

AMERICAN EQUITY INVESTMENT LIFE HOLDING CO  
Form 10-Q  
August 08, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number : 001-31911

American Equity Investment Life Holding Company

(Exact name of registrant as specified in its charter)

Iowa

42-1447959

(State or other jurisdiction of incorporation or  
organization)

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

6000 Westown Parkway

West Des Moines, Iowa 50266

(Address of principal executive offices, including zip code)

(515) 221-0002

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of July 31, 2014, there were 74,798,714 shares of the registrant's common stock, \$1 par value, outstanding.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

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

	June 30, 2014 (Unaudited)	December 31, 2013
Assets		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value (amortized cost: 2014 - \$27,540,945; 2013 - \$26,527,730)	\$29,317,572	\$26,610,447
Held for investment, at amortized cost (fair value: 2014 - \$66,571; 2013 - \$60,840)	76,342	76,255
Equity securities, available for sale, at fair value (cost: 2014 - \$7,506; 2013 - \$7,503)	7,762	7,778
Mortgage loans on real estate	2,543,810	2,581,082
Derivative instruments	905,688	856,050
Other investments	221,459	215,042
Total investments	33,072,633	30,346,654
Cash and cash equivalents	1,464,533	897,529
Coinsurance deposits	3,085,340	2,999,618
Accrued investment income	304,041	301,641
Deferred policy acquisition costs	2,040,084	2,426,652
Deferred sales inducements	1,578,621	1,875,880
Deferred income taxes	73,564	301,856
Income taxes recoverable	26,934	—
Other assets	357,946	471,669
Total assets	\$42,003,696	\$39,621,499
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$37,876,044	\$35,789,655
Other policy funds and contract claims	391,979	418,033
Notes payable	474,361	549,958
Subordinated debentures	246,145	246,050
Income taxes payable	—	10,153
Other liabilities	1,101,357	1,222,963
Total liabilities	40,089,886	38,236,812
Stockholders' equity:		
Preferred stock, par value \$1 per share, 2,000,000 shares authorized, 2014 and 2013 - no shares issued and outstanding	—	—
Common stock, par value \$1 per share, 200,000,000 shares authorized; issued and 74,089 outstanding:		70,535

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2014 - 74,088,743 shares (excluding 4,527,167 treasury shares); 2013 - 70,535,404 shares (excluding 4,876,735 treasury shares)		
Additional paid-in capital	538,472	550,400
Unallocated common stock held by ESOP; 2013 - 58,618 shares	—	(631 )
Accumulated other comprehensive income	556,071	46,196
Retained earnings	745,178	718,187
Total stockholders' equity	1,913,810	1,384,687
Total liabilities and stockholders' equity	\$42,003,696	\$39,621,499
See accompanying notes to unaudited consolidated financial statements.		

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CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
	2014	2013	2014	2013	
Revenues:					
Premiums and other considerations	\$9,123	\$11,551	\$16,454	\$24,635	
Annuity product charges	29,247	23,511	54,519	44,992	
Net investment income	370,882	336,143	740,887	665,833	
Change in fair value of derivatives	270,883	64,040	319,376	438,002	
Net realized gains (losses) on investments, excluding other than temporary impairment ("OTTI") losses	(2,230	) 15,689	(2,944	) 26,274	
OTTI losses on investments:					
Total OTTI losses	—	(2,775	) —	(4,964	)
Portion of OTTI losses recognized from other comprehensive income	(594	) —	(1,499	) (1,048	)
Net OTTI losses recognized in operations	(594	) (2,775	) (1,499	) (6,012	)
Loss on extinguishment of debt	(6,574	) (589	) (10,551	) (589	)
Total revenues	670,737	447,570	1,116,242	1,193,135	

Benefits and expenses: