FORM 10-Q

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

(Mark One)

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

For the quarterly period ended March 31, 2001

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

For the transition period from ____________ to _____________

Commission File Number : 0-25985

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
(Exact name of registrant as specified in its charter)

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

5000 WESTOWN PARKWAY, SUITE 440
WEST DES MOINES, IOWA 50266
(Address of principal executive offices)

(515) 221-0002
(Telephone)

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

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

Yes X No

APPLICABLE TO CORPORATE ISSUERS:

Shares of common stock outstanding at April 30, 2001: 14,534,742

PART I.
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

American Equity Investment Life Holding Company

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except per share data)

	MARCH 31, 2001	DECEMBER 31, 2000
ASSETS		
Cash and investments:		
Fixed maturity securities:		
Available for sale, at market (amortized cost: 2001 - $1,736,676; 2000 - $1,523,376)	$ 1,705,846	$ 1,474,560
Held for investment, at amortized cost (market: 2001 - $371,120; 2000 - $365,023)	435,478	429,280
Equity securities, at market (cost: 2001 and 2000 - $7,435);	6,110	6,671
Derivative instruments	14,804	34,707
Policy loans	282	264
Cash and cash equivalents	415,009	175,724
Total cash and investments	2,577,529	2,121,206
Receivable from other insurance companies	342	375
Premiums due and uncollected	1,380	1,256
Accrued investment income	29,496	21,398
Receivables from related parties	41,643	47,242
Property, furniture and equipment, less accumulated depreciation: 2001 - $2,535; 2000 - $2,370	1,082	1,032
Value of insurance in force acquired	441	520
Deferred policy acquisition costs	317,233	289,609
Intangibles, less accumulated amortization: 2001 - $845; 2000 - $797	2,290	2,338
Deferred income tax asset	35,521	36,052
Other assets	4,801	2,913
Assets held in separate account	3,687	4,185
Total assets	$ 3,015,445	$ 2,528,126

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SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except per share data)

	MARCH 31, 2001	DECEMBER 31, 2000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Policy benefit reserves:		
Traditional life and accident and health insurance products	$ 21,970	$ 20,354
Annuity and single premium universal life products	2,531,112	2,079,561
Other policy funds and contract claims	18,088	16,669
Provision for experience rating refunds	535	336
Amounts due to related party under General Agency Commission and Servicing Agreement	71,831	76,028
Other amounts due to related parties	-	4,000
Notes payable	44,000	44,000
Amounts due to reinsurers	8,120	-
Amounts due under repurchase agreements	-	110,000
Amounts due on securities purchased	76,248	-
Federal income taxes payable	2,646	50
Other liabilities	72,797	14,788
Liabilities related to separate account	3,687	4,185
Total liabilities	2,851,034	2,369,971
Commitments and contingencies		
Minority interest in subsidiaries: company-obligated mandatorily redeemable preferred securities of subsidiary trusts	99,633	99,503
Stockholders' equity:		
Series Preferred Stock, par value $1 per share, 2,000,000 shares authorized; 625,000 shares of 1998 Series A Participating Preferred Stock issued outstanding	625	625
Common Stock, par value $1 per share - 75,000,000 shares authorized; issued and outstanding: 2001 - 14,534,742 shares; and 2000 - 14,530,242 shares	14,535	14,530
Additional paid-in capital	57,606	57,577
Accumulated other comprehensive loss	(10,301)	(16,876)
Retained earnings	2,313	2,796
Total stockholders' equity	64,778	58,652
Total liabilities and stockholders' equity	$ 3,015,445	$ 2,528,126

SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Statements of Operations (Unaudited)

(Dollars in thousands, except per share data)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
REVENUES:		
Traditional life and accident and health insurance premiums	$ 3,282	$ 3,443
Annuity and single premium universal life product charges	2,661	1,406
Net investment income	25,020	9,259
Realized and unrealized gains (losses) on sale of investments	(9,082)	6,213
Total revenues	21,881	20,321
BENEFITS AND EXPENSES:		
Insurance policy benefits and change in future policy benefits	(1,993)	1,954
Interest credited to account balances	13,848	11,891
Interest expense on notes payable	896	292
Interest expense on General Agency Commission and Servicing Agreement	1,582	1,346
Interest expense on amounts due under repurchase agreements	951	668
Amortization of deferred policy acquisition costs and value of insurance in force acquired	439	(1,140)
Other operating costs and expenses	3,863	3,431
Total benefits and expenses	19,586	18,442
Income before income taxes, minority interest in earnings of subsidiaries and cumulative effect adjustment	2,295	1,879
Income tax expense (benefit):		
Current	2,697	(1,606)
Deferred	(2,580)	1,612
	117	6
Income before minority interest in earnings of subsidiaries and cumulative effect adjustment	2,178	1,873
Minority interest in earnings of subsidiaries:		
Earnings attributable company-obligated mandatorily redeemable preferred securities of subsidiary trusts	(1,862)	(1,862)
Income before cumulative effect of change in accounting principle	316	11
Cumulative effect of change in accounting for derivatives	(799)	-
Net income (loss)	$ (483)	$ 11
Basic earnings (loss) per common share:		
Income before accounting change	$ 0.02	$ 0.00
Cumulative effect of change in accounting for derivatives	(0.05)	0.00
Earnings (loss) per common share	$ (0.03)	$ 0.00
Diluted earnings (loss) per common share:		
Income before accounting change	$ 0.02	$ 0.00
Cumulative effect of change in accounting for derivatives	(0.05)	0.00
Earnings (loss) per common share	$ (0.03)	$ 0.00

SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
OPERATING ACTIVITIES		
Net income	$ (483)	$ 11
Adjustments to reconcile net income to net cash used in operating activities:		
Adjustments related to interest sensitive products:		
Interest credited to account balances	13,848	11,891
Annuity and single premium universal life product charges	(2,661)	(1,406)
Change in market value of embedded equity-indexed annuity derivatives	(4,190)	-
Increase in traditional life and accident and health insurance reserves	1,616	1,558
Policy acquisition costs deferred	(30,188)	(24,103)
Amortization of deferred policy acquisition costs	360	(1,220)
Provision for depreciation and other amortization	291	330
Amortization of discount and premiums on fixed maturity securities and derivative instruments	5,459	1,778
Realized gains on investments	9,082	(6,213)
Deferred income taxes	(2,580)	1,612
Reduction of amounts due to related party under General Agency Commission and Servicing Agreement	(4,198)	(3,234)
Change in other operating assets and liabilities:		
Accrued investment income	(8,098)	(4,351)
Receivables from related parties	5,599	(11,255)
Federal income taxes recoverable/payable	2,596	(1,606)
Other policy funds and contract claims	1,419	1,397
Amounts due to reinsurers	8,120	-
Other amounts due to related parties	(4,000)	6,000
Other liabilities	58,008	54
Other	(901)	27
Net cash provided by (used in) operating activities	49,099	(28,730)

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SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	THREE MONTHS ENDED MARCH 31, 2001	2000
INVESTING ACTIVITIES		
Sales, maturities or repayments of investments:		
Fixed maturity securities - available for sale	$ 59,703	$ 575,624
Equity securities	1,200	7,177
	60,903	582,801
Acquisition of investments:		
Fixed maturity securities - available for sale	(190,694)	(682,697)
Fixed maturity securities - held for investment	-	(7,246)
Equity securities	(1,169)	(1,078)
Derivative instruments	(21,336)	(16,544)
Policy loans	(18)	(13)
	(213,217)	(707,578)
Purchases of property, furniture and equipment	(215)	(73)
Net cash used in investing activities	(152,529)	(124,850)
FINANCING ACTIVITIES		
Receipts credited to annuity and single premium universal life policyholder account balances	500,277	253,567
Return of annuity and single premium universal life policyholder account balances	(47,596)	(25,427)
Increase (decrease) in amounts due under repurchase agreements	(110,000)	(75,582)
Re-acquisition of common stock	-	(398)
Net proceeds from issuance of common stock	34	3
Net cash provided by financing activities	342,715	152,163
Increase (decrease) in cash and cash equivalents	239,285	(1,417)
Cash and cash equivalents at beginning of period	175,724	5,882
Cash and cash equivalents at end of period	$ 415,009	$ 4,465
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during period for:		
Interest	$ 1,868	$ 1,073
Income taxes	100	-
Non-cash financing and investing activities:		
Bonus interest deferred as policy acquisition costs	3,531	2,119

SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(Dollars in thousands, except per share data)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE LOSS	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
Balance at January 1, 2001	625	14,530	57,577	(16,876)	2,796	58,652
Comprehensive income (loss):						
Net loss for period	-	-	-	-	(483)	(483)
Change in net unrealized investment gains/losses	-	-	-	6,575	-	6,575
Total comprehensive income						(1)6,092
Issuance of 4,500 shares of common stock	-	5	29	-	-	34
Balance at March 31, 2001	625	14,535	57,606	(10,301)	2,313	64,778

(1) Total comprehensive income at March 31, 2000 was $13,220, and was comprised of net income of $11 and a decrease in net unrealized depreciation of available-for-sale fixed maturity securities of $13,209 for the three months then ended.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (Unaudited)

March 31, 2001

NOTE A- BASIS OF PRESENTATION

The unaudited consolidated financial statements as of March 31, 2001 and for the periods ended March 31, 2001 and 2000, as well as the audited consolidated balance sheet as of December 31, 2000, include the accounts of the Company and its wholly-owned subsidiaries: American Equity Investment Life Insurance Company, American Equity Investment Capital, Inc., American Equity Capital Trust I, American Equity Capital Trust II, and American Equity Investment Properties, L.C. All significant intercompany accounts and transactions have been eliminated.

The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly our financial position and results of operations on a basis consistent with the prior audited financial statements. Results for interim periods are not necessarily indicative of the results that may be expected for a full year.

The Company operates solely in the life insurance business.

NOTE B - CHANGES IN AMOUNTS DUE UNDER REPURCHASE AGREEMENTS

As part of its investment strategy, the Company enters into securities lending programs to increase its return on investments and improve its liquidity. These transactions are accounted for as amounts due under repurchase agreements (short-term collateralized borrowings). Such borrowings averaged approximately $55,000,000 and $45,969,000 for the three months ended March 31, 2001 and 2000, respectively, and were collateralized by investment securities with fair market values approximately equal to the amount due. The weighted average interest rate on amounts due under repurchase agreements was 6.62% and 5.75% for the three months ended March 31, 2001 and 2000, respectively.

NOTE C - EARNINGS PER SHARE

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

	THREE MONTHS ENDED MARCH 31 2001	2000
NUMERATOR:		
Income before cumulative effect of change in accounting principles	$ 316	$ 11
Cumulative effect of change in accounting for derivative instruments	(799)	-
Net income	$ (483)	$ 11
DENOMINATOR:		
Weighted average shares outstanding	14,531,842	14,110,641
Effect of dilutive securities:		
Preferred stock	1,875,000	1,875,000
Warrants	4,932	277,269
Stock options and subscription rights	952,913	2,141,829
Deferred compensation agreements	753,111	674,280
Adjusted weighted average shares outstanding	18,117,798	19,079,019
Earnings (loss) per common share:		
Income before accounting change	$ 0.02	$ -
Cumulative effect of change in accounting for derivative instruments	(0.05)	-
Earnings (loss) per common share	$ (0.03)	$ 0.00
Earnings (loss) per common share - assuming dilution:		
Income before accounting change	$ 0.02	$ -
Cumulative effect of change in accounting for derivative instruments	(0.05)	-
Diluted earnings (loss) per common share	$ (0.03)	$ 0.00

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

NOTE D - ACCOUNTING CHANGE

The Financial Accounting Standards Board issued, then subsequently amended, Statement of Financial Accounting Standards ("SFAS") No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, which became effective for the Company on January 1, 2001. Under SFAS No. 133, as amended, all derivative instruments (including certain derivative instruments embedded in other contracts) are recognized in the balance sheet at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges fo future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in equity, then recognized in earnings along with the related effects of the hedged items. Any "ineffective" portion of a hedge is reported in earnings as it occurs.

The Company has equity-indexed annuity products that guarantee the return of principal to the customer and credits interest based on a percentage of the gain in a specified equity market index. A portion of the premium from each customer is invested in investment grade fixed income securities to cover the minimum guaranteed value due the customer at the end of the contract term. A portion of the premiums is used to purchase derivatives consisting of call options on the applicable equity market indexes to fund the index credits due to equity index annuity holders. Substantially all of such call options are one year options which are closely matched to the annual crediting liabilities on such policies. The equity index used to compute such annual crediting liabilities is reset at the beginning of each policy year, and the Company has the ability to modify annually, within limits, policy terms such as participation rates, assets fees and income caps.

Under SFAS No. 133, the annual crediting liabilities on the Company's equity index annuities is treated as a "series of embedded derivatives" over the life of the applicable contract. The Company does not purchase call options to fund the equity index liabilities which may arise after the policy anniversary date. The Company must value both the call options and the related forward embedded options in the policies at fair value. The change in fair value for the call options is included in realized/unrealized gains (losses) on investments and the change in fair value adjustment of the embedded options is included in policyholder benefits in the Consolidated Statements of Income.

During the first quarter of 2001, realized and unrealized gains (losses) on investments included an unrealized loss of $9,238,000 from the change in fair value on call options used as a hedge for the next-year income credit to the equity index annuities. Policyholder benefits included an offsetting adjustment from fair value changes in options embedded within the equity index products (including the forward options) of $4,190.

At January 1, 2001, the Company's financial statements were adjusted to record a cumulative effect of adopting this accounting change, as follows (in thousands):

Fair value adjustment related to:	
Call options	$ (14,537)
Equity index annuity liabilities	11,736
Adjustments for assumed changes in amortization of deferred policy acquisition costs	1,571
Deferred income tax benefit	431
Total	$ (799)

NOTE E - GENERAL AGENCY COMMISSION AND SERVICING AGREEMENT

The Company has a General Agency Commission and Servicing Agreement with American Equity Investment Service Company (the Service Company), wholly-owned by the Company's chairman, whereby, the Service Company acts as a national supervisory agent with responsibility for paying commissions to agents of the Company. This Agreement is more fully described in Note 8 to the Audited Financial Statements included in the Company's Form 10-K for December 31, 2000.

During the three months ended March 31, 2001 and 2000, the Company paid renewal commissions to the Service Company of $6,572,000 and $5,003,000, respectively, which were used to reduce the amount due under the General Agency Commission and Servicing Agreement, and amounts attributable to imputed interest.

During 1999, the Company agreed to loan to the Service Company up to $50,000,000 pursuant to a promissory note bearing interest at the "reference rate" of the financial institution which is the Company's principal lender. Principal and interest are payable quarterly over five years from the date of the advance. At March 31, 2001 and December 31, 2000, the net amount advanced to the Service Company totaled $39,920,000 and $41,565,000, respectively.

NOTE F - RECLASSIFICATIONS

Certain amounts in the unaudited consolidated financial statements for the period ended March 31, 2000 have been reclassified to conform to the financial statement presentation for March 31, 2001 and December 31, 2000. As discussed in Note E, the company has established a liability for future amounts due to a related party under the General Agency Commission and Servicing Agreement and revised prior financial statements to reflect such handling. The revisions have been handled as a reclassification and increased liabilities and deferred policy acquisition costs by $56,859,000 at March 31, 2000.

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

Management's discussion and analysis reviews our consolidated financial position at March 31, 2001, and the consolidated results of operations for the periods ended March 31, 2001 and 2000, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto appearing elsewhere in this Form 10-Q, and the audited consolidated financial statements, notes thereto and selected consolidated financial data appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

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

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 AND 2000

Our business has continued to grow rapidly, with reserves for annuities and single premium universal life policies increasing from $679,045,000 at March 31,1999 to $1,587,024,000 at March 31,2000 and $2,531,112,000 at March 31, 2001. Deposits from sales of annuities and single premium universal life policies during the three months ended March 31, 2001 increased 97% to $500,277,000 compared to $253,567,000 for the same period in 2000. The increased production is a direct result of the growth in our agency force which increased from 18,000 agents at December 31, 1999 to 22,000 agents at December 31, 2000 and 25,000 agents at March 31, 2001.

Our net income before cumulative effect adjustment increased 2773% to $316,000 for the first quarter of 2001, compared to $11,000 for the same period in 2000. This increase is primarily attributable to an increase in net investment income during the first quarter of 2001, the effect of which is magnified by the decline in net investment income experienced during the first quarter of 2000.

Traditional life and accident and health insurance premiums decreased 5% to $3,282,000 for the first quarter of 2001, compared to $3,443,000 for the same period in 2000. This decrease is principally attributable to decreases in direct sales of life products.

Annuity and single premium universal life product charges (surrender charges assessed against policy withdrawals and expense charges assessed against single premium universal life policyholder account balances) increased 89% to $2,661,000 for the first quarter of 2001, compared to $1,406,000 for the same period in 2000. This increase is principally attributable to the growth in our annuity business and correspondingly, an increase in annuity policy withdrawals subject to surrender charges. Withdrawals from annuity and single premium universal life policies increased 87% to $47,596,000 for the three months ended March 31,2001 compared to $25,427,000 for the same period in 2000.

Net investment income increased 170% to $25,020,000 in the first quarter of 2001, compared to $9,259,000 for the same period in 2000. This increase is principally attributable to the growth in our annuity business and correspondingly, increases in our invested assets, and to the recognition of a net loss of $5,283,000 in net investment income in the first quarter of 2000. Invested assets (amortized cost basis) increased 31% to $2,218,449,000 at March 31, 2001 compared to $1,692,110,000 at March 31, 2000, while the annualized effective yield earned on invested assets was 7.3% at March 31, 2001 compared to 7.4% at March 31, 2000.

Realized and unrealized gains (losses) on investments decreased 46% to a net loss of $9,082,000 in the first quarter of 2001, compared to a net gain of $6,213,000 for the same period in 2000. This decrease is principally attributable to (i) in the first quarter of 2001, the recognition of an unrealized loss of $9,238,000 from the change in fair value of derivative securities (see Note D of the Notes to Consolidated Financial Statements); and (ii) in the first quarter of 2000, gains on the termination of total return swap agreements for which there was an offsetting impact on net investment income. The investment program involving the total return swap agreements was terminated in February, 2000

Insurance policy benefits and the change in future policy benefits decreased by $3,947,000 to $(1,993,000) for the first quarter of 2001, compared to $1,954,000 in the first quarter of 2001. This decrease is principally attributable to the decrease of $4,190,000 in equity index annuity reserves caused by the adoption of SFAS No. 133. See Note D of the Notes to Consolidated Financial Statements.

Interest credited to annuity and single premium universal life policyholder account balances increased 16% to $13,848,000 in the first quarter of 2001, compared to $11,891,000 for the same period in 2000. This increase is principally attributable to the increase in annuity liabilities. At March 31, 2001, the weighted average crediting rate for our fixed rate annuity liabilities, excluding interest rate and premium bonuses guaranteed for the first year of the annuity contract, was 5.61%, compared to 5.11% at March 31, 2000. The weighted average crediting rate including interest rate and premium bonuses guaranteed for the first year of the annuity contract was 6.22% at March 31, 2001 compared to 6.35% at March 31, 2000.

Interest expense on notes payable increased 207% to $896,000 for the first quarter of 2001, compared to $292,000 for the same period in 2000. The increase is attributable to increases in the outstanding borrowings throughout 2000 and to increases in the average cost of funds borrowed.

Interest expense on General Agency Commission and Servicing Agreement increased 18% to $1,582,000 for the first quarter of 2001, compared to $1,346,000 for the same period in 2000. This increase is principally attributable to an increase in the amount of commissions paid by our life subsidiary under this Agreement. See Note E of the Notes to Consolidated Financial Statements.

Interest expense on amounts due under repurchase agreements increased 42% to $951,000 in the first quarter of 2001, compared to $668,000 for the same period in 2000. This increase is principally attributable to an increase the average balances outstanding and the average cost of funds borrowed. See Note B of the Notes to Consolidated Financial Statements.

Amortization of deferred policy acquisition costs and value of insurance in force acquired increased by $1,579,000 to $439,000 in the first quarter of 2001, compared to a benefit of $1,140,000 for the same period in 2000. The benefit for the first quarter of 2000 resulted from reclassifications pertaining to amortization and certain other items related to our General Agency Commission and Servicing Agreement. See Note E of the Notes to Consolidated Financial Statements. In addition to the effect of this reclassification, the increase in this expense in the first quarter of 2001 is due to (i) the growth in our annuity business as discussed above; and (ii) the increase of $3,446,000 in our asset for deferred policy acquisition costs resulting from the adoption of SFAS No. 133. See Note D of the Notes to Consolidated Financial Statements.

Other operating costs and expenses increased 13% to $3,863,000 in the first quarter of 2001, compared to $3,431,000 for the same period in 2000. This increase is principally attributable to increases in marketing expenses, employees and related salaries and costs of employment.

Income tax expense increased 1,850% to $117,000 in the first quarter of 2001 compared to $6,000 for the same period in 2000. The increase is primarily attributable to increase in pretax net income.

FINANCIAL CONDITION

Cash and investments increased 21% during the three months ended March 31, 2001 as a result of the growth in our annuity business discussed above. At March 31, 2001, the fair value of our available for sale fixed maturity securities and equity securities was $30,830,000 less than the amortized cost of those investments At March 31, 2001, the amortized cost of our fixed maturity securities held for investment exceeded the market value by $64,358,000 for the same reasonS.

We did not issue any debt securities during the first three months of 2001. For information related to borrowings under the Company's variable rate revolving line of credit, see Note C of the Notes to Consolidated Financial Statements.

The statutory capital and surplus of our life insurance subsidiary at March 31, 2001 was $154,950,000. The life insurance subsidiary made surplus note interest payments to us of $500,000 during the three months ended March 31, 2001. For the remainder of 2001, up to $14,005,000 can be distributed by the life insurance subsidiary as dividends without prior regulatory approval.

Dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. Our life insurance subsidiary had $11,475,000 of earned surplus at March 31, 2001.

The transfer of funds by our life insurance subsidiary is also restricted by certain covenants in our loan agreements, which, among other things, require the life insurance subsidiary to maintain statutory capital and surplus (including asset valuation and interest maintenance reserves) equal to the greater of $140,000,000 plus 25% of statutory net income for periods subsequent to December 31, 2000. Under the most restrictive of these limitations, $21,470,000 of the life insurance subsidiary's earned surplus at March 31, 2001 would be available for distribution by the life insurance subsidiary to us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

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

We have a portfolio of held for investment securities which consists principally of zero coupon bonds issued by U.S. government agencies. These securities are purchased to secure long-term yields which meet our spread targets and support the underlying liabilities. Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the market value of our investments.

The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (participation or asset fee rates for equity-index annuities) on substantially all of our annuity policies at least annually (subject to minimum guaranteed values). In addition, substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use computer models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. (The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates.) When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities. At March 31, 2001, the effective duration of our fixed maturity securities and short-term investments was approximately 7.65 years and the estimated duration of our insurance liabilities was approximately 7.44 years.

If interest rates were to increase 10% from levels at March 31, 2001, we estimate that the fair value of our fixed maturity securities, net of corresponding changes in the values of deferred policy acquisition costs and insurance in force acquired would decrease by approximately $96,920,000. The computer models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time.

Our investments in equity index call options are closely matched with our obligations to equity-indexed annuity holders. Market value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for equity-indexed products.

PART II.
OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:
None

(b) No reports on Form 8-K were filed during the quarter ended March 31, 2001.

SIGNATURES

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

Date: May 11, 2001

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ David J. Noble

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

By: /s/ Wendy L. Carlson

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

By: /s/ Terry A. Reimer

Terry A. Reimer, Executive Vice President
(Principal Accounting Officer)