued from time to time in one or more series, each with preferences, limitations, designations, conversion or exchange rights, voting rights, dividend rights, redemption provisions, voluntary and involuntary liquidation rights and other rights as our board may determine at the time of issuance.

Ranking

With respect to the distribution of assets upon our liquidation, dissolution or winding-up, the Series B Preferred Stock ranks:

- senior to our junior stock as to the distribution of assets upon our liquidation, dissolution or winding-up (junior stock includes Common Stock and any other class of our stock that ranks junior to the Series B Preferred Stock as to the distribution of assets upon our liquidation, dissolution or winding-up); and

- equally with the Series A Preferred Stock and each other series of parity stock that we may issue as to the distribution of assets upon our liquidation, dissolution or winding-up.

As used herein, "parity stock" means the Series A Preferred Stock and any other class or series of our stock that ranks equally with the Series B Preferred Stock in the distribution of assets upon our liquidation, dissolution or winding-up.

In addition, we will generally be able to pay dividends, any redemption price and distributions upon liquidation, dissolution or winding-up only out of lawfully available funds for such payment (i.e., after taking account of all existing and future indebtedness and other non-equity claims).

Dividends

Dividends on the Series B Preferred Stock are not mandatory. Holders of Series B Preferred Stock are entitled to receive, when, as and if declared by our board of directors (or a duly authorized committee of the board), out of funds legally available for the payment of dividends, under Iowa law, quarterly in arrears on the first day of March, June, September and December of each year, non-cumulative cash dividends that accrue for the relevant dividend period as follows:

- from the date of original issue, to, but excluding, September 1, 2025 (the "First Call Date"), at a fixed rate per annum of 6.625% on the stated amount of $25,000 per share (equivalent to $25.00 per depositary share); and

- from the First Call Date, during each reset period (as defined below), at a rate per annum equal to the Five-year U.S. Treasury Rate (as defined below) as of the most recent reset dividend determination date plus 6.297% on the stated amount of $25,000 per share (equivalent to $25.00 per depositary share).

If we issue additional shares of Series B Preferred Stock after the original issue date, dividends on such shares accrue from the original issue date if such shares are issued prior to the first dividend payment date. Dividends on Series B Preferred Stock issued after the first dividend payment date accrue from either the date on which such shares are issued (if such shares are issued on a dividend payment date) or the dividend payment date next preceding the date such shares are issued (if such shares are not issued on a dividend payment date).

Dividends are payable to holders of record of the Series B Preferred Stock as they appear on our books on the applicable record date, which is the 15th calendar day before that dividend payment date or such other record date fixed by our board of directors (or a duly authorized committee of the board) that is not more than 60 nor less than 10 days prior to such dividend payment date (each, a "dividend record date"). Dividend record dates apply regardless of whether a particular dividend record date is a business day.

Dividends payable on the Series B Preferred Stock are calculated on the basis of a 360-day year consisting of twelve 30-day months. If any dividend payment date is a day that is not a business day, then the dividend with respect to that dividend payment date is instead paid on the immediately succeeding business day, without interest or other payment in respect of such delayed payment. "Business day" means any day other than (i) a Saturday or Sunday or a legal holiday or (ii) a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized or obligated by law, executive order or regulation to close.

A "dividend period" (in the case of dividend periods following the initial dividend period) is the period from, and including, a dividend payment date to, but excluding, the next dividend payment date.

A "reset date" means the First Call Date and each date falling on the fifth anniversary of the preceding reset date. A "reset period" means the period from and including the First Call Date to, but excluding, the next following reset date and thereafter each period from and including each reset date to, but excluding, the next following reset date. A "reset dividend determination date" means, in respect of any reset period, the day falling two business days prior to the beginning of such reset period.

The "Five-year U.S. Treasury Rate" means, as of any reset dividend determination date, as applicable, (i) an interest rate (expressed as a decimal) determined to be the per annum rate equal to the average of the yields to maturity for the five business days immediately prior to such reset dividend determination date for U.S. Treasury securities with a maturity of five years from the next reset date and trading in the public securities markets or (ii) if there is no such published U.S. Treasury security with a maturity of five years from the next reset date and trading in the public securities markets, then the rate will be determined by interpolation between the average of the yields to maturity for the five business days immediately prior to such reset dividend determination date for two series of U.S. Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the reset date following the next succeeding reset dividend determination date, and (B) the other maturity as close as possible to, but later than, the reset date following the next succeeding reset dividend determination date, in each case as published in the most recent H.15 under the caption "Treasury constant maturities." If the Five-year U.S. Treasury Rate cannot be determined pursuant to the methods described in clauses (i) or (ii) above, then the Five-year U.S. Treasury Rate will be the same interest rate determined for the prior reset dividend determination date.

"H.15" means the statistical release designated as "H.15 Daily Update," or any successor publication, published by the Board of Governors of the U.S. Federal Reserve System, and "most recent H.15" means the H.15 published closest in time but at or prior to the close of business on the reset dividend determination date.

Unless we have validly called all shares of Series B Preferred Stock for redemption on the First Call Date, we will appoint a calculation agent with respect to the Series B Preferred Stock prior to the reset dividend determination date preceding the First Call Date. The applicable dividend rate for each reset period will be determined by the calculation agent, as of the applicable reset dividend determination date. Promptly upon such determination, the calculation agent will notify us of the dividend rate for the reset period. The calculation agent's determination of any dividend rate, and its calculation of the amount of dividends for any dividend period beginning on or after the First Call Date will be on file at our principal offices, will be made available to any holder of Series B Preferred Stock upon request and will be final and binding in the absence of manifest error.

Dividends on the Series B Preferred Stock are not cumulative. Accordingly, if our board of directors (or a duly authorized committee of the board), does not declare a dividend on the Series B Preferred Stock payable in respect of any dividend period before the related dividend payment date, such dividend does not accrue, we have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on the Series B Preferred Stock are declared for any future dividend period, and no interest, or sum of money in lieu of interest, is payable in respect of any dividend not so declared. References to the "accrual" of dividends herein refer only to the determination of the amount of such dividend and do not imply that any right to a dividend arises prior to the date on which a dividend is declared.

So long as any Series B Preferred Stock remains outstanding for any dividend period, unless the full dividends for the latest completed dividend period on all outstanding Series B Preferred Stock have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside), during a dividend period:

- no dividend may be paid or declared on the Common Stock or any other shares of our junior stock or parity stock (except, in the case of parity stock, on a pro rata basis with the Series B Preferred Stock as described below), other than:
  - any dividend paid on junior stock or parity stock in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or is other junior stock or (solely in the case of parity stock) other parity stock, or
  - any dividend in connection with the implementation of a shareholders' rights plan, or the issuance of rights, stock or other property under such plan, or the redemption or repurchase of any rights under such plan, and
- no Common Stock or other junior stock or parity stock (except, in the case of parity stock, on a pro rata basis with the Series B Preferred Stock as described below), may be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly, other than:
  - as a result of a reclassification of junior stock for or into other junior stock or a reclassification of parity stock for or into other parity stock, as applicable,
  - the exchange, redemption or conversion of one share of junior stock for or into another share of junior stock or the exchange, redemption or conversion of one share of parity stock for or into another share of parity stock, as applicable,
  - purchases, redemptions or other acquisitions of shares of junior stock or parity stock in connection with (x) any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors, consultants or independent contractors, (y) a dividend reinvestment or shareholder stock purchase plan, or (z) the satisfaction of our obligations pursuant to any contract relating to the foregoing clauses (x) or (y) outstanding at the beginning of the applicable dividend period requiring such purchase, redemption or other acquisition,
  - the purchase of fractional interests in shares of junior stock or parity stock, as the case may be, pursuant to the conversion or exchange provisions of such securities or the security being converted or exchanged,
  - through the use of the proceeds of a substantially contemporaneous sale of junior stock or parity stock, as applicable, or
  - in the case of parity stock, pro rata purchases, offers or other acquisitions for consideration by us to purchase all, or a pro rata portion of, the Series B Preferred Stock and such parity stock.

As used herein, "junior stock" means our Common Stock and any other class or series of our stock that ranks junior to the Series B Preferred Stock as to the distribution of assets upon our liquidation, dissolution or winding-up.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) in full on any dividend payment date (or, in the case of parity stock having dividend payment dates different from the dividend payment dates pertaining to the Series B Preferred Stock, on a dividend payment date falling within the related dividend period for the Series B Preferred Stock) upon the Series B Preferred Stock and any shares of parity stock, all dividends declared on the Series B Preferred Stock and all such parity stock and payable on such dividend payment date (or, in the case of parity stock having dividend payment dates different from the dividend payment dates pertaining to the Series B Preferred Stock, on a dividend payment date falling within the related dividend period for the Series B Preferred Stock) are declared pro rata so that the respective amounts of such dividends bear the same ratio to each other as all accrued but unpaid dividends per share of Series B Preferred Stock and all parity stock payable on such dividend payment date (or, in the case of parity stock having dividend payment dates different from the dividend payment dates pertaining to the Series B Preferred Stock, on a dividend payment date falling within the related dividend period for the Series B Preferred Stock) bear to each other. As used in this paragraph, payment of dividends "in full" means, as to any parity stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such parity stock current in dividends, including undeclared dividends for past dividend periods. To the extent a dividend period with respect to the Series B Preferred Stock or any shares of parity stock (in either case, the “first series”) coincides with more than one dividend period with respect to another series, as applicable (in either case, a “second series”), then, for purposes of this paragraph, our board of directors (or a duly authorized committee of the board) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any parity stock and dividend period(s) with respect to the Series B Preferred Stock for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such parity stock and the Series B Preferred Stock.

Subject to the foregoing, dividends (payable in cash, stock or otherwise, as may be determined by our board of directors or a duly authorized committee of the board) may be declared and paid on the Common Stock and any other junior stock from time to time out of any funds legally available for such payment, and the Series B Preferred Stock is not entitled to participate in any such dividend.

Dividends on the Series B Preferred Stock cannot be declared, paid or set aside for payment if we fail to comply, or if such act would cause us to fail to comply, with applicable laws, rules and regulations.

Liquidation Rights

Upon our voluntary or involuntary liquidation, dissolution or winding-up, holders of the Series B Preferred Stock and any parity stock are entitled to receive out of our assets available for distribution to shareholders, after satisfaction of liabilities to creditors and any required distributions to holders of stock, if any, that ranks senior to the Series B Preferred Stock in the distribution of assets upon liquidation, dissolution or winding-up but before any distribution of assets is made to holders of Common Stock and any other junior stock, a liquidating distribution equal to the stated amount of $25,000 per share (equivalent to $25.00 per depositary share) plus declared but unpaid dividends, without accumulation of any undeclared dividends. Holders of the Series B Preferred Stock will not be entitled to any other amounts from us after they have received their full liquidation preference.

In any such distribution, if our assets are not sufficient to pay the liquidation preferences in full to all holders of the Series B Preferred Stock and all holders of any parity stock, the amounts paid to the holders of Series B Preferred Stock and to the holders of any parity stock must be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the “liquidation preference” of any holder of Preferred Stock or parity stock means the amount payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and any unpaid, accrued cumulative dividends in the case of any holder of stock (other than Series B Preferred Stock) on which dividends accrue on a cumulative basis). If the liquidation preference has been paid in full to all holders of the Series B Preferred Stock and any holders of parity stock, the holders of our junior stock become entitled to receive all of our remaining assets according to their respective rights and preferences.

For purposes of this section, the merger or consolidation of us with any other entity, including a merger or consolidation in which the holders of the Series B Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange of all or substantially all of our assets, for cash, securities or other property does not constitute a liquidation, dissolution or winding-up of us.

Optional Redemption

We may redeem the Series B Preferred Stock at our option:

- in whole or in part, from time to time, on or after September 1, 2025, at a redemption price equal to the stated amount of $25,000 per share of Series B Preferred Stock (equivalent to $25.00 per depositary share), plus (except as provided below) an amount equal to any declared but unpaid dividends and the portion of the quarterly dividend per share attributable to the then-current dividend period that has not been declared and paid to, but excluding, the redemption date,

- in whole, but not in part, at any time prior to September 1, 2025, within 90 days after the occurrence of a “rating agency event,” at a redemption price equal to $25,500 per share of Series B Preferred Stock (102% of the stated amount of $25,000 per share) (equivalent to $25.50 per depositary share), plus (except as provided below) an amount equal to any declared but unpaid dividends and the portion of the quarterly dividend per share attributable to the then-current dividend period that has not been declared and paid to, but excluding, the redemption date, or

- in whole, but not in part, at any time prior to September 1, 2025, within 90 days after the occurrence of a “regulatory capital event,” at a redemption price equal to the stated amount of $25,000 per share of Series B Preferred Stock (equivalent to $25.00 per depositary share), plus (except as provided below) an amount equal to any declared but unpaid dividends and the portion of the quarterly dividend per share attributable to the then-current dividend period that has not been declared and paid to, but excluding, the redemption date.

Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the dividend record date for a dividend period does not constitute a part of and is not paid to the holder entitled to receive the redemption price on the redemption date, but rather is paid to the holder of record of the redeemed shares on the dividend record date relating to the dividend payment date.

Holders of the Series B Preferred Stock have no right to require the redemption or repurchase of the Series B Preferred Stock.

"Rating agency event" means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act, that then publishes a rating for us (a "rating agency") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series B Preferred Stock, which amendment, clarification or change results in:

- the shortening of the length of time the Series B Preferred Stock are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series B Preferred Stock; or

- the lowering of the equity credit (including up to a lesser amount) assigned to the Series B Preferred Stock by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series B Preferred Stock.

"Regulatory capital event" means that we become subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to us as a result of being so subject set forth criteria pursuant to which the liquidation preference amount of the Series B Preferred Stock would not qualify as capital under such capital adequacy guidelines, as we may determine at any time, in our sole discretion.

If the Series B Preferred Stock is to be redeemed, the notice of redemption must be given by first class mail to the holders of record of the Series B Preferred Stock to be redeemed, mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof. Any notice mailed as provided in this paragraph is conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series B Preferred Stock designated for redemption does not affect the validity of the proceedings for the redemption of any other shares of Series B Preferred Stock. Notwithstanding the foregoing, if the Series B Preferred Stock is held in book-entry form through DTC or any other similar facility, such notice of redemption may be given to the holders of Series B Preferred Stock at such time and in any manner permitted by such facility.

Each notice of redemption must include a statement setting forth:

- the redemption date;

- the number of shares of Series B Preferred Stock to be redeemed and, if less than all the shares of Series B Preferred Stock held by such holder are to be redeemed, the number of shares of such Series B Preferred Stock to be redeemed (if determinable at the time of such notice) from such holder;

- the redemption price;

- if shares of Series B Preferred Stock are evidenced by definitive certificates, the place or places where holders may surrender certificates evidencing those shares of Series B Preferred Stock for payment of the redemption price; and

- that dividends will not accrue for any period beginning on or after the redemption date.

If notice of redemption of any Series B Preferred Stock has been given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any Series B Preferred Stock so called for redemption, then, from and after the redemption date, dividends will not accrue on such Series B Preferred Stock for any period beginning on or after the redemption date, such Series B Preferred Stock will no longer be deemed outstanding and all rights of the holders of such Series B Preferred Stock will terminate, except the right to receive the redemption price, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, must be released from the trust so established and may be commingled with our other funds, and after that time the holders of the shares so called for redemption may look only to us for payment of the redemption price of such shares.

In case of any redemption of only part of the Series B Preferred Stock at the time outstanding, the Series B Preferred Stock to be redeemed must be selected either pro rata, by lot or by such other method in accordance with the procedures of DTC.

Voting Rights

Right to Elect Two Directors on Nonpayment of Dividends. Whenever dividends on any shares of Series B Preferred Stock have not been declared and paid for six or more dividend periods, whether or not for consecutive dividend periods (a "Nonpayment"), the holders of such shares of Series B Preferred Stock, voting together as a single class with holders of any and all other series of voting Preferred Stock (as defined below) then outstanding, are entitled to vote for the election of a total of two additional members of our board of directors (the "Preferred Stock Directors"), provided that the election of any such directors cannot cause us to violate the corporate governance requirement of the NYSE (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors and provided, further, that our board of directors must at no time include more than two Preferred Stock directors. In that event, the number of directors on our board of directors will automatically increase by two, and the new directors will be elected at a special meeting called at the request of the holders of record of at least 20% of the Series B Preferred Stock or of any other series of voting Preferred Stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders, in which event such election will be held at such next annual or special meeting of shareholders), and at each subsequent annual meeting. These voting rights will continue until dividends on the shares of Series B Preferred Stock and any such series of voting Preferred Stock for at least four consecutive dividend periods (or the equivalent thereof, in the case of any other series of voting Preferred Stock) following the Nonpayment have been fully paid.

As used herein, “voting Preferred Stock” means any other class or series of our Preferred Stock ranking equally with the Series B Preferred Stock as to the distribution of assets upon our liquidation, dissolution or winding-up and upon which like voting rights have been conferred and are exercisable. Whether a plurality, majority or other portion of the Series B Preferred Stock and any other voting Preferred Stock have been voted in favor of any matter is determined by reference to the respective stated amounts of the Series B Preferred Stock and voting Preferred Stock voted.

If and when dividends for at least four consecutive dividend periods (or the equivalent thereof, in the case of any other series of voting Preferred Stock) following a Nonpayment have been paid in full, the holders of the Series B Preferred Stock will be divested of the foregoing voting rights (subject to revesting in the event of each subsequent Nonpayment) and, if such voting rights for all other holders of voting Preferred Stock have terminated, the term of office of each Preferred Stock Director so elected will immediately terminate and the number of directors on our board of directors will automatically decrease by two. In determining whether dividends have been paid for at least four consecutive dividend periods (or the equivalent thereof, in the case of any other series of voting Preferred Stock) following a Nonpayment, we may take account of any dividend we elect to pay for such a dividend period after the regular dividend date for that period has passed. Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of Series B Preferred Stock and any other shares of voting Preferred Stock then outstanding (voting together as a class) when they have the voting rights described above. So long as a Nonpayment continues, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election after a Nonpayment) may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding Series B Preferred Stock and any other shares of voting Preferred Stock then outstanding (voting together as a class) when they have the voting rights described above, provided that the filling of any such vacancy cannot cause us to violate the corporate governance requirement of the NYSE (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors. Any such vote to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting called at the request of the holders of record of at least 20% of the Series B Preferred Stock or of any other series of voting Preferred Stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders, in which event such election will be held at such next annual or special meeting of shareholders). The Preferred Stock Directors are each entitled to one vote per director on any matter.

Other Voting Rights. So long as any shares of Series B Preferred Stock remain outstanding, the affirmative vote or consent of the holders of at least two-thirds of all outstanding shares of the Series B Preferred Stock, voting separately as a class, is required to:

- authorize or increase the authorized amount of, or issue shares of any class or series of senior stock, or issue any obligation or security convertible into or evidencing the right to purchase any such shares;

- amend the provisions of our amended articles of incorporation or bylaws so as to adversely affect the powers, preferences, privileges or rights of the Series B Preferred Stock, taken as a whole; provided, however, that any increase in the amount of the authorized or issued Series B Preferred Stock or authorized Common Stock or Preferred Stock or the creation and issuance, or an increase in the authorized or issued amount, of other series of Preferred Stock ranking equally with or junior to the Series B Preferred Stock with respect to the distribution of assets upon our liquidation, dissolution or winding-up, whether or not dividends payable thereon are cumulative or noncumulative, will not be deemed to adversely affect the powers, preferences, privileges or rights of the Series B Preferred Stock; or

- consolidate with or merge into any other corporation, enter into a binding share exchange or reclassification involving the Series B Preferred Stock or convert, transfer, domesticate or continue our company into another entity or an entity organized under the laws of another jurisdiction unless, in each case, the shares of Series B Preferred Stock remain outstanding or the shares of Series B Preferred Stock outstanding at the time of such consolidation or merger or sale, or such exchange, reclassification, conversion, transfer, domestication or continuance, are converted into or exchanged for preference securities, and such shares remain outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series B Preferred Stock, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation, or any conversion, transfer, domestication or continuance described above would materially and adversely affect one or more but not all series of voting Preferred Stock (including the Series B Preferred Stock for this purpose), then only the series materially and adversely affected and entitled to vote will vote to the exclusion of all other series of Preferred Stock. If all series of Preferred Stock are not equally affected by the proposed amendment, alteration, repeal, share exchange, reclassification, merger or consolidation, or conversion, transfer, domestication or continuance, described above, there will be required a two-thirds approval of each series that will have a diminished status.

To the fullest extent permitted by law, without the consent of the holders of the Series B Preferred Stock, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series B Preferred Stock, we may supplement any terms of the Series B Preferred Stock:

- to cure any ambiguity, or to cure, correct or supplement any provision contained in the Certificate of Designations that may be defective or inconsistent; or

- to make any provision with respect to matters or questions arising with respect to the Series B Preferred Stock that is not inconsistent with the provisions of the Certificate of Designations.

The foregoing voting provisions do not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required will be effected, all outstanding shares of the Series B Preferred Stock have been redeemed or called for redemption on proper notice and sufficient funds have been set aside by us for the benefit of the holders of the Series B Preferred Stock to effect the redemption unless in the case of a vote or consent required to authorize senior stock if all outstanding shares of Series B Preferred Stock are being redeemed with the proceeds from the sale of the stock to be authorized.

Transfer Agent and Registrar

The transfer agent and registrar for the Series B Preferred Stock is Computershare Inc. We may terminate such appointment and may appoint a successor transfer agent and registrar at any time and from time to time. The transfer agent and/or registrar may be a person or entity affiliated with us.

Calculation Agent

The "calculation agent" means, at any time, the person or entity appointed by us and serving as such agent with respect to the Series B Preferred Stock at such time. Unless we have validly called all shares of Series B Preferred Stock for redemption on the First Call Date, we will appoint a calculation agent with respect to the Series B Preferred Stock prior to the reset dividend determination date preceding the First Call Date. We may terminate any such appointment and may appoint a successor agent at any time and from time to time. We may appoint ourselves or an affiliate of ours as calculation agent.

Depositary Shares

All references in the below summary to "holders" of the depositary shares mean those who own the depositary shares registered in their own names, on the books that we or the Depositary maintain for this purpose, and not indirect holders who own beneficial interests in the depositary shares registered in street name or issued in book-entry form through DTC.

Each depositary share represents a 1/1,000th interest in a share of the Series B Preferred Stock and is evidenced by a depositary receipt. The shares of the Series B Preferred Stock represented by the depositary shares were deposited under a deposit agreement (the "Deposit Agreement"), dated as of June 17, 2020, among us and the Depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares. Subject to the terms of the Deposit Agreement, each holder of depositary shares is entitled, through the Depositary, in proportion to the applicable fraction of a share of the Series B Preferred Stock represented by such depositary shares, to all the rights and preferences of the Series B Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).

Dividends and Other Distributions

Each dividend on a depositary share is in an amount equal to 1/1,000th of the dividend declared on each share of Series B Preferred Stock.

The Depositary distributes any cash dividends or other cash distributions received in respect of the deposited Series B Preferred Stock to the record holders of the depositary shares relating to the underlying Series B Preferred Stock in proportion to the number of the depositary shares held by the holders. The Depositary distributes any property received by it other than cash to the record holders of the depositary shares entitled to those distributions, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make a distribution. In that event, the Depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders of the depositary shares in proportion to the number of the depositary shares they hold.

Record dates for the payment of dividends and other matters relating to the depositary shares are the same as the corresponding record dates for the Series B Preferred Stock.

The amounts distributed to holders of the depositary shares are reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

Withdrawal of Preferred Stock

Unless the depositary shares have been previously called for redemption, a holder of depositary shares may surrender his or her depositary receipts at the principal office of the Depositary, pay any taxes, charges and fees provided for in the Deposit Agreement and comply with any other requirements of the Deposit Agreement for the number of whole shares of Series B Preferred Stock and any money or other property represented by such holder's depositary receipts. A holder of depositary shares who exchanges such depositary receipts for shares of Series B Preferred Stock is entitled to receive whole shares of Series B Preferred Stock on the basis set forth herein; partial shares of Series B Preferred Stock will not be issued.

However, holders of whole shares of Series B Preferred Stock are not entitled to deposit those shares under the Deposit Agreement or to receive depositary shares for those shares after the withdrawal. If the depositary shares surrendered by the holder in connection with the withdrawal exceed the number of depositary shares that represent the number of whole shares of Series B Preferred Stock to be withdrawn, the Depositary will deliver to the holder at the same time a new depositary receipt evidencing the excess number of depositary shares.

Redemption of the Depositary Shares

If we redeem the Series B Preferred Stock represented by the depositary shares, the depositary shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series B Preferred Stock held by the Depositary. The redemption price per depositary share will be equal to 1/1,000th of the redemption price per share payable with respect to the Series B Preferred Stock (equivalent to $25.00 per depositary share or, in the case of a redemption following a rating agency event occurring prior to September 1, 2025, $25.50 per depositary share), plus any dividends payable thereon upon redemption as described under "Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series B Preferred Stock—Series B Preferred Stock—Optional Redemption." Whenever we redeem shares of the Series B Preferred Stock held by the Depositary, the Depositary redeems, as of the same redemption date, the number of the depositary shares representing shares of the Series B Preferred Stock so redeemed.

In case of any redemption of less than all of the outstanding depositary shares, the depositary shares to be redeemed will be selected by us pro rata, by lot or by such other method in accordance with DTC's procedures. In any such case, we will redeem the depositary shares only in increments of 1,000 shares and any integral multiple thereof.

The Depositary is obligated to mail (or otherwise transmit by an authorized method) notice of redemption to holders of the depositary shares not less than 30 and not more than 60 days prior to the date fixed for redemption of the Series B Preferred Stock and the depositary shares.

Voting of the Depositary Shares

When the Depositary receives notice of any meeting at which the holders of the Series B Preferred Stock are entitled to vote as described above in "Depositary Shares, Each Representing a 1/1,000th Interest in a Share of Series B Preferred Stock—Series B Preferred Stock—Voting Rights," the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the depositary shares relating to the Series B Preferred Stock. Each record holder of depositary shares on the record date, which is the same date as the record date for the Series B Preferred Stock, may instruct the Depositary to vote the amount of the Series B Preferred Stock represented by the holder's depositary shares. Although each depositary share is entitled to 1/1,000th of a vote, the Depositary can only vote whole shares of Series B Preferred Stock. To the extent possible, the Depositary will vote the amount of the Series B Preferred Stock represented by the depositary shares in accordance with the instructions it receives. We will take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any depositary shares, it will not vote the amount of the Series B Preferred Stock represented by such depositary shares.

Amendment and Termination of the Deposit Agreement

The form of depositary receipt evidencing the depositary shares and any provision of the Deposit Agreement may be amended by agreement between us and the Depositary. However, any amendment that materially and adversely alters the rights of the holders of depositary receipts evidencing the depositary shares will not be effective unless such amendment has been approved by the record holders of depositary receipts representing in the aggregate at least a two-thirds majority of the depositary shares then outstanding. The Deposit Agreement may be terminated if all outstanding depositary shares have been redeemed or if there has been made a final distribution in respect of the Series B Preferred Stock in connection with our liquidation, dissolution or winding-up and such distribution has been made to the holders of depositary receipts evidencing the depositary shares.

Fees, Charges and Expenses of Depositary

We pay all transfer and other taxes, assessments, and governmental charges arising solely from the existence of the depositary arrangements. We also pay all charges of the Depositary in connection with the initial deposit of the Series B Preferred Stock. Holders of depositary receipts pay transfer and other taxes, assessments, and governmental charges and any other charges as are expressly provided in the Deposit Agreement to be for their accounts. The Depositary may refuse to effect any transfer of a depositary receipt or any withdrawals of shares of Series B Preferred Stock represented by the depositary shares evidenced by a depositary receipt until all taxes, assessments, and governmental charges with respect to such depositary receipt are paid by the holder.

Resignation and Removal of Depositary

The Depositary may resign at any time by delivering to us 30 days' written notice of its election to do so, and we may at any time remove the Depositary by delivering the Depositary 30 days' written notice, any resignation or removal to take effect upon the appointment of a successor depositary and its acceptance of such appointment, but in no event later than 30 days after delivery of such notice. The successor depositary must be appointed within 30 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $50 million; provided that we will use commercially reasonable efforts to ensure that there is, at all relevant times when the Series B Preferred Stock is outstanding, a person or entity appointed and serving as the Depositary. If a successor is not appointed within 30 days, any record holders of depositary receipts or the outgoing depositary may petition a court to appoint a successor.

Miscellaneous

The Depositary will forward to the holders of depositary shares all of our reports and communications which are delivered to the Depositary and which we are required to furnish to the holders of depositary receipts evidencing the depositary shares.

Neither we nor the Depositary will be liable if we are prevented or delayed by law or any circumstance beyond our control in performing our obligations under the Deposit Agreement. All the Depositary's obligations under the Deposit Agreement are limited to performance in good faith of its duties set forth in the Deposit Agreement, and the Depositary does not have any duty in the case of the receipt of a written demand from any holder of depositary receipts with respect to any action or default by us, including any duty to initiate any proceedings or to make any demand upon us. The Depositary may rely upon written advice of counsel or accountants, or information provided by persons presenting Series B Preferred Stock for deposit, holders of depositary receipts evidencing depositary shares or other persons believed in the absence of bad faith to be competent and on documents believed to be genuine.

Form of the Depositary Shares

The depositary shares are issued in book-entry only form through DTC in the form of one or more global depositary receipts. The Series B Preferred Stock is issued in registered form to the Depositary.

DTC has advised us that it is a member of the U.S. Federal Reserve System, a limited-purpose trust company under the New York banking law and a registered clearing agency with the Commission. DTC holds securities that its participants deposit with DTC and facilitates the settlement among participants of securities transactions in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation, which is owned by a number of its participants and by The New York Stock Exchange, Inc., the American Stock Exchange LLC and the Financial Industry Regulatory Authority. Access to DTC's book-entry system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the Commission.

Further Issuances

We may from time to time elect to issue additional depositary shares, and all the additional depositary shares would be deemed to form a single series with the depositary shares related to the Series B Preferred Stock.

Indemnification of Directors and Executive Officers and Limitation of Liability

Section 490.202 of the IBCA permits a corporation to include a provision in its articles of incorporation permitting or making obligatory the indemnification of a director for liability to any person for any action taken, or any failure to take any action, as a director, except liability for (i) the receipt of a financial benefit to which the person is not entitled, (ii) an intentional infliction of harm on the corporation or its shareholders, (iii) a violation of Section 490.833 of the IBCA, which relates to liability for unlawful distributions, or (iv) an intentional violation of criminal law.

Our amended articles of incorporation provide that our directors will not be liable to us or our shareholders for money damages for any action taken, or any failure to take any action, as a director, except liability for (i) the amount of a financial benefit received by a director to which the director is not entitled, (ii) intentional infliction of harm on us or our shareholders, (iii) a violation of Section 490.833 of the IBCA, which relates to liability for unlawful distributions, and (iv) an intentional violation of criminal law. Our amended articles of incorporation also provide that each individual who was or is a director of the Company who was or is made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director of the Company, or is or was serving at the request of the Company as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, must be indemnified and held harmless by the Company to the fullest extent permitted by applicable law, except liability for:

- the amount of a financial benefit received by a director to which the director is not entitled;
- an intentional infliction of harm on the Company or its shareholders;
- a violation of Section 490.833 of the IBCA, which relates to liability for unlawful distributions; and
- an intentional violation of criminal law.

Our bylaws also provide indemnification to our directors on the same terms as the indemnification provided in our amended articles of incorporation. Our bylaws also provide for the direct payment by the Company of expenses to our directors and officers on the same terms as provided in our amended articles of incorporation. The indemnification provisions of our bylaws are not exclusive of any other right which any person seeking indemnification may have or acquire under any statute, our amended articles of incorporation or any agreement, vote of shareholders or disinterested directors or otherwise.

Selected Amended Articles of Incorporation and Bylaws Provisions

Our amended articles of incorporation and bylaws include provisions that may have the effect of delaying, deferring or preventing (a) a change in control of the Company or (b) an unsolicited acquisition proposal that a shareholder might consider favorable, including a proposal that might result in the payment of a premium over the market price for the shares held by shareholders. These provisions are summarized in the following paragraphs.

Classified Board of Directors. Our amended articles of incorporation provide for our board of directors to be divided into three classes of directors serving staggered, three-year terms. The classification of our board of directors has the effect of requiring at least two annual shareholder meetings to replace a majority of the members of our board of directors.

Notice Procedures. Our bylaws establish advance notice procedures with regard to all shareholder proposals to be brought before meetings of our shareholders, including proposals relating to the nomination of candidates for election as directors, the removal of directors and amendments to our amended articles of incorporation and bylaws.

Shareholder Meetings. Our bylaws provide that special meetings may be called only by our board of directors or shareholders owning at least 50% of all the votes entitled to be cast on any issue proposed at the special meeting.

Authorized but Unissued or Undesignated Shares. Our amended articles of incorporation grant our board of directors broad power to establish the rights and preferences of authorized and unissued Preferred Stock. The issuance of shares of Preferred Stock of a series pursuant to our board of directors' authority could (a) decrease the amount of earnings and assets available for distribution to holders of Common Stock or holders of other series of Preferred Stock (including the Series A Preferred Stock and Series B Preferred Stock), (b) adversely affect the rights and powers, including voting rights, of such holders and (c) have the effect of delaying, deferring or preventing a change in control of the Company. Our board of directors does not currently intend to seek shareholder approval prior to any issuance of Preferred Stock, unless otherwise required by law or the rules of any exchange on which the securities are then traded.

Iowa Takeover Statute

We are subject to Section 490.1110 of the IBCA, which prohibits any "business combination" transaction between an Iowa corporation and any "interested shareholder" for a period of three years after the time that such shareholder became an interested shareholder, unless:

- the board of directors approves, prior to such time, either the business combination or the transaction which resulted in the shareholder becoming an interested shareholder;
- upon consummation of the transaction which resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by the directors, officers or certain employee stock plans; or
- at or subsequent to the time the shareholder became an interested shareholder, the business combination is approved by the board of directors and authorized at a shareholders' meeting by the affirmative vote of at least sixty-six and two-thirds percent of the outstanding shares of the corporation's voting stock other than shares owned by the interested shareholder.

Section 490.1110 defines "business combination" to include:

- any merger or consolidation involving the corporation and any interested shareholder;
- any sale, lease, exchange, mortgage, pledge, transfer, or other disposition of 10% or more of the assets of the corporation involving the interested shareholder;
- any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested shareholder (subject to certain exceptions);
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested shareholder; or
- any other transaction resulting in a financial benefit to the interested shareholder under Iowa law.

In general, an "interested shareholder" is any person beneficially owning 10% or more of the outstanding voting stock of the corporation or any person affiliated or associated with such person. "Person" means any individual, corporation, partnership, unincorporated association or other entity.

Other Iowa Statutory Provisions

Section 490.1108A of the IBCA provides that, in considering acquisition proposals, our directors may consider, in addition to the consideration of the effects of any action on shareholders, the effects on our employees, suppliers, creditors, customers and the communities in which we operate, as well as our long-term and short-term interests. Consideration of any or all of the community interest factors is not a violation of the business judgment rule, even if our directors reasonably determine that a community interest factor or factors outweigh the financial or other benefits to us or a shareholder or group of shareholders.

Section 490.624A of the IBCA includes authorization of “poison pills,” which include, without limitation, terms and conditions of stock rights or options issued by a corporation that preclude or limit the exercise, transfer or receipt of such rights or options by persons owning or offering to acquire a specified number or percentage of a corporation’s outstanding shares or that invalidate or void such stock rights or options held by an offeror or a transferee of the offeror.

The provisions of state law that we describe above could have the effect of delaying, deferring or preventing a change in control of the Company if our board of directors determines that a change of control is not in our best interests or those of our shareholders or other constituencies. In addition, the regulatory restrictions on the acquisition of our securities may also deter attempts to effect, or prevent the consummation of, a change in control of the Company.

Exhibit 10.33

AMERICAN EQUITY

November 3, 2021

Dewayne Lummus
[REDACTED]

Dear Dewayne,

On behalf of American Equity Investment Life Insurance Company, I am pleased to confirm our verbal offer of employment. This offer is to join our company on Tuesday, November 30, 2021 as Chief Accounting Officer reporting to Axel Andre.

Our offer to you is an annual salary of $350,000 per year ($29,167 per month). This position is exempt. A performance evaluation will be conducted in January, 2023 and annually thereafter. In addition to base salary, we are offering a one-time sign on bonus of $325,000, minus applicable taxes; one-half of which is paid out as soon as administratively possible following your start date and the second half paid out after six months of employment. Each bonus payment is subject to applicable tax withholding. Should you voluntarily leave prior to the second anniversary date of each payment, you will be required to pay back that portion of the sign-on bonus in full.

Should you elect to move to the Des Moines area no later than your one-year anniversary of hire, we offer the following relocation assistance:

- American Equity will reimburse you for a standard household goods move. Expenses will be reimbursed based upon submission of actuals receipts; and
- We are offering a $50,000 relocation bonus, minus applicable taxes, which will be paid out to you upon relocation to Des Moines.

Again, both are contingent upon relocation within one year of hire. If you voluntarily leave our company prior to the one-year anniversary of payment of relocation benefits, you will be required to pay back the reimbursed expenses and relocation bonus in full.

This offer also includes your participation in our Short-Term Incentive Plan and Long-Term Incentive Plan. Your Short-Term Incentive Plan opportunity is a target bonus of 65% of your base salary and a maximum of 130% of your base salary. The amount of the bonus you will receive for 2021 will be prorated based upon your start date per the company's performance against certain annual performance metrics. In 2022, bonus will be based on a combination of both company metrics and personal goals. You will also be recommended to the Board of Directors in March 2022 for a Long-Term Incentive equal to 65% of your salary. Further details will be provided upon grant.

To facilitate your transition to the Company, effective with your start date you will receive a long-term equity inducement award comprised of a grant of time-based restricted stock units with an aggregate value of $320,000, subject to a graduated vesting schedule with 1/3 of the award vesting on each of your first, second and third anniversaries. These awards will be subject to the terms set forth in the award agreement as well as the equity incentive plan under which they are granted.

As discussed in the verbal offer of employment, you will be eligible to participate in other compensation programs appropriate to this position. All of our other company benefits are available to you in accordance with the plan details.

This offer is subject to the successful passing of a background investigation. Upon acceptance of our offer, please electronically sign this letter below. If you have any questions about this offer, please contact Megan Kohler, Sr. Talent Acquisition Partner at [REDACTED]. You are encouraged to keep a copy for your records, or we can provide one upon request.

We are excited to make this opportunity available to you and know that you will find joining our company to be a rewarding event in your career.

Best regards,

Megan Kohler
Sr. Talent Acquisition Partner

Accepted by: /s/ Dewayne Lummus
Date: 11/03/2021

Exhibit 21.2

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Subsidiaries of American Equity Investment Life Holding Company

	State of Organization
Insurance Subsidiaries:	
American Equity Investment Life Insurance Company	Iowa
American Equity Investment Life Insurance Company of New York	New York
Eagle Life Insurance Company	Iowa
AEL Re Vermont Inc.	Vermont
AEL Re Bermuda Ltd.	Bermuda
Noninsurance Subsidiaries:	
AE Capital, LLC	Iowa
American Equity Investment Properties, L.C.	Iowa
American Equity Capital Trust II	Delaware
AERL, L.C.	Iowa
High Trestle Investment Management, LLC	Iowa
NC Securities Holdco, LLC	North Carolina
Residential Investment Trust	Delaware
Residential Investment Trust II	Delaware
Residential Investment Trust III	Delaware
Residential Investment Trust IV	Delaware
Residential Investment Trust V	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements:

(1) Registration Statement (Form S-3 No. 333-233544) of American Equity Investment Life Holding Company
(2) Registration Statement (Form S-8 No. 333-238940) pertaining to the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan
(3) Registration Statement (Form S-8 No. 333-214885) pertaining to the American Equity Investment Life Holding Company 2013 Director Equity and Incentive Plan
(4) Registration Statement (Form S-8 No. 333-213545) pertaining to the American Equity Investment Life Holding Company 2016 Employee Incentive Plan
(5) Registration Statement (Form S-8 No. 333-175355) pertaining to the American Equity Investment Life Holding Company 2011 Director Stock Option Plan
(6) Registration Statement (Form S-8 No. 333-167755) pertaining to the American Equity Investment Life Holding Company 2009 Employee Incentive Plan, and
(7) Registration Statement (Form S-8 No. 333-127001) pertaining to the 1996 Stock Option Plan, 2000 Employee Stock Option Plan, 2000 Director Stock Option Plan, 1997 Management Subscription Rights Plan, and Restated and Amended Stock Option and Warrant Agreement with David J. Noble of American Equity Investment Life Holding Company

of our reports dated March 1, 2022, with respect to the consolidated financial statements and schedules of American Equity Investment Life Holding Company and subsidiaries as of December 31, 2021, and the effectiveness of internal control over financial reporting of American Equity Investment Life Holding Company and subsidiaries included in this Annual Report (Form 10-K) of American Equity Investment Life Holding Company for the year ended December 31, 2021.

/s/ Ernst & Young LLP

Des Moines, Iowa
March 1, 2022

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statements (No. 333-233544, No. 333-213544, No. 333-207077, No. 333-201008, No. 333-184162, No. 333-183504, No. 333-171161, No. 333-149854, and No. 333-148681) on Form S-3 and the registration statements (No. 333-214885, No. 333-213545, No. 333-175355, No. 333-167755, and No. 333-127001) on Form S-8 of our report dated March 1, 2021, with respect to the consolidated financial statements and financial statement schedules I to IV of American Equity Investment Life Holding Company.

/s/ KPMG LLP

Des Moines, Iowa
March 1, 2022

Exhibit 31.1

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

I, Anant Bhalla, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 1, 2022

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

Exhibit 31.2

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

I, Axel Andre, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 1, 2022

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

Exhibit 32.1

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

In connection with the Annual Report of American Equity Investment Life Holding Company (the "Company") on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Anant Bhalla, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

and

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

Date:	March 1, 2022	By:	/s/ Anant Bhalla
			Anant Bhalla
			Chief Executive Officer and President
			(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Annual Report of American Equity Investment Life Holding Company (the "Company") on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Axel Andre, Chief Financial Officer and Executive Vice President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

and

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

Date: March 1, 2022

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