

AMERICAN EQUITY INVESTMENT LIFE HOLDING CO  
Form 10-Q  
May 11, 2009

## FORM 10-Q

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended March 31, 2009

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**

(State of Incorporation)

**42-1447959**

(I.R.S. Employer Identification No.)

**5000 Westown Parkway, Suite 440**

**West Des Moines, Iowa**

(Address of principal executive offices)

**50266**

(Zip Code)

Edgar Filing: AMERICAN EQUITY INVESTMENT LIFE HOLDING CO - Form 10-Q

Registrant's telephone number, including area code

(515) 221-0002

(Telephone)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$1	New York Stock Exchange

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

APPLICABLE TO CORPORATE ISSUERS:

Shares of common stock outstanding at April 30, 2009: 53,162,259

**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY****CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except per share data)****(Unaudited)**

	<b>March 31, 2009</b>	<b>December 31, 2008 (As Adjusted)</b>
<b>Assets</b>		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value (amortized cost: 2009 - \$8,278,636; 2008 - \$7,159,286)	\$ 7,573,330	\$ 6,629,046
Held for investment, at amortized cost (fair value: 2009 - \$3,039,243; 2008 - \$3,588,114)	3,050,505	3,604,149
Equity securities, available for sale, at fair value (cost: 2009 - \$104,483; 2008 - \$125,157)	73,378	99,552
Mortgage loans on real estate	2,351,405	2,329,824
Derivative instruments	57,492	56,588
Policy loans	459	446
Total investments	13,106,569	12,719,605
Cash and cash equivalents	108,032	214,862
Coinsurance deposits	1,491,558	1,528,981
Accrued investment income	104,821	91,756
Deferred policy acquisition costs	1,661,764	1,579,871
Deferred sales inducements	917,902	843,377
Deferred income taxes	93,454	82,409
Other assets	24,522	20,879
Total assets	\$ 17,508,622	\$ 17,081,740

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

(Unaudited)

	March 31, 2009	December 31, 2008 (As Adjusted)
<b>Liabilities and Stockholders Equity</b>		
Liabilities:		
Policy benefit reserves:		
Traditional life and accident and health insurance products	\$ 125,826	\$ 121,914
Annuity products	16,120,559	15,687,625
Other policy funds and contract claims	110,046	111,205
Notes payable	272,732	247,750
Subordinated debentures	268,243	268,209
Income taxes payable	9,880	14,133
Other liabilities	93,635	134,060
<b>Total liabilities</b>	<b>17,000,921</b>	<b>16,584,896</b>
Stockholders equity:		
Common stock, par value \$1 per share, 125,000,000 shares authorized; issued and outstanding: 2009 - 51,066,008 shares (excluding 5,941,547 treasury shares); 2008 - 50,739,355 shares (excluding 6,263,700 treasury shares)	51,066	50,739
Additional paid-in capital	376,432	376,782
Unallocated common stock held by ESOP; 2009 - 588,312 shares; 2008 - 588,312 shares	(6,229)	(6,336)
Accumulated other comprehensive loss	(188,318)	(147,376)
Retained earnings	274,750	223,035
<b>Total stockholders equity</b>	<b>507,701</b>	<b>496,844</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 17,508,622</b>	<b>\$ 17,081,740</b>

*See accompanying notes to unaudited consolidated financial statements.*

## AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2009	2008 (As Adjusted)
<b>Revenues:</b>		
Traditional life and accident and health insurance premiums	\$ 3,486	\$ 3,316
Annuity product charges	15,051	12,098
Net investment income	220,654	195,488
Change in fair value of derivatives	(43,823)	(157,365)
Realized gains (losses) on investments, excluding impairment losses	760	830
Impairment losses on investments:		
Total other than temporary impairment losses	(55,391)	(3,249)
Portion of impairment losses recognized in other comprehensive loss	41,953	
Net impairment losses recognized in operations	(13,438)	(3,249)
Total revenues	182,690	51,118
<b>Benefits and expenses:</b>		
Insurance policy benefits and change in future policy benefits	2,199	2,609
Interest credited to account balances	59,763	54,176
Amortization of deferred sales inducements	13,711	31,912
Change in fair value of embedded derivatives	14,183	(218,614)
Interest expense on notes payable	4,276	5,132
Interest expense on subordinated debentures	4,208	5,231
Interest expense on amounts due under repurchase agreements	242	2,972
Amortization of deferred policy acquisition costs	34,644	80,690
Other operating costs and expenses	14,464	13,583
Total benefits and expenses	147,690	(22,309)
Income before income taxes	35,000	73,427
Income tax expense	8,525	25,367
Net income	\$ 26,475	\$ 48,060
Earnings per common share	\$ 0.50	\$ 0.87
Earnings per common share - assuming dilution	\$ 0.48	\$ 0.83

See accompanying notes to unaudited consolidated financial statements.

## AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Dollars in thousands, except per share data)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Unallocated Common Stock Held by ESOP	Accumulated Other Comprehensive Loss	Retained Earnings (As Adjusted)	Total Stockholders Equity (As Adjusted)
Balance at December 31, 2007	\$ 53,556	\$ 387,302	\$ (6,781)	\$ (38,929)	\$ 216,487	\$ 611,635
Retrospective application of FSP APB 14-1		15,355			(5,888)	9,467
Comprehensive income:						
Net income for period, as adjusted					48,060	48,060
Change in net unrealized investment gains/losses				(20,182)		(20,182)
Total comprehensive income, as adjusted						27,878
Acquisition of 1,946,406 shares of common stock	(1,946)	(14,681)				(16,627)
Allocation of 10,263 shares of common stock by ESOP, including excess income tax benefits		(15)	111			96
Share-based compensation, including excess income tax benefits		761				761
Issuance of 59,244 shares of common stock under compensation plans, including excess income tax benefits	59	(2)				57
Conversion of \$10 of subordinated debentures	1	9				10
Balance at March 31, 2008, as adjusted	\$ 51,670	\$ 388,729	\$ (6,670)	\$ (59,111)	\$ 258,659	\$ 633,277

## AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (Continued)

(Dollars in thousands, except per share data)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Unallocated Common Stock Held by ESOP	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders Equity
Balance at December 31, 2008, as adjusted	\$ 50,739	\$ 376,782	\$ (6,336)	\$ (147,376)	\$ 223,035	\$ 496,844
Cumulative effect of FSP FAS 115-2, net				(20,094)	25,240	5,146
Comprehensive income:						
Net income for period					26,475	26,475
Change in net unrealized investment gains/losses				6,422		6,422
Noncredit component of other than temporary impairment losses, available for sale securities, net				(27,270)		(27,270)
Total comprehensive income						5,627
Acquisition of 12,362 shares of common stock	(12)	(40)				(52)
Allocation of 9,994 shares of common stock by ESOP, including excess income tax benefits		(35)				