AMERICAN EQUITY INVESTMENT LIFE HOLDING CO
Form 424B5
June 18, 2013

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-184162

Subject to completion, dated June 18, 2013

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Preliminary prospectus supplement
(To prospectus dated September 28, 2012)

American Equity Investment Life Holding Company

$250,000,000

% Notes due 2021

Interest payable and

Issue price: %

We are offering $250,000,000 aggregate principal amount of % Notes due 2021 (the "notes"). We will pay interest on the notes on and of each year, beginning , 2013. The notes will mature on , 2021.

We may redeem all or part of the notes at any time on or after , 2017, at the redemption prices set forth in this prospectus supplement plus accrued and unpaid interest, if any, to the redemption date. In addition, we may redeem up to 35% of the notes before , 2016 with the net cash proceeds from certain equity offerings. We may also redeem all or part of the notes at any time and from time to time prior to , 2017, at a price equal to % of the aggregate principal amount of the notes to be redeemed plus a make-whole premium and accrued interest, if any, to the redemption date. See "Description of the notes Optional redemption." In addition, we may be required to make an offer to purchase the notes upon the sale of certain assets or upon a change of control. See "Description of the notes Change of control" and "Description of the notes Certain covenants Limitations on sales of assets and subsidiary stock."

The notes will be our senior unsecured obligations and will rank equally in right of payment to all of our existing and future senior unsecured debt and senior in right of payment to all of our existing and future subordinated debt. The notes will be effectively subordinated to any of our existing and future secured debt to the extent of the value of the assets securing such debt. None of our subsidiaries will guarantee the notes as of the issue date, and the notes will be structurally subordinated to the liabilities of our subsidiaries. The notes will be guaranteed by certain of our wholly owned domestic subsidiaries (not including our insurance subsidiaries, other subsidiaries not permitted by law or regulation to guarantee the notes and certain immaterial subsidiaries) only under limited circumstances. See "Description of the notes Certain covenants Future subsidiary guarantors." The notes will be issued only in registered form in minimum denominations of $2,000 and integral multiples of $1,000 above that amount.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

Investing in the notes involves risks that are described under "Risk factors" beginning on page S-21 of this prospectus supplement.

	Per note	Total
Public offering price(1)	%	$
Underwriting discount	%	$
Proceeds, before expenses, to us(1)	%	$

(1) Plus accrued interest, if any, from , 2013.

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on or about , 2013.

Sole book-running manager

J.P. Morgan

Co-managers

SunTrust Robinson Humphrey **Citigroup** **Deutsche Bank Securities**

FBR **Raymond James**

, 2013

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About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which contains the terms of this offering of notes. The second part is the accompanying prospectus, dated September 28, 2012, which is part of our Registration Statement on Form S-3.

This prospectus supplement may add to, update or change the information in the accompanying prospectus or the documents incorporated by reference herein. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus or the documents incorporated by reference herein, the information in this prospectus supplement will apply and will supersede the information in the accompanying prospectus or the documents incorporated by reference herein, as the case may be.

It is important for you to read and consider all information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in "Where you can find more information" in this prospectus supplement and the accompanying prospectus.

No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this prospectus supplement and the accompanying prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date of this prospectus supplement, or that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is correct as of any time subsequent to the date of such information.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the notes in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or the underwriters or any of them, to subscribe to or purchase any of the notes and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See "Underwriting."

Unless otherwise stated or the context otherwise requires, as used in this prospectus supplement, all references to "American Equity," the "Company," "we," "our" and similar references are to American Equity Investment Life Holding Company and its consolidated subsidiaries.

Cautionary note regarding forward-looking statements

This prospectus supplement and the accompanying prospectus contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal,"

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"target," "on track," "comfortable with," "optimistic" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other "forward-looking" information based on currently available information. The "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 7, 2013 (and any updates of such section in any subsequent filings subsequently incorporated by reference herein), provides examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things:

- changes in or sustained low interest rates causing reductions in returns on our invested assets, the spread on our annuity products, and sales of, and demand for, our products;
- fluctuations in interest rates and investment spread adversely affecting our financial condition, operating results and cash flows;
- periods of rising interest rates causing increased policy surrenders, withdrawals and requests for policy loans on deferred annuity products, which may lead to net cash outflows and affect our liquidity and financial condition;
- market uncertainty and continued financial instability of national, state and local governments and difficult conditions in the global capital markets;
- the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject;
- changes in the interpretation of the methodologies, estimates and assumptions included in our valuation of fixed maturity and equity securities;
- our ability to compete with companies that have greater financial resources, broader arrays of products, higher ratings and stronger financial performance to retain existing customers and attract new customers;
- the failure of our reinsurers to meet the obligations assumed by them;
- volatility in net income due to the application of fair value accounting to our derivative instruments;
- deviations from our assumptions regarding the probabilities that our annuity contracts will remain in force from one period to the next;
- our ability to effectively manage our growth as our historical growth rates may not be indicative of our future growth;
- our ability to obtain sufficient capital to support our business or to obtain sufficient capital on favorable terms;
- our ability to maintain effective controls over financial reporting;

- our ability to continue to attract and retain a qualified workforce, including members of senior management;
- our ability to maintain our financial strength ratings and the impact of our ratings on our business, our ability to access capital, and the cost of capital;
- regulatory changes or actions, including insurance holding company statutes, in the various states in which our life insurance subsidiaries transact business;
- changes in the U.S. federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products;
- the risk factors or uncertainties listed from time to time in our filings with the SEC; and
- the risk factors identified below under "Risk factors" beginning on page S-20.

Other factors and assumptions not identified above are also relevant to the forward-looking statements, and it is not possible for us to predict all of them; nor can we assess the impact of each such factor or the extent to which any factor, or combinations of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. Our forward-looking statements speak only as of the date made. Except as required under the federal securities laws and the rules and regulations of the SEC, we do not have any intention or obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. You are advised, however, to consult any further disclosures we make on related subjects in reports we file with the SEC.

Market, ranking, industry data and forecasts

This prospectus supplement and the accompanying prospectus include market share, ranking, industry data and forecasts that we obtained from industry publications and surveys, public filings and internal company sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. While we are not aware of any misstatements regarding the industry data presented in this prospectus supplement and the accompanying prospectus, we have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon by those sources. Neither we nor the underwriters can guarantee the accuracy or completeness of such information contained in this prospectus supplement and the accompanying prospectus.

Where you can find more information

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You may read and copy any document that we file at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the public reference facilities may be obtained by calling the

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SEC at 1-800-SEC-0330. You may also inspect our annual, quarterly and current reports, any proxy statements and other information over the Internet at the SEC's home page at http://www.sec.gov.

The SEC allows us to "incorporate by reference" information into this prospectus supplement and the accompanying prospectus. This means that we can disclose important information to you by referring you to another document that we have filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus. Information that we file with the SEC after the date of this prospectus supplement will automatically modify and supersede the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus to the extent that the subsequently filed information modifies or supersedes the existing information. Nothing in this prospectus supplement or the accompanying prospectus shall be deemed to incorporate by reference information furnished to, but not filed with, the SEC, unless specifically stated otherwise. We incorporate by reference the following documents (each with SEC file number 001-31911):

- our Annual Report on Form 10-K for the year ended December 31, 2012, filed on March 7, 2013 (our "2012 Form 10-K"), including our Definitive Proxy Statement on Schedule 14A, filed on April 22, 2013 (our "Proxy Statement") and incorporated by reference into our 2012 Form 10-K;

- our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on May 8, 2013 (our "Q1 2013 Form 10-Q");

- our Current Report on Form 8-K, dated March 11, 2013, filed on March 14, 2013;

- our Current Report on Form 8-K, dated April 15, 2013, filed on April 18, 2013;

- our Current Report on Form 8-K, dated June 6, 2013, filed on June 10, 2013; and

- our Current Report on Form 8-K, dated June 18, 2013, filed on June 18, 2013.

We will provide to each person, including any beneficial owner, to whom this prospectus supplement is delivered a copy of any or all of the information that we have incorporated by reference into this prospectus supplement or the accompanying prospectus but not delivered with this prospectus supplement, at no cost to the requestor. To receive a free copy of any of the documents incorporated by reference into this prospectus supplement or the accompanying prospectus, other than exhibits, unless they are specifically incorporated by reference into those documents, call or write:

American Equity Investment Life Holding Company
6000 Westown Parkway
West Des Moines, IA 50266
Attention: Corporate Secretary
Tel: (515) 221-0002

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Summary

This summary highlights selected information about us and this offering. It does not contain all of the information that may be important to you in deciding whether to purchase the notes. We encourage you to read the entire prospectus supplement, the accompanying prospectus and the documents that we have filed with the SEC that are incorporated by reference herein.

Overview

We are a leader in the development and sale of fixed index and fixed rate annuity products. We sell fixed index and fixed rate annuities and life insurance in all 50 states and the District of Columbia. Our business consists primarily of the sale of fixed index and fixed rate annuities, and our annuity sales for each of the year ended December 31, 2012 and the twelve months ended March 31, 2013, before coinsurance, were $3.9 billion. Our strategy is focused on growing our annuity business and earning returns by managing investment spreads and investment risk. We had an investment portfolio of $29.2 billion as of March 31, 2013. For the twelve months ended March 31, 2013, we generated total revenues of $1,724.0 million, Operating Income of $113.9 million and net income of $73.4 million. For the year ended December 31, 2012, we generated total revenues of $1,588.6 million, Operating Income of $110.2 million and net income of $57.8 million. See " Summary consolidated financial information" for a reconciliation of Operating Income, which is a non-GAAP financial measure, to net income.

We underwrite our fixed annuity and life insurance 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 and Eagle Life Insurance Company ("Eagle Life"). We market those products through a distribution network of approximately 60 national marketing organizations and, through them, approximately 24,000 independent agents.

Annuity market overview

Our target market includes the group of individuals ages 45-75 who are seeking to accumulate tax-deferred savings. 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 39 million Americans age 65 and older in 2010, representing 13% of the U.S. population. By 2030, this sector of the population is expected to increase to 20% of the total population. Our fixed index and fixed rate annuity products are particularly attractive to this group as a result of the guarantee of principal with respect to those products, competitive rates of credited interest, tax-deferred growth and alternative payout options.

According to AnnuitySpec's Index Sales & Market Report, total industry sales of fixed index annuities increased 27% to $34.0 billion in 2012 from $26.8 billion in 2008. Our wide range of fixed index and fixed rate annuity products has enabled us to enjoy favorable growth during volatile equity and bond markets.

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Our company strengths

Strong operating performance. We have a track record of consistent growth, with strong operating returns. From 2002 until 2012, we grew Operating Income and assets under management at a compounded annual growth rate ("CAGR") of 26% and 18%, respectively, and have maintained attractive operating returns on equity. Our operating earnings are derived primarily from our investment spread, which is the difference between what our investments yield and what we credit to policyholders. For at least the last five years, we have been a top three provider of indexed annuities by annual sales, based on AnnuitySpec's Index Sales & Market Report.

Strong distribution relationships. We have strong relationships with approximately 60 national marketing organizations and approximately 24,000 independent agents. Our innovative Gold Eagle program incentivizes our top agents by providing cash and equity-based incentives to agents selling $1 million or more of annuity premiums annually.

Conservative investment portfolio. Our investment portfolio is primarily comprised of fixed maturity investments that are highly rated and liquid. We seek to maintain policyholder and shareholder security while also maximizing investment income within risk parameters. As of March 31, 2013, 94% of our fixed maturity securities were rated investment grade.

Disciplined risk management. We sell annuity policies with tight controls on product design that reduce the risk of unexpected policyholder behavior. As of March 31, 2013, 96% of our annuity portfolio account value was protected by surrender charges. We manage our exposure to index appreciation by buying one-year customized call options continuously to match inflows and renewals and we have achieved highly effective outcomes. We manage our option program with strict counterparty concentration limits to reduce counterparty risk.

Future growth opportunities. Our products are attractive to retirees and pre-retirees because they offer principal guarantees, low volatility of returns, upside potential versus straight fixed income, tax deferred accumulation and lifetime retirement income. Our target market has favorable demographic trends. A majority of our policyholders are aged 60 and over. We have also begun to expand our distribution channels outside of independent agents to the broker-dealer channel.

Experienced management team with a proven track record. We benefit from a highly experienced and cohesive management team that has prudently managed the growth of our company since its founding in 1995. Our company was established by David Noble, the Executive Chairman of the Board. Most of the senior management team has been employed or associated with our company since 1996 and, before that, with The Statesman Group, Inc. Senior managers each have at least 20 years of insurance industry and/or professional experience.

Credit strengths

Significant liquidity and stable income generation of operating subsidiaries. American Equity Investment Life Holding Company, our holding company and the issuer of the notes offered hereby, has multiple forms of liquidity support, including:

- $22.6 million of cash and cash equivalents on hand as of March 31, 2013;

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- $165.6 million of dividend capacity as of December 31, 2012 that could be paid by our primary operating company, American Equity Life, during 2013 without prior approval of its regulator;

- the ability to receive investment advisory fees from our operating companies; and

- a $160.0 million bank credit facility, of which $145.0 million was available as of May 31, 2013.

American Equity Life has generated a statutory net gain from operations for each of the last five years, which is one of the bases for its capacity to pay dividends to the issuer. In addition, as the invested assets of our operating subsidiaries has grown from $12.7 billion as of December 31, 2008 to $29.2 billion as of March 31, 2013, the amount of investment advisory fees paid by our subsidiaries to the issuer under an intercompany advisory agreement has increased from $19.3 million in 2008 to $36.2 million in 2012.

Strong capital adequacy of operating subsidiaries. American Equity Life's total adjusted capital has grown each year since 2008, from $1.0 billion as of December 31, 2008 to $1.7 billion as of December 31, 2012, a CAGR of 14%. The average risk-based capital, or "RBC," ratio of our operating subsidiaries has been 340% since 2008. As of December 31, 2012, American Equity Life had approximately $298 million of adjusted capital in excess of the amount required to maintain an RBC ratio of 275%, as required by our bank credit facility. Although we may adjust our targets as circumstances require, our current strategy is to seek to maintain an RBC ratio in the range of 300% to 350% and to maintain a ratio of Adjusted Debt to total capitalization excluding accumulated other comprehensive income of no more than 25%. For more information on how we calculate these ratios, see " Summary consolidated financial information." In order to support our business and its future growth, we have historically retained most of our statutory earnings at American Equity Life. Since 2008, American Equity Life paid $10 million of cumulative dividends to the issuer, and American Equity Life retained the remainder of its earnings to support business growth. We also use reinsurance to further support our capital base and manage our risks.

Strong and improving credit profile. Our retained earnings have supported a steady deleveraging of our company since 2008. Stockholders' equity excluding accumulated other comprehensive gain/loss has grown from $644.2 million as of December 31, 2008 to $1.1 billion as of March 31, 2013, a CAGR of 11%. Our ratio of debt to total capitalization excluding accumulated other comprehensive income has fallen from 44.5% as of December 31, 2008 to 34.3% as of March 31, 2013. Our ratio of Adjusted Debt to total capitalization excluding accumulated other comprehensive income has fallen from 29.5% as of December 31, 2008, to 19.3% as of March 31, 2013. Our ratio of earnings to fixed charges excluding interest sensitive and index product benefits and amortization of deferred sales inducements has improved from 2.6x as of December 31, 2008, to 4.8x as of March 31, 2013. Our ratio of earnings to fixed charges including interest sensitive and index product benefits and amortization of deferred sales inducements was 1.3x as of December 31, 2008 and 1.1x as of March 31, 2013. For information on how we calculate these ratios, see " Summary consolidated financial information" and "Ratio of earnings to fixed charges."

Quality balance sheet. We maintain an investment portfolio primarily comprised of fixed maturity investments that are highly rated and liquid. We are disciplined in our risk

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management, using appropriate options and other strategies to manage the liabilities we write while mitigating counterparty risk.

Our strategy

Our business strategy is to grow our annuity business and earn predictable returns by managing investment spreads and investment risk. Key elements of this strategy include the following:

Enhance our current independent agency network. We believe that our successful relationships with approximately 60 national marketing organizations represent a significant competitive advantage. Our objective is to improve the productivity and efficiency of our core distribution channel by focusing our marketing and recruiting efforts on those independent agents capable of selling $1 million or more of annuity premium annually. This level of production qualifies them for our Gold Eagle program, which we introduced in 2007. We believe the Gold Eagle program has been effective as evidenced by the number of qualified Gold Eagle agents during the last three calendar years ranging from 945 in 2012 to as many as 1,227 in 2011. Our Gold Eagle agents accounted for 59% of total production in 2012 and 57% of total production in 2011 and 2010. Gold Eagle qualifiers receive a combination of cash and equity-based incentives as motivation for producing business for us. We believe the equity-based incentive compensation component of our Gold Eagle program is unique in our industry and distinguishes us from our competitors. Our continuing focus on relationships and efficiency will ultimately reduce our independent agents to a core group of professional annuity producers. We also seek opportunities to establish relationships with national marketing organizations and agents not presently associated with us and to provide all of our marketers with the highest quality service possible.

Continue to introduce innovative and competitive products. We intend to be at the forefront of the fixed index and fixed rate annuity industry in developing and introducing innovative and competitive products. We were one of the first companies to offer a fixed index annuity that allows a choice among interest crediting strategies that includes both equity and bond indices as well as a traditional fixed rate strategy. We were also one of the first companies to include a living income benefit rider with our fixed index annuities. We enhanced our living income benefit rider to provide policyholders with protection against inflation and an additional death benefit. We believe that our continued focus on anticipating and responding to the product needs of our independent agents and policyholders will lead to increased customer loyalty, revenues and profitability.

Use our expertise to achieve targeted spreads on annuity products. Historically, we have had a successful track record in achieving the targeted spreads on our annuity products. This historical success has been challenged in the current extended low interest rate environment. However, we intend to continue to leverage our experience and expertise in managing the investment spread during a range of interest rate environments to achieve, or work towards achieving, our targeted spreads. The target investment spread for our products ranges from 250 to 310 basis points. Our investment spread declined from 314 basis points in the first quarter of 2011 to 259 basis points in the fourth quarter of 2012. We have undertaken initiatives to increase our investment spread to 300 basis points, including managing crediting rates to policyholders and reinvesting excess cash balances. As a result of these

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initiatives and other factors, our investment spread increased to 268 basis points in the first quarter of 2013.

Maintain our profitability focus and improve operating efficiency. We are committed to improving our profitability by advancing the scope and sophistication of our investment management and spread capabilities and continuously seeking out efficiencies within our operations. We have implemented competitive incentive programs for our national marketing organizations, agents and employees to stimulate performance.

Take advantage of the growing popularity of index products. We believe that the growing popularity of fixed index annuity products that allow equity and bond market participation without the risk of loss of the premium deposit presents an attractive opportunity to grow our business. We intend to capitalize on our reputation as a leading provider of fixed index annuities in this expanding segment of the annuity market.

Focus on high quality service to agents and policyholders. We have maintained high quality personal service as one of our highest priorities since the inception of our business and continue to strive for an unprecedented level of timely and accurate service to both our agents and policyholders. We believe this is one of our strongest competitive advantages.

Expand our distribution channels. We formed our Eagle Life subsidiary with the goal of developing a network of broker-dealer firms and registered investment advisors to distribute our fixed index annuity products. We believe this to be the most effective means of building a core distribution channel of selling firms with representatives capable of selling $1 million or more of annuity premium annually.

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 contribute cash to annuities, 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 years and the most recent quarter are as follows:

	Three months ended		Year ended December 31,					
	March 31, 2013		2012		2011		2010	
(Dollars in thousands)	Deposits collected	Deposits as a % of total	Deposits collected	Deposits as a % of total	Deposits collected	Deposits as a % of total	Deposits collected	Deposits as a % of total
Fixed index annuities:								
Index strategies	$604,641	65%	$2,225,902	56%	$2,839,295	56%	$2,401,891	51%
Fixed strategy	243,129	26%	1,208,324	31%	1,377,987	27%	1,551,007	33%
	847,770	91%	3,434,226	87%	4,217,282	83%	3,952,898	84%
Fixed rate annuities	67,166	7%	348,049	9%	567,229	11%	544,193	12%
Single premium immediate annuities	14,980	2%	164,657	4%	305,603	6%	171,628	4%

	$929,916	100%	$3,946,932	100%	$5,090,114	100%	$4,668,719	100%

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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 principal. 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. Approximately 97%, 97%, 95% and 95% of our fixed index annuity sales for the three months ended March 31, 2013, and the years ended December 31, 2012, 2011 and 2010, respectively, were "premium bonus" products. The initial annuity deposit on these policies is increased at issuance by a specified premium bonus ranging from 3% to 10%. Generally, there is a compensating adjustment in the surrender charges on the policy or the commission paid to the agent to offset the premium bonus.

The annuity contract value is equal to the sum of premiums paid, premium bonuses and interest credited ("index credits"), which is based upon an overall limit (or "cap") or a percentage (the "participation rate") of the annual 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 annual interest the policyholder may earn in any one contract year and may be adjusted by us annually subject to stated minimums.

Fixed rate annuities

Fixed rate deferred annuities include annual reset and multi-year rate guaranteed products. 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 multi-year rate guaranteed annuities are similar to our annual reset products except that the initial crediting rate is guaranteed for up to a seven-year period before it may be changed at our discretion.

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, annuity surrender assumptions, competitive industry pricing and crediting rate history for particular groups of annuity policies with similar characteristics.

Single premium immediate annuities

We also sell single premium immediate annuities ("SPIAs"). Our SPIAs are designed to 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. The implicit interest rate on SPIAs is based on market conditions when the policy is issued.

Withdrawal options fixed index and fixed rate annuities

Policyholders are typically permitted penalty-free withdrawals of 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 4.7% to 20% for fixed index annuities and 8% to 25% for fixed rate annuities of the contract value and generally decreases by approximately one to two percentage points per year during the surrender charge period. Surrender charges 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 lengthens the effective duration of the policy liabilities and enhances our ability to maintain profitability on such policies. The policyholder 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.

Beginning in July 2007, substantially all of our fixed index annuity policies were 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 living income benefit available is determined by the growth in the policy's income account value as defined in the rider (4.5% to 8.0%) and the policyholder's age at the time the policyholder elects to begin receiving living income benefit payments. Living income benefit payments may be stopped and restarted at the election of the policyholder.

Life insurance

These products include traditional ordinary and term, universal life and other interest-sensitive life insurance products. We have approximately $2.4 billion of life insurance in force as of March 31, 2013. We intend to continue offering life insurance products for individual and group markets. Premiums related to this business accounted for 1% or less of revenues for the three months ended March 31, 2013 and the years ended December 31, 2012, 2011 and 2010.

Investments and 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 many of our products is significantly affected by spreads between interest yields on investments, the cost of options to fund the annual index credits on our fixed index annuities and the rates credited on our fixed rate annuities. We manage the index-based risk component of our fixed index annuities by purchasing call options on the applicable indices to fund the annual 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 to fund the index credits on our fixed index annuities on their respective anniversary dates, and new options are purchased at each of the anniversary dates to fund the next annual index credits. All crediting rates on non-multi-year rate guaranteed fixed rate deferred 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 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.

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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," "Management's discussion and analysis of financial condition and results of operations Market risk" and Note 3 to our audited and unaudited consolidated financial statements included elsewhere in this prospectus supplement.

Marketing

We market our products through a variable cost brokerage distribution network of approximately 60 national marketing organizations and, through them, approximately 24,000 independent agents. We emphasize high quality service to our agents and policyholders along with the prompt payment of commissions to our agents. We believe this has been significant in building excellent relationships with our existing agency force.

We actively recruit new agents and terminate those agents who have not produced business for us in recent periods and are unlikely to sell our products in the future. In our recruitment efforts, we emphasize that agents have direct access to our executive officers, giving us an edge in recruiting over larger and foreign-owned competitors. We also emphasize our products, service and our Gold Eagle program which provides unique cash and equity-based incentives to those agents selling $1 million or more of annuity premium annually. Our Gold Eagle agents accounted for 59% of total production in 2012 and 57% of total production in 2011 and 2010. We also have favorable relationships with our national marketing organizations.

The insurance distribution system is comprised of insurance brokers and marketing organizations. We are pursuing a strategy to increase the efficiency of our distribution network by strengthening our relationships with key national and regional marketing organizations, and we seek 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. These organizations 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. We also conduct incentive programs for marketing organizations and agents from time to time, including equity-based programs for our leading national marketers and those agents qualifying for our Gold Eagle program. We generally do not enter into exclusive arrangements with these marketing organizations.

In addition, we formed our Eagle Life subsidiary with the goal of developing a network of broker-dealer firms and registered investment advisors to distribute our fixed index annuity products. We believe this to be the most effective means of building a core distribution channel of selling firms with representatives capable of selling $1 million or more of annuity premium annually.

Three of our national marketing organizations accounted for more than 10% of the annuity deposits and insurance premiums collected during 2012, and we expect these organizations to continue as marketers for American Equity Life with a focus on selling our products. The states

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with the largest share of direct premiums collected during 2012 were: Florida (9.3%), California (8.7%), Illinois (6.4%), Texas (6.4%) and Pennsylvania (5.4%).

Recent developments

Redemption of December 2024 notes

On March 25, 2013, we issued a notice of mandatory redemption (the "redemption") for our existing convertible notes due December 2024 (the "December 2024 Notes"). Holders of $25.8 million principal amount of the December 2024 Notes exercised their conversion rights prior to the April 30, 2013 mandatory redemption date. The holders of these December 2024 Notes received the principal amount of their December 2024 Notes in cash and the conversion premium in shares of our common stock. The final number of shares issued in connection with the exercise of conversion rights of the December 2024 Notes was 216,729. The balance of the convertible notes ($2.5 million principal amount) was redeemed for cash. In connection with the redemption, on May 14, 2013, we drew $15.0 million on our existing revolving credit facility (our "existing revolving credit facility").

Related transaction

Exchange offer for December 2029 notes

Following completion of this offering, we intend to commence an offer to exchange (the "Exchange Offer") any and all of our outstanding 5.25% Contingent Convertible Senior Notes due 2029 (the "December 2029 Notes") for cash and newly issued shares of our common stock. This offering is not conditioned upon the commencement or completion of the Exchange Offer. Our decision to commence an offer for the December 2029 Notes will depend on market conditions and other factors. In the alternative or in addition, we may use the net proceeds of the offering of the notes for one or more of the other purposes described in "Use of proceeds." This prospectus supplement is not an offer to exchange the December 2029 Notes, and any exchange offer will be made only by and pursuant to the terms of the Exchange Offer prospectus.

We may file a registration statement (including a prospectus) with the SEC for the Exchange Offer for the December 2029 Notes. Before you invest, you should read the prospectus in that registration statement and other documents we have filed with the SEC for more complete information about us and any such exchange offer. You may get these documents for free by visiting EDGAR on the SEC website at http://www.sec.gov. Alternatively, we will arrange to send you any prospectus after filing if you request it by calling 1-800-245-8812.

Additional information

Our company is incorporated under the laws of the State of Iowa. Our principal executive offices are located at 6000 Westown Parkway, West Des Moines, IA 50266, and our telephone number is (515) 221-0002. Our principal website is located at http://www.american-equity.com. The contents of our website are not a part of this prospectus supplement.

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The offering

Issuer	American Equity Investment Life Holding Company.
Securities offered	$250,000,000 aggregate principal amount of % Notes due 2021, which we refer to herein as the "notes."
Maturity	The notes will mature on , 2021.
Interest	Interest on the notes will accrue from , 2013 at a rate of % and will be payable semi-annually in arrears on and of each year, commencing , 2013.
Optional redemption	We may redeem all or part of the notes beginning on , 2017, at the redemption prices described under "Description of the notes Optional redemption," plus accrued and unpaid interest, if any, to the date of redemption. In addition, we may redeem up to 35% of the notes before , 2016 with the net cash proceeds from certain equity offerings at a redemption price equal to % of the principal amount of each note to be redeemed, plus accrued and unpaid interest, if any, to the date of redemption. We may also redeem all or part of the notes at any time and from time to time prior to , 2017, at a price equal to 100% of the aggregate principal amount of the notes to be redeemed plus a make-whole premium described under "Description of the notes Optional redemption," and accrued and unpaid interest, if any, to the date of redemption.
Change of control	If we experience certain kinds of changes of control, we must offer to purchase the notes at 101% of their principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase. See "Description of the notes Change of control."
Asset disposition offer	If we or our restricted subsidiaries sell assets, under certain circumstances, we will be required to use the net proceeds to make an offer to purchase notes at an offer price in cash in an amount equal to 100% of the principal amount of the notes plus accrued and unpaid interest, if any, to the repurchase date. See "Description of the notes Certain covenants Limitation on sales of assets and subsidiary stock."

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No guarantees on the issue date; future subsidiary guarantees	None of our subsidiaries will guarantee the notes as of the issue date, and the notes will be structurally subordinated to the liabilities of our subsidiaries. See " Ranking" below. The notes will be guaranteed only by: any wholly owned domestic subsidiary that we form or acquire after the issue date (other than any insurance subsidiary, any other subsidiary not permitted by law or regulation to guarantee the notes or certain immaterial subsidiaries that hold less than 5% of our consolidated total assets or account for less than 5% of our consolidated revenues); any restricted subsidiary that guarantees any other indebtedness of our company or any subsidiary guarantor; and if our risk-based capital ratio is less than 225% as of the last day of any fiscal year or fiscal quarter of the Company, any other wholly owned domestic subsidiary (other than any insurance subsidiary, any other subsidiary not permitted by law or regulation to guarantee the notes or certain immaterial subsidiaries that have assets with a fair market value less than $2.5 million or have revenues less than $2.5 million for the most recently ended period of four consecutive quarters). To the extent any of our subsidiaries guarantee the notes in the future, those subsidiary guarantors may be released from their subsidiary guarantees under certain circumstances without the consent of the holders of notes. See "Description of the notes Certain covenants Future subsidiary guarantors."
Ranking	The notes will be our senior unsecured obligations and will: rank senior in right of payment to all of our existing and future subordinated indebtedness; rank equally in right of payment with all of our existing and future senior indebtedness; be effectively subordinated to any of our existing and future secured debt, to the extent of the value of the assets securing such debt; and

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be structurally subordinated to all of the existing and future liabilities (including trade payables) of each of our subsidiaries, except to the extent any such subsidiary guarantees the notes in the future, as described in " No guarantees on the issue date; future subsidiary guarantees" above.

For the twelve months ended March 31, 2013, our subsidiaries:

represented approximately 99.8% of our total revenues;

represented approximately 124.8% of Operating Income (which is a non-GAAP financial measure); and

represented approximately 142.2% of our net income.

As of March 31, 2013, our subsidiaries:

represented 99.7% of our total assets; and

had $34.5 billion of total liabilities, including trade payables but excluding intercompany liabilities.

As of March 31, 2013, after giving effect to this offering and our use of the net proceeds therefrom (including the Exchange Offer):

we would have had approximately $719.6 million of total indebtedness (including the notes), of which $200.0 million would have ranked equally with the notes and of which $269.6 million would have been subordinated to the notes;

we would have had commitments available to be borrowed under our existing revolving credit facility of $160.0 million; and

our subsidiaries would have had approximately $34.5 billion of total liabilities (including trade payables but excluding intercompany liabilities), all of which would have been structurally senior to the notes.

Certain covenants

The Indenture governing the notes will contain certain covenants that limit, among other things, our ability and the ability of our restricted subsidiaries to:

incur additional indebtedness or, in the case of our restricted subsidiaries, issue preferred stock;

pay dividends, make certain investments or make other restricted payments;

- create liens;
- sell assets;
- enter into transactions with affiliates;

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	enter into mergers, consolidations, or sales of all or substantially all of our assets; and
	allow limitations on any restricted subsidiary's ability to pay dividends, make loans or sell assets to American Equity Investment Life Holding Company or other restricted subsidiaries.
	These covenants are subject to important exceptions and qualifications, which are described in "Description of the notes Certain covenants."
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $244.0 million after deducting the underwriting discounts and our expenses related to the offering. We intend to use the net proceeds of this offering (1) to pay the consideration required to exchange the December 2029 Notes tendered in connection with the Exchange Offer for any and all of our outstanding December 2029 Notes if we commence the Exchange Offer, including the payment of any applicable accrued and unpaid interest on such December 2029 Notes, (2) to repay all amounts outstanding under our existing revolving credit facility, (3) to pay related fees and expenses and (4) for general corporate purposes. Our decision to commence an offer for the December 2029 Notes will depend on market conditions and other factors. In the alternative or in addition, we may use the net proceeds of the offering of the notes for one or more of the other purposes described in footnote (1) of the table set forth in "Use of proceeds."
Further issuances	We may from time to time, without notice to or the consent of the holders of the notes, create and issue further notes having the same ranking and terms and conditions as the notes offered hereby, except for the issue date, the public offering price and, in some cases, the first interest payment date, as described under "Description of the notes General." Any additional notes having such similar terms, together with the notes, will constitute a single series of securities under the indenture.

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Absence of public market for the notes	The notes are a new issue of securities and there is currently no established trading market for the notes. We do not intend to apply for a listing of the notes on any securities exchange or an automated dealer quotation system. Accordingly, a liquid market for the notes may not develop. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and any market making with respect to the notes may be discontinued without notice.
Denomination and form	We will issue the notes in the form of one or more fully registered global notes registered in the name of the nominee of The Depository Trust Company, or "DTC." Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Clearstream Banking, *société anonyme* and Euroclear Bank, S.A./N.V., as operator of the Euroclear System, will hold interests on behalf of their participants through their respective U.S. depositaries, which in turn will hold such interests in accounts as participants of DTC. Except in the limited circumstances described in this prospectus supplement, owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under the Indenture. The notes will be issued only in minimum denominations of $2,000 and integral multiples of $1,000 above that amount.
Trustee	Wells Fargo Bank, National Association
Governing law	New York

Risk factors

In evaluating an investment in the notes, prospective investors should carefully consider, along with the other information in this prospectus supplement and the accompanying prospectus, the specific factors set forth under "Risk factors" for risks involved with an investment in the notes.

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Summary consolidated financial information

The following table sets forth our summary consolidated financial information as of and for the years ended December 31, 2012, 2011 and 2010 and as of and for the three months ended March 31, 2013 and 2012. The information as of and for the years ended December 31, 2012, 2011 and 2010 was derived from our audited annual consolidated financial statements. The information as of and for the three months ended March 31, 2013 and 2012 was derived from our unaudited interim consolidated financial statements and includes, in the opinion of management, all normal and recurring adjustments necessary to present fairly the information for such periods. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013.

The summary unaudited historical statements of operations and other financial data for the twelve months ended March 31, 2013 have been calculated by subtracting the applicable unaudited consolidated statements of operations and other financial data for the three months ended March 31, 2012 from the sum of (1) the applicable audited consolidated statements of operations data for the year ended December 31, 2012 and (2) the applicable unaudited consolidated statements of operations data for the three months ended March 31, 2013.

You should read the following summary consolidated financial information together with "Management's discussion and analysis of financial condition and results of operations" and our audited consolidated financial statements and unaudited consolidated financial statements, including the related notes, included elsewhere in this prospectus supplement.

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(Dollars in thousands)	Twelve months ended March 31, 2013(a)	Three months ended March 31, 2013	2012	Year ended December 31, 2012	2011	2010
	(unaudited)	(unaudited)				
Consolidated statements of operations data:						
Revenues:						
Traditional life insurance premiums	$ 12,353	$ 2,698	$ 3,222	$ 12,877	$ 12,151	$ 11,982
Annuity product charges	91,094	21,481	19,393	89,006	76,189	69,075
Net investment income	1,289,703	329,690	326,910	1,286,923	1,218,780	1,036,106
Change in fair value of derivatives	335,939	373,962	259,161	221,138	(114,728)	168,862
Net realized gains (losses) on investments, excluding other than temporary impairment ("OTTI") losses	10,207	10,585	(6,076)	(6,454)	(18,641)	23,726
Net OTTI losses recognized in operations	(15,288)	(3,237)	(2,881)	(14,932)	(33,976)	(23,867)
Loss on extinguishment of debt						(292)
Total revenues	1,724,008	735,179	599,729	1,588,558	1,139,775	1,285,592
Benefits and expenses:						
Insurance policy benefits and change in future policy benefits	7,693	1,735	2,117	8,075	7,870	8,251
Interest sensitive and index product benefits	904,773	225,809	139,123	818,087	775,757	733,218
Change in fair value of embedded derivatives	291,105	363,272	359,066	286,899	(105,194)	130,950
Amortization of deferred sales inducements and policy acquisition costs	276,143	75,061	50,994	252,076	215,259	196,261
Interest expense on notes payable and subordinated debentures	41,613	10,257	10,581	41,937	45,610	37,031
Interest expense on amounts due under repurchase agreements					30	
Other operating costs and expenses	93,302	19,520	21,713	95,495	67,529	114,615
Total benefits and expenses	1,614,629	695,654	583,594	1,502,569	1,006,861	1,220,326
Income before income taxes	109,379	39,525	16,135	85,989	132,914	65,266
Income tax expense	36,021	13,494	5,664	28,191	46,666	22,333
Net income	$ 73,358	$ 26,031	$ 10,471	$ 57,798	$ 86,248	$ 42,933

Non-GAAP financial measures (unaudited)(b):						
Reconciliation of net income to Operating Income:						
Net income	$ 73,358	$ 26,031	$ 10,471	$ 57,798	$ 86,248	$ 42,933
Net realized (gains) losses and net OTTI losses on investments, net of offsets(c)	2,297	(2,804)	3,547	8,648	18,354	379
Net effect of derivatives and embedded derivatives, net of offsets(c)	28,656	10,237	15,742	34,161	29,051	38,167
Convertible debt extinguishment, net of income taxes						171
Litigation reserve, net of offsets(c)	9,580			9,580		27,297
Operating Income(d)	$ 113,891	$ 33,464	$ 29,760	$ 110,187	$ 133,653	$ 108,947

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(Dollars in thousands)	As of and for the three months ended March 31, 2013	2012	As of and for the year ended December 31, 2012	2011	2010
	(unaudited)				
Consolidated balance sheet data:					
Total investments	$ 29,245,856	$ 24,034,739	$ 27,537,210	$ 24,383,451	$ 19,816,931
Total assets	36,852,969	33,038,533	35,133,478	30,874,719	26,426,763
Policy benefit reserves	32,937,308	29,255,621	31,773,988	28,118,716	23,655,807
Notes payable	313,043	300,567	309,869	297,608	330,835
Subordinated debentures	245,913	268,574	245,869	268,593	268,435
Accumulated other comprehensive income ("AOCI")	661,663	408,747	686,807	457,229	81,820
Total stockholders' equity	1,730,229	1,373,584	1,720,237	1,408,679	938,047
Statutory financial data:					
Life subsidiaries' statutory capital and surplus and asset valuation reserve	1,769,118	1,676,839	1,741,637	1,655,205	1,456,679
Life subsidiaries' statutory net gain from operations before income taxes and realized capital gains (losses)	44,403	35,632	182,057	344,538	322,133
Life subsidiaries' statutory net income	25,441	12,034	79,644	167,925	172,865
Other data (unaudited):					
Adjusted Debt to total capitalization ratio(e)	19.3%	22.1%	20.0%	22.3%	26.2%
Debt to total capitalization ratio(e)	34.3%	37.1%	35.0%	37.3%	41.2%
Risk-based capital ("RBC") ratio(f)	330%	343%	332%	346%	339%
Ratio of consolidated earnings to fixed charges(g)	1.1x	1.1x	1.1x	1.1x	1.1x
Ratio of consolidated earnings to fixed charges, both excluding interest-sensitive and index product benefits and amortization of deferred sales inducements(g)	4.8x	2.5x	3.0x	3.9x	2.7x

	For the twelve months ended March 31, 2013	2012	For the year ended December 31, 2012	2011	2010
	(Dollars in thousands)				
Other data (unaudited) (continued):					
Operating Income Return on Average Equity Excluding Average AOCI(h)	11.2%	14.3%	11.1%	14.8%	13.3%
Net Income Return on Average Equity Excluding Average AOCI(h)	7.2%	7.0%	5.8%	9.5%	5.2%

(a) The statement of operations and other financial data for the twelve months ended March 31, 2013 have been calculated in the manner described in the introduction to the table. This presentation is not in accordance with U.S. generally accepted accounting principles, or GAAP. We believe that this presentation provides useful information to investors regarding our recent financial performance, and we view this presentation of the four most recently completed quarters as a key measurement period for investors to assess our historical results. In addition, our management uses trailing four-quarter financial information to evaluate the financial performance of the company for ongoing planning purposes. This presentation has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP.

(b) In addition to net income, we have consistently utilized Operating Income, a non-GAAP financial measure commonly used in the life insurance industry, as an economic measure to evaluate our financial performance. Operating Income equals net income adjusted to eliminate the impact of net realized gains (losses) on investments, including net OTTI losses recognized in operations, fair value changes in derivatives and embedded derivatives, (gain) loss on extinguishment of convertible debt and litigation reserves. Because these items fluctuate from year to year in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of Operating Income together with net income provides information that may enhance an investor's understanding of our underlying results and profitability.

Operating Income is not a substitute for net income determined in accordance with GAAP. The adjustments made to derive Operating Income are important to understanding our overall results from operations, and, if evaluated without proper context, Operating Income possesses material limitations:

As an example, we could produce a low level of net income in a given period, despite strong operating performance, if in that period we generate significant net realized losses from our investment portfolio. We could also produce a high level of

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net income in a given period, despite poor operating performance, if in that period we generate significant net realized gains from our investment portfolio.

Another limitation of Operating Income is that it does not include the decrease in cash flows expected to be collected as a result of credit loss OTTI.

Therefore, our management and board of directors also separately review net realized investment gains (losses) and analyses of our net investment income, including impacts related to OTTI write-downs, in connection with their review of our investment portfolio. In addition, our management and board of directors examine net income as part of their review of our overall financial results. The adjustments made to net income to arrive at Operating Income for the three months ended March 31, 2013 and 2012, for the years ended December 31, 2012, 2011 and 2010 and for the twelve months ended March 31, 2013 are set forth in the table above.

(c) The adjustments to net income to arrive at Operating Income are presented net of related adjustments to amortization of deferred sales inducements ("DSI") and deferred policy acquisition costs ("DAC") and net of income taxes, as set forth in the table below (unaudited):

(Dollars in thousands)	Twelve months ended March 31, 2013	Three months ended March 31, 2013	Three months ended March 31, 2012	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
Net realized (gains) losses and net OTTI losses on investments, net of offsets:						
Net realized (gains) losses on investments, including OTTI	$ 5,081	$ (7,348)	$ 8,957	$ 21,386	$ 52,617	$ 141
Amortization of DAC and DSI	(1,446)	3,093	(3,450)	(7,989)	(24,117)	446
Income taxes	(1,338)	1,451	(1,960)	(4,749)	(10,146)	(208)
	$ 2,297	$ (2,804)	$ 3,547	$ 8,648	$ 18,354	$ 379
Net effect of derivatives and embedded derivatives, net of offsets:						
Change in fair value of derivatives and embedded derivatives	$ 128,325	$ 35,680	$ 59,050	$ 151,695	$ 125,721	$ 146,682
Amortization of DAC and DSI	(83,883)	(20,240)	(34,663)	(98,306)	(80,858)	(87,545)
Income taxes	(15,786)	(5,203)	(8,645)	(19,228)	(15,812)	(20,970)
	$ 28,656	$ 10,237	$ 15,742	$ 34,161	$ 29,051	$ 38,167
Litigation reserve, net of offsets:						
Litigation reserve recorded in other operating costs	$ 17,532	$	$	$ 17,532	$	$ 48,000
Amortization of DAC and DSI	(2,656)			(2,656)		(5,712)
Income taxes	(5,296)			(5,296)		(14,991)

	$ 9,580	$	$	$ 9,580	$	$ 27,297

(d) Operating Income reflects the following expenses and adjustments for the periods indicated:

Revised DAC accounting guidance: The year ended December 31, 2012 includes $9.1 million of expense related to the impact of the prospective adoption (effective January 1, 2012) of revised accounting guidance for deferred policy acquisition costs. This change, including the impact on related amortization expense, decreased Operating Income for the year ended December 31, 2012 by $5.8 million.

Unlocking: The year ended December 31, 2012 and the twelve months ended March 31, 2013 include expense from unlocking, which decreased Operating Income by $6.3 million. The year ended December 31, 2011 includes benefit from unlocking, which increased Operating Income by $12.5 million. The year ended December 31, 2010 includes expense from unlocking, which decreased Operating Income by $1.1 million. For an explanation of the unlocking process, see "Management's discussion and analysis of financial condition and results of operations Results of operations for the three years ended December 31, 2012 Net income" and " Operating Income, a non-GAAP financial measure."

Reserves held for living income benefit riders: The year ended December 31, 2012 and the twelve months ended March 31, 2013 include a benefit from the revision of assumptions used in determining reserves held for living income benefit riders consistent with unlocking for deferred policy acquisition costs and deferred sales inducements. The impact reduced interest sensitive and index product benefits by $2.2 million and increased Operating Income by $1.4 million for the year ended December 31, 2012 and the twelve months ended March 31, 2013.

Adjustment to SPIA reserves: The year ended December 31, 2011 includes an adjustment to single premium immediate annuity reserves, which reduced interest-sensitive and index product benefits by $4.2 million, and increased net income and Operating Income by $2.7 million.

(e) The Adjusted Debt to total capitalization ratio is calculated by dividing Adjusted Debt by total capitalization excluding AOCI. Adjusted Debt is the sum of notes payable and the portion of the total subordinated debentures payable to statutory trusts outstanding (qualifying trust preferred securities) that exceeds 15% of total capitalization excluding AOCI. The debt to total capitalization ratio is calculated by dividing the sum of notes payable and subordinated debentures by total capitalization excluding AOCI.

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In addition to total debt in accordance with GAAP, we use Adjusted Debt, a non-GAAP financial measure, as an alternate measure of our leverage. Adjusted Debt is the sum of notes payable and the portion of total subordinated debentures payable to statutory trusts outstanding that exceeds 15% of total capitalization excluding AOCI. Because rating agencies and certain analysts and investors give equity credit to a portion of our subordinated debentures in analyzing our leverage and financial condition, we use Adjusted Debt as a supplemental measure in evaluating our leverage.

Total capitalization excluding AOCI, a non-GAAP financial measure, is the sum of total debt and total stockholders' equity *minus* AOCI. Since AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments, we believe that total capitalization excluding AOCI provides useful supplemental information in evaluating our total capitalization.

In addition, our existing revolving credit facility requires us to maintain a ratio of Adjusted Debt to total capitalization excluding AOCI below a specified level. We also use these measures, therefore, in evaluating our leverage and ongoing compliance with our existing revolving credit facility.

The table below demonstrates how we calculate Adjusted Debt and sets forth a reconciliation of our Adjusted Debt to our total debt for the periods indicated, as well as the components for the calculation of the debt to total capitalization ratio and the Adjusted Debt to total capitalization ratio (unaudited):

	As of March 31,		**As of December 31,**		
(Dollars in thousands)	**2013**	**2012**	**2012**	**2011**	**2010**
Notes payable	$ 313,043	$ 300,567	$ 309,869	$ 297,608	$ 330,835
Portion of total subordinated debentures payable to statutory trusts outstanding that exceeds 15% of total capitalization excluding AOCI (A)	1,785	38,477	7,494	40,945	50,110
Adjusted Debt	314,828	339,044	317,363	338,553	380,945
Remaining portion of total subordinated debentures (B)	244,128	230,097	238,375	227,648	218,325
Total subordinated debentures (A+B)	245,913	268,574	245,869	268,593	268,435
Total debt	558,956	569,141	555,738	566,201	599,270
Total stockholders' equity	1,730,229	1,373,584	1,720,237	1,408,679	938,047
Total capitalization	2,289,185	1,942,725	2,275,975	1,974,880	1,537,317
AOCI	661,663	408,747	686,807	457,229	81,820
Total capitalization excluding AOCI	$1,627,522	$1,533,978	$1,589,168	$1,517,651	$1,455,497

(f) The risk-based capital (RBC) ratio is calculated by dividing total adjusted statutory capital by regulatory required capital. Total adjusted statutory capital is calculated based on a formula specified by the National Association of Insurance Commissioners ("NAIC") that includes American Equity Life's statutory capital and surplus and asset valuation reserve and certain other adjustments. For more information about American Equity Life's statutory capital and surplus, see Note 12 to our audited consolidated financial statements included in this prospectus supplement.

The table below sets forth the components for our calculation of the RBC ratio (unaudited):

(Dollars in thousands)	As of March 31, 2013	2012	As of December 31, 2012	2011	2010
American Equity Life's statutory capital and surplus and asset valuation reserve	$1,769,201	$1,676,839	$1,741,638	$1,655,205	$1,456,679
Regulatory required capital	536,501	488,808	524,928	479,023	430,064

(g) For information on how we calculate these ratios, see " Ratio of earnings to fixed charges" later in this prospectus supplement.

(h) Return on Average Equity Excluding Average AOCI is calculated by dividing net income and Operating Income for the trailing twelve months by average equity excluding average AOCI. We use Return on Average Equity Excluding Average AOCI as a supplemental measure of evaluating the net income and Operating Income we generate as a percentage of our equity. In that calculation, we use average equity over the applicable twelve-month period to mitigate the effects of fluctuations in our equity during that period. In addition, we exclude AOCI because AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments. We believe that Return on Average Equity Excluding Average AOCI

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provides useful supplemental information regarding our financial performance to analysts and investors. The table demonstrates how we calculate Average Equity Excluding Average AOCI for the periods indicated (unaudited):

(Dollars in thousands)	Twelve months ended March 31, 2013	Twelve months ended March 31, 2012	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
Average Stockholders' Equity:					
Average equity including average AOCI	$1,551,907	$1,167,380	$1,564,458	$1,173,363	$846,335
Average AOCI	535,205	238,163	572,018	269,525	25,682
Average equity excluding average AOCI	1,016,702	929,217	992,440	903,838	820,653
Net income	73,358	65,376	57,798	86,248	42,933
Operating Income	113,891	132,839	110,187	133,653	108,947
Return on Average Equity Excluding Average AOCI:					
Net income	7.2%	7.0%	5.8%	9.5%	5.2%
Operating Income	11.2%	14.3%	11.1%	14.8%	13.3%

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Risk factors

Investing in the notes involves a high degree of risk. Before making an investment decision, and in consultation with your own financial and legal advisors, you should carefully consider the following risk factors and all other information contained or incorporated by reference in this prospectus supplement (including the risk factors contained under the heading "Risk factors" in our annual report on Form 10-K for the year ended December 31, 2012). The risks and uncertainties described below and incorporated by reference herein are not the only ones facing us. Additional risks and uncertainties of which we are unaware, or that we currently deem immaterial, also may become material factors that affect us. If any of the following risks or those incorporated by reference herein occur or intensify, our business, financial condition or results of operations could be materially and adversely affected. If this were to happen, the value of the notes could decline significantly, and you may lose some or all of your investment. In connection with the forward-looking statements that appear in this prospectus supplement, you should also carefully review the cautionary statements under "Cautionary note regarding forward-looking statements."

Risks related to the notes

Despite our current debt levels, we may still incur substantially more debt or take other actions which would intensify the risks discussed below.

Our level of indebtedness will increase as a result of this offering, even after the use of the net proceeds of the offering to purchase debt securities in the Exchange Offer. As of March 31, 2013, after giving effect to this offering and the use of proceeds therefrom (including the Exchange Offer), our total debt would have been approximately $719.6 million.

Despite our current consolidated debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments. We will not be restricted under the terms of the indenture governing the notes from incurring additional debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due. If we incur any additional indebtedness that ranks equally with the notes, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company. This may have the effect of reducing the amount of proceeds paid to you. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness.

In addition, we expect to repay all amounts outstanding under our existing revolving credit facility in connection with the issuance of the notes. Our existing revolving credit agreement expires in 2014, and we anticipate (though we can give no assurances) that we will enter into a new senior term loan and/or revolving credit facility to meet our working capital needs. Any new facility may (1) contain covenants that limit the discretion of our management with respect to certain business matters, and (2) require us to meet certain financial ratios and financial condition tests.

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Such new credit facility, and, generally, our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the indenture and the notes could have important consequences for you. For example, it could:

- make it difficult for us to satisfy our obligations with respect to the notes;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;
- make it difficult for us to optimally capitalize and manage the cash flow for our businesses;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

In addition, it is possible that we may need to incur additional indebtedness in the future in the ordinary course of business or otherwise. Furthermore, if future debt financing is not available to us when required or is not available on acceptable terms, we may be unable to grow our business, take advantage of business opportunities, respond to competitive pressures or refinance maturing debt, any of which could have a material and adverse effect on our operating results and financial condition.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

The notes will be effectively subordinated to any secured indebtedness of our company to the extent of the value of the property securing that indebtedness.

The notes will not be secured by any of our assets. As a result, the notes will be effectively subordinated to any secured indebtedness with respect to the assets that secure that indebtedness. As of May 31, 2013, we have no secured indebtedness, but we may incur secured debt in the future. The effect of this subordination is that upon a default in payment on, or the acceleration of, any of our secured indebtedness, or in the event of bankruptcy, insolvency, liquidation, dissolution or reorganization of our company, the proceeds from the sale of assets securing our secured indebtedness will be available to pay obligations on the notes only after

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all secured indebtedness has been paid in full. As a result, the holders of the notes may receive less, ratably, than the holders of secured debt in the event of our bankruptcy, insolvency, liquidation, dissolution or reorganization.

The notes will be structurally subordinated to all obligations of our subsidiaries, except to the extent any of those subsidiaries become guarantors of the notes in the future.

None of our subsidiaries will guarantee the notes as of the issue date. The notes will be guaranteed by certain of our wholly owned domestic subsidiaries only under the limited circumstances described in "Description of the notes Certain covenants Future subsidiary guarantors." Even if certain of our wholly owned domestic subsidiaries guarantee the notes in the future, those subsidiaries will not include our insurance subsidiaries, other subsidiaries not permitted by law or regulation to guarantee the notes and certain immaterial subsidiaries. Except to the extent that certain of our wholly owned domestic subsidiaries guarantee the notes in the future, our subsidiaries will have no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. The notes and any future subsidiary guarantees will be structurally subordinated to all indebtedness and other obligations of any non-guarantor subsidiary such that in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any subsidiary that is not a guarantor, all of that subsidiary's creditors (including trade creditors) would be entitled to payment in full out of that subsidiary's assets before we would be entitled to any payment.

In addition, the indenture that will govern the notes will, subject to some limitations, permit these subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

For the twelve months ended March 31, 2013, our subsidiaries represented 99.8% of our total revenues, 124.8% of our Operating Income (which is a non-GAAP financial measure) and 142.2% of our net income. As of March 31, 2013, our subsidiaries represented 99.7% of our total assets and had $34.5 billion of total liabilities, including trade payables but excluding intercompany liabilities.

In addition, to the extent any of our subsidiaries guarantee the notes in the future, those subsidiary guarantees will be automatically released from those note guarantees upon the occurrence of certain events, including the following:

- the designation of that subsidiary guarantor as an unrestricted subsidiary;
- the release or discharge of any guarantee or indebtedness that resulted in the creation of the note guarantee of the notes by such subsidiary guarantor; or
- the sale or other disposition, including the sale of substantially all the assets, of that subsidiary guarantor.

If any subsidiary guarantee is released, no holder of the notes will have a claim as a creditor against that subsidiary, and the indebtedness and other liabilities, including trade payables and preferred stock, if any, whether secured or unsecured, of that subsidiary will be effectively senior to the claim of any holders of the notes. See "Description of the notes Certain covenants Future subsidiary guarantors."

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The terms of our existing revolving credit facility restrict, and the terms of the indenture that will govern the notes will restrict, our current and future operations, particularly our ability to respond to changes or to take certain actions.

Our existing revolving credit facility contains, and the indenture that will govern the notes offered hereby will contain, a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest. In addition, any new senior term loan or revolving credit facility that we enter into to replace our existing revolving credit facility would have similar restrictive covenants. These covenants include restrictions on our ability to:

- incur additional indebtedness or, in the case of our restricted subsidiaries, issue preferred stock;
- pay dividends, make certain investments or make other restricted payments;
- create liens;
- sell assets;
- enter into transactions with affiliates;
- enter into mergers, consolidations, or sales of all or substantially all of our assets; and
- allow limitations on any restricted subsidiary's ability to pay dividends, make loans or sell assets to American Equity Investment Life Holding Company or our other restricted subsidiaries.

A breach of the covenants or restrictions under the existing revolving credit facility, any new senior term loan or revolving credit facility and the indenture that will govern the notes could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies.

We conduct substantially all of our operations through our subsidiaries, which are not expected to guarantee the notes.

American Equity Investment Life Holding Company is a holding company with no business operations of its own. We conduct our operations through our subsidiaries, which are not expected to guarantee the notes, except under the limited circumstances described in "Description of the notes Certain covenants Future subsidiary guarantors." Accordingly, repayment of our indebtedness, including the notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries do not have any obligation to pay amounts due on the notes or our other indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the notes. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture that will govern the notes will limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our

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subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the notes.

Our liquidity and ability to meet our obligations under the notes may be constrained by the ability of our insurance subsidiaries to distribute cash to us.

We depend on our insurance subsidiaries for cash to make principal and interest payments on debt and to pay administrative expenses and income taxes. We receive cash from our insurance subsidiaries, consisting of dividends and distributions, fees earned under investment advisory agreements, principal and interest payments on surplus debentures and tax-sharing payments, as well as cash from our non-insurance subsidiaries consisting of dividends, distributions, loans and advances. Deterioration in the financial condition, earnings or cash flow of these significant subsidiaries for any reason could hinder the ability of such subsidiaries to pay cash dividends or other disbursements to American Equity, which would limit our ability to meet our debt service requirements, including our obligations under the notes, and satisfy other financial obligations. In addition, we may elect to contribute additional capital to certain insurance subsidiaries to strengthen their surplus for covenant compliance or regulatory purposes (including, for example, maintaining adequate RBC levels) or to provide the capital necessary for growth, in which case it is less likely that our insurance subsidiaries would pay us dividends. Accordingly, this could limit our ability to meet debt service requirements and satisfy other holding company financial obligations.

The payment of dividends or surplus debenture interest by our insurance subsidiaries to American Equity is subject to state insurance department regulations and may be prohibited by insurance regulators if they determine that such dividends or other payments could be adverse to our policyholders or contract holders. Insurance regulations generally permit dividends to be paid from statutory earned surplus of the insurance company without regulatory approval for any twelve-month period in amounts equal to the greater of (or in a few states, the lesser of):

- statutory net gain from operations or statutory net income for the prior year, or
- 10% of statutory surplus as of the end of the preceding year.

This type of dividend is referred to as an "ordinary dividend." In the year ended December 31, 2012, our insurance subsidiaries paid no ordinary dividends, and for 2013, up to $165.6 million can be distributed as ordinary dividends. Any dividend in excess of these levels requires the approval of the director or commissioner of the applicable state insurance department and is referred to as an "extraordinary dividend." In the year ended December 31, 2012, our insurance subsidiaries paid no extraordinary dividends to American Equity.

In addition, although we are under no obligation to do so, we may elect to contribute additional capital to strengthen the surplus of certain insurance subsidiaries for covenant compliance or regulatory purposes or to provide the capital necessary for growth. Any election regarding the contribution of additional capital to our insurance subsidiaries could affect the ability of our insurance subsidiaries to pay dividends. The ability of our insurance subsidiaries to pay dividends is also impacted by various criteria established by rating agencies to maintain or receive higher financial strength ratings and by the capital levels that we target for our insurance subsidiaries, as well as RBC and statutory capital and surplus compliance requirements under our existing revolving credit facility.

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There is currently no public market for the notes, and we do not know if a market will ever develop or, if a market does develop, whether it will be sustained.

The notes are a new issue of securities, and there is no existing trading market for the notes. Although the underwriters have informed us that they intend to make a market in the notes, they have no obligation to do so and may discontinue making a market at any time without notice. As a result, a liquid market may not develop for the notes, and you may not be able to sell your notes when you wish to sell them, or the prices that you receive when you sell the notes may not be favorable. We do not intend to apply for listing of the notes on any securities exchange. If a market for the notes does not develop, you may not be able to resell your notes for an extended period of time, if at all. Moreover, if markets for the notes do develop in the future, these markets may not continue indefinitely, and the notes may not be sold at a price equal to or greater than their initial offering price. In addition, in response to prevailing interest rates and market conditions generally, as well as our performance, the notes could trade at a price lower than their initial offering price.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of a Change of Control, each holder of notes will have the right to require us to repurchase all or any part of such holder's notes for cash at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of such repurchase. If a Change of Control occurs, we may not have sufficient financial resources available to satisfy our obligations to repurchase the notes, or the terms of other indebtedness may preclude us from doing so. Our failure to repurchase the notes as required under the indenture governing the notes would result in a default under the indenture that could have material adverse consequences for us and the holders of the notes. In order to avoid the obligations to repurchase the notes and events of default and potential breaches of our existing revolving credit facility and other indebtedness, we may have to avoid certain change of control transactions that would otherwise be beneficial to us.

In addition, certain important corporate events, such as leveraged recapitalizations, may not, under the indenture that will govern the notes, constitute a "change of control" that would require us to repurchase the notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the notes. See "Description of the notes Change of control."

Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of "substantially all" of our assets.

One of the circumstances under which a change of control may occur is upon the sale or disposition of "all or substantially all" of our assets. There is no precise established definition of the phrase "substantially all" under applicable law, and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

Our credit ratings may not reflect all risks of your investment in the notes.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the

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market value of the notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the notes. In addition, if any of our outstanding debt that is rated is downgraded, raising capital will become more difficult for us, and borrowing costs under our credit agreement and other future borrowings may increase. Agency ratings are not a recommendation to buy, sell or hold any security and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Federal and state fraudulent transfer laws may permit a court to void the notes and/or any future subsidiary guarantees, and if that occurs, you may not receive any payments on the notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes and the incurrence of any future subsidiary guarantees of the notes. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes or any future subsidiary guarantees thereof could be voided as a fraudulent transfer or conveyance if we or any future subsidiary guarantor, as applicable, (a) issued the notes or incurred any subsidiary guarantee with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring any subsidiary guarantee and, in the case of (b) only, one of the following is also true at the time thereof:

- we or any future subsidiary guarantor, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of any subsidiary guarantee;

- the issuance of the notes or the incurrence of any future subsidiary guarantee left us or any subsidiary guarantor, as applicable, with an unreasonably small amount of capital or assets to carry on the business;

- we or any future subsidiary guarantor intended to, or believed that we or such future subsidiary guarantor would, incur debts beyond our or such subsidiary guarantor's ability to pay as they mature; or

- we or any future subsidiary guarantors were a defendant in an action for money damages, or had a judgment for money damages docketed against us or the subsidiary guarantor if, in either case, the judgment is unsatisfied after final judgment.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is secured or satisfied. A court would likely find that a future subsidiary guarantor did not receive reasonably equivalent value or fair consideration for its subsidiary guarantee to the extent the subsidiary guarantor did not obtain a reasonably equivalent benefit directly or indirectly from the issuance of the notes.

We cannot be certain as to the standards a court would use to determine whether or not we or any future subsidiary guarantor was insolvent at the relevant time or, regardless of the standard that a court uses, whether the notes or any future subsidiary guarantee would be

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subordinated to our or any subsidiary guarantors' other debt. In general, however, a court would deem an entity insolvent if:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they became due.

If a court were to find that the issuance of the notes or the incurrence of any future subsidiary guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or that subsidiary guarantee, could subordinate the notes or that subsidiary guarantee to presently existing and future indebtedness of ours or of the related subsidiary guarantor or could require the holders of the notes to repay any amounts received with respect to that subsidiary guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes. Further, the avoidance of the notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of that debt.

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the notes to other claims against us under the principle of equitable subordination if the court determines that (1) the holder of notes engaged in some type of inequitable conduct, (2) the inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holders of notes and (3) equitable subordination is not inconsistent with the provisions of the bankruptcy code.

Risks related to the business

We are exposed to significant financial and capital risk, including changing interest rates, credit spreads and equity prices which may have an adverse effect on sales of our products, profitability, investment portfolio and reported book value per share.

Future changes in interest rates, credit spreads and equity and bond indices may result in fluctuations in the income derived from our investments. These and other factors due to the current economic uncertainty could have a material adverse effect on our financial condition, results of operations or cash flows.

Interest rate and credit spread risk. Our interest rate risk is related to market price and changes in cash flow. Substantial and sustained increases and decreases in market interest rates can materially and adversely affect the profitability of our products, our ability to earn predictable returns, the fair value of our investments and the reported value of stockholders' equity. A rise in interest rates, in the absence of other countervailing changes, will decrease the unrealized gain position of our investment portfolio and may result in an unrealized loss position. With respect to our available for sale fixed maturity securities, such declines in value (net of income taxes and certain adjustments for assumed changes in amortization of deferred policy acquisition costs and deferred sales inducements) reduce our reported stockholders' equity and book value per share.

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If interest rates rise dramatically within a short period of time, our business may be exposed to disintermediation risk. Disintermediation risk is the risk that our policyholders may surrender all or part of their contracts in a rising interest rate environment, which may require us to sell assets in an unrealized loss position. Alternatively, we may increase crediting rates to retain business and reduce the level of assets that may need to be sold at a loss. However, such action would reduce our investment spread and net income.

We hold an amount of fixed maturity securities that are callable by the issuer prior to maturity, and since 2008, we have received significant amounts of redemption proceeds related to calls of securities issued by United States Government sponsored agencies. We have reinvested the proceeds from these redemptions into new securities issued by such agencies, corporate securities and securities issued by United States municipalities, states and territories. The callable United States Government sponsored agencies that we own / purchase typically provide for 12 months of call protection, after which they may be called on the first anniversary of the issue date, or any semi-annual or annual redemption date thereafter. As such, at any financial reporting date, substantially all of the securities we own issued by United States Government sponsored agencies that are not residential mortgage-backed securities are callable by the respective agency within 12 months.

Due to the long-term nature of our annuity liabilities, sustained declines in long-term interest rates may result in increased redemptions of our fixed maturity securities that are subject to call redemption prior to maturity by the issuer and expose us to reinvestment risk. If we are unable to reinvest the proceeds from such redemptions into investments with credit quality and yield characteristics of the redeemed securities, our net income and overall financial performance may be adversely affected. We have a certain ability to mitigate this risk by lowering crediting rates on our products subject to certain restrictions as discussed below.

Our exposure to credit spreads is related to market price and changes in cash flows related to changes in credit spreads. If credit spreads widen significantly it would probably lead to additional other than temporary impairments. If credit spreads tighten significantly it could result in reduced net investment income associated with new purchases of fixed maturity securities.

Credit risk. We are subject to the risk that the issuers of our fixed maturity securities and other debt securities and borrowers on our commercial mortgages will default on principal and interest payments, particularly if a major downturn in economic activity occurs. An increase in defaults on our fixed maturity securities and commercial mortgage loan portfolios could harm our financial strength and reduce our profitability.

Credit and cash flow assumption risk is the risk that issuers of securities, mortgagees on mortgage loans or other parties, including reinsurers and derivatives counterparties, default on their contractual obligations or experience adverse changes to their contractual cash flow streams. We attempt to minimize the adverse impact of this risk by monitoring portfolio diversification by asset class, creditor, industry, and by complying with investment limitations contained in state insurance laws and regulations as applicable. We also consider all relevant objective information available in estimating the cash flows related to residential and commercial mortgage-backed securities. We monitor and manage exposures to determine whether securities are impaired or loans are deemed uncollectible.

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We use derivative instruments to fund the annual credits on our fixed index annuities. We purchase derivative instruments, consisting primarily of one-year call options, from a number of counterparties. Our policy is to acquire such options only from counterparties rated "A-" or better by a nationally recognized rating agency, and the maximum credit exposure to any single counterparty is subject to concentration limits. In addition, we have entered into credit support agreements which allow us to require posting of collateral by our counterparties to secure their obligations to us under the derivative instruments. If our counterparties fail to honor their obligations under the derivative instruments, our revenues may not be sufficient to fund the annual index credits on our fixed index annuities. Any such failure could harm our financial strength and reduce our profitability.

Liquidity risk. We could have difficulty selling our commercial mortgage loans because they are less liquid than our publicly traded securities. If we require significant amounts of cash on short notice, we may have difficulty selling these loans at attractive prices or in a timely manner, or both.

Fluctuations in interest rates and investment spread could adversely affect our financial condition, results of operations and cash flows.

A key component of our net income is the investment spread. A narrowing of investment spreads may adversely affect operating results. Although we have the right to adjust interest crediting rates (cap, participation or asset fee rates for fixed index annuities) on most products, changes to crediting rates may not be sufficient to maintain targeted investment spreads in all economic and market environments. In general, our ability to lower crediting rates is subject to minimum crediting rates filed with and approved by state regulators. In addition, competition and other factors, including the potential for increases in surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid the narrowing of spreads under certain market conditions. Our policy structure generally provides for resetting of policy crediting rates at least annually and imposes surrender charges for withdrawals during the first 3 to 17 years a policy is in force.

Managing the investment spread on our fixed index annuities is more complex than it is for fixed rate annuity products. We manage the index-based risk component of our fixed index annuities by purchasing call options on the applicable indices to fund the annual index credits on these annuities and by adjusting the caps, participation rates and asset fees on policy anniversary dates to reflect changes in the cost of such options which varies based on market conditions. The price of such options generally increases with increases in the volatility in both the indices and interest rates, which may either narrow the spread or cause us to lower caps or participation rates. Thus, the volatility of the indices adds an additional degree of uncertainty to the profitability of the index products. We attempt to mitigate this risk by resetting caps, participation rates and asset fees annually on the policy anniversaries.

Persistent environment of low interest rates affects and may continue to negatively affect our results of operations and financial condition.

Prolonged periods of low interest rates may have a negative impact on our ability to sell our fixed index annuities as consumers look for other savings instruments with potentially higher yields to fund retirement. In times of low interest rates, such as we have been experiencing since 2010 and which we expect to continue to experience in 2013, it is difficult to offer attractive rates and benefits to customers while maintaining profitability, which may limit sales growth of interest sensitive products.

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Sustained declines in interest rates may subject us to lower returns on our invested assets, and we have had to and may have to continue to reinvest the cash we receive from premiums and interest or return of principal on our investments in instruments with yields less than those we currently own. This may reduce our future net investment income and compress the spread on our annuity products. Further, borrowers may prepay fixed maturity securities in order to borrow at lower market rates. Any related prepayment fees are recorded in net investment income and may create income statement volatility.

An environment of rising interest rates may materially affect our liquidity and financial condition.

Periods of rising interest rates may cause increased policy surrenders, withdrawals and requests for policy loans on deferred annuity products, as policyholders seek investments with higher returns, commonly referred to as disintermediation. This may lead to net cash outflows and the resulting liquidity demands may require us to sell investment assets when the prices of those assets are adversely affected by the increase in interest rates, which may result in realized investment losses. Further, a portion of our investment portfolio consists of commercial mortgage loans and privately placed securities, which are relatively illiquid, thus increasing our liquidity risk in the event of disintermediation. We may also be required to accelerate the amortization of deferred policy acquisition costs and deferred sales inducements related to surrendered contracts, which would adversely affect our results of operations.

During such times, we may offer higher crediting rates on new sales of annuity products and increase crediting rates on existing annuity products to maintain or enhance product competitiveness. We may not be able to purchase enough higher yielding assets necessary to fund higher crediting rates and maintain our desired spread, which could result in lower profitability on our in force business. In rising interest rate environments, especially when interest rates are rapidly rising, it may be difficult to position our products to offer attractive rates and benefits to customers while maintaining profitability, which may limit sales growth of interest sensitive products.

Our valuation of fixed maturity and equity securities may include methodologies, estimates and assumptions which are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our results of operations or financial condition.

Fixed maturity securities and equity securities are reported at fair value in our consolidated balance sheets. During periods of market disruption including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities if trading becomes less frequent and/or market data becomes less observable. Prices provided by independent broker quotes or independent pricing services that are used in the determination of fair value can vary significantly for a particular security. There may be certain asset classes that were trading in active markets with significant observable data that become illiquid due to the current financial environment. As such, valuations may include inputs and assumptions that are less observable or require greater judgment as well as valuation methods that require greater judgment. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported in our consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

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Defaults on commercial mortgage loans and volatility in performance may adversely affect our business, financial condition and results of operations.

Commercial mortgage loans face heightened delinquency and default risk due to recent economic conditions which have had a negative impact on the performance of the underlying collateral, resulting in declining values and an adverse impact on the obligors of such instruments. An increase in the default rate of our commercial mortgage loan investments could have an adverse effect on our business, financial condition and results of operations. In addition, environmental conditions at properties securing our commercial loans may impair the value of our collateral or prevent us from foreclosing on some properties.

In addition, the carrying value of commercial mortgage loans is negatively impacted by such factors. The carrying value of commercial mortgage loans is stated at outstanding principal less any loan loss allowances recognized. Considerations in determining allowances include, but are not limited to, the following: (i) declining debt service coverage ratios and increasing loan to value ratios; (ii) bankruptcy filings of major tenants or affiliates of the borrower on the property; (iii) catastrophic events at the property; and (iv) other subjective events or factors, including whether the terms of the debt will be restructured. There can be no assurance that management's assessment of loan loss allowances on commercial mortgage loans will not change in future periods, which could lead to investment losses.

We remain vulnerable to market uncertainty and continued financial instability of national, state and local governments. Continued difficult conditions in the global capital markets and economy could deteriorate in the near future and affect our financial position and our level of earnings from our operations.

Recovery from the most recent recession in the United States has proven to be slow and long-term. High unemployment rates and lower average household income levels have emerged as continued lagging indicators of a slow economic recovery. The continuing market uncertainty has directly and materially affected our investment portfolio. One of the strategies used by the U.S. government to stimulate the economy has been to keep interest rates low and increase the supply of United States dollars. While these strategies have appeared to be somewhat successful, any future economic downturn or market disruption could negatively impact our ability to invest funds.

Specifically, if market conditions deteriorate in 2013 or beyond:

- our investment portfolio could incur additional other than temporary impairments;
- our commercial mortgage loans could experience a greater amount of loss;
- due to potential downgrades in our investment portfolio, we could be required to raise additional capital to sustain our current business in force and new sales of our annuity products, which may be difficult in a distressed market. If capital would be available, it may be at terms that are not favorable to us;
- we may be required to limit growth in sales of our annuity products; and/or
- our liquidity could be negatively affected and we could be forced to limit our operations and our business could suffer, as we need liquidity to pay our policyholder benefits, operating expenses, dividends on our capital stock, and to service our debt obligations.

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The principal sources of our liquidity are annuity deposits, investment income and proceeds from the sale, maturity and call of investments. Additional sources of liquidity in normal markets also include a variety of short and long-term instruments, including long-term debt and capital securities.

Governmental initiatives intended to improve global and local economies that have been adopted may not be effective and, in any event, may be accompanied by other initiatives, including new capital requirements or other regulations, that could materially affect our results of operations, financial condition and liquidity in ways that we cannot predict.

We are subject to extensive laws and regulations that are administered and enforced by a number of different regulatory authorities including state insurance regulators, the National Association of Insurance Commissioners ("NAIC"), the SEC and the New York Stock Exchange. Some of these authorities are or may in the future consider enhanced or new regulatory requirements intended to prevent future economic crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could affect the way we conduct our business and manage our capital, and may require us to satisfy increased capital requirements, any of which in turn could materially affect our results of operations, financial condition and liquidity.

We face competition from companies that have greater financial resources, broader arrays of products, higher ratings and stronger financial performance, which may impair our ability to retain existing customers, attract new customers and maintain our profitability and financial strength.

We operate in a highly competitive industry. Many of our competitors are substantially larger and enjoy substantially greater financial resources, higher ratings by rating agencies, broader and more diversified product lines and more widespread agency relationships. Our annuity products compete with index, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank investments and other retirement funding alternatives offered by asset managers, banks and broker-dealers. Our insurance products compete with those of other insurance companies, financial intermediaries and other institutions based on a number of factors, including premium rates, policy terms and conditions, service provided to distribution channels and policyholders, ratings by rating agencies, reputation and commission structures.

While we compete with numerous other companies, we view the following as our most significant competitors:

- Allianz Life Insurance Company of North America;
- Aviva USA;
- Security Benefit Life;
- Great American Life Insurance Company;
- Midland National Life Insurance Company; and
- North American Company for Life and Health Insurance.

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Our ability to compete depends in part on returns and other benefits we make available to our policyholders through our annuity contracts. We will not be able to accumulate and retain assets under management for our products if our investment results underperform the market or the competition, since such underperformance likely would result in asset withdrawals and reduced sales.

We compete for distribution sources for our products. We believe that our success in competing for distributors depends on our financial strength, the services we provide to and the relationships we develop with these distributors, as well as offering competitive commission structures. Our distributors are generally free to sell products from whichever providers they wish, which makes it important for us to continually offer distributors products and services they find attractive. If our products or services fall short of distributors' needs, we may not be able to establish and maintain satisfactory relationships with distributors of our annuity and life insurance products. Our ability to compete in the past has also depended in part on our ability to develop innovative new products and bring them to market more quickly than our competitors. In order for us to compete in the future, we will need to continue to bring innovative products to market in a timely fashion. Otherwise, our revenues and profitability could suffer.

Our reinsurance program involves risks because we remain liable with respect to the liabilities ceded to reinsurers if the reinsurers fail to meet the obligations assumed by them.

Our life insurance subsidiaries cede certain policies to other insurance companies through reinsurance agreements. American Equity Life has entered into two coinsurance agreements with EquiTrust Life Insurance Company ("EquiTrust") covering $1.0 billion of policy benefit reserves at March 31, 2013 and into two funds withheld coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda, covering $1.9 billion of policy benefit reserves at March 31, 2013. Since Athene is an unauthorized reinsurer, the annuity deposits that have been ceded to Athene are held in a trust on a funds withheld basis. The funds withheld 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 funds withheld would ever reach a point where it is 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 to the funds withheld for the amount of any shortfall. We remain liable with respect to the policy liabilities ceded to EquiTrust and Athene should either fail to meet the obligations assumed by them.

In addition, we have entered into other types of reinsurance contracts including indemnity reinsurance and financing arrangements. Should any of these reinsurers fail to meet the obligations assumed under such contracts, we remain liable with respect to the liabilities ceded.

Further, no assurances can be made that reinsurance will remain continuously available to us to the same extent and on the same terms as are currently available. If we were unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient and at prices that we consider acceptable, we would have to accept an increase in our net liability exposure, reduce the amount of business we write, or develop other alternatives to reinsurance.

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We may experience volatility in net income due to the application of fair value accounting to our derivative instruments.

All of our 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. This impacts certain revenues and expenses we report for our fixed index annuity business as follows:

- We must present the call options purchased to fund the annual index credits on our fixed index annuity products at fair value. 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. We record the change in fair value of these options as a component of our revenues. The change in fair value of derivatives includes the gains or losses recognized at expiration of the option term or upon early termination and changes in fair value for open positions.

- The contractual obligations for future annual index credits are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. Increases or decreases in the fair value of embedded derivatives generally correspond to increases or decreases in equity market performance and changes in the interest rates used to discount the excess of the projected policy contract values over the projected minimum guaranteed contract values. We record the change in fair value of these embedded derivatives as a component of our benefits and expenses in our consolidated statements of operations.

The application of fair value accounting for derivatives and embedded derivatives in future periods to our fixed index annuity business may cause substantial volatility in our reported net income.

We may face unanticipated losses if there are significant deviations from our assumptions regarding the probabilities that our annuity contracts will remain in force from one period to the next.

The expected future profitability of our annuity products is based in part upon expected patterns of premiums, expenses and benefits using a number of assumptions, including those related to the probability that a policy or contract will remain in force, or persistency, and mortality. Since no insurer can precisely determine persistency or mortality, actual results could differ significantly from assumptions, and deviations from estimates and assumptions could have a material adverse effect on our business, financial condition or results of operations. For example, actual persistency that is lower than our assumptions could have an adverse impact on future profitability, especially in the early years of a policy or contract primarily because we would be required to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy.

In addition, we set initial crediting rates for our annuity products based upon expected claims and payment patterns, using assumptions for, among other factors, mortality rates of our policyholders. The long-term profitability of these products depends upon how our actual experience compares with our pricing assumptions. For example, if mortality rates are lower than our pricing assumptions, we could be required to make more payments under certain annuity contracts in addition to what we had projected.

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If our estimated gross profits change significantly from initial expectations we may be required to expense our deferred policy acquisition costs and deferred sales inducements in an accelerated manner, which would reduce our profitability.

Deferred policy acquisition costs represent costs that vary with and primarily relate to the acquisition of new business. Deferred sales inducements are contract enhancements such as first-year premium and interest bonuses that are credited to policyholder account balances. These costs are capitalized when incurred and are amortized over the life of the contracts. Current amortization of these costs is generally in proportion to expected gross profits from interest margins and, to a lesser extent, from surrender charges. Unfavorable experience with regard to expected expenses, investment returns, mortality or withdrawals may cause acceleration of the amortization of these costs resulting in an increase of expenses and lower profitability.

If we do not manage our growth effectively, our financial performance could be adversely affected; our historical growth rates may not be indicative of our future growth.

We have experienced rapid growth since our formation in December 1995. We intend to continue to grow by recruiting new independent agents, increasing the productivity of our existing agents, expanding our insurance distribution network, developing new products, expanding into new product lines, and continuing to develop new incentives for our sales agents. Future growth will impose significant added responsibilities on our management, including the need to identify, recruit, maintain and integrate additional employees, including management. There can be no assurance that we will be successful in expanding our business or that our systems, procedures and controls will be adequate to support our operations as they expand. In addition, due to our rapid growth and resulting increased size, it may be necessary to expand the scope of our investing activities to asset classes in which we historically have not invested or have not had significant exposure. If we are unable to adequately manage our investments in these classes, our financial condition or operating results in the future could be less favorable than in the past. Further, we have utilized reinsurance in the past to support our growth. The future availability and cost of reinsurance is uncertain. Our failure to manage growth effectively, or our inability to recruit, maintain and integrate additional qualified employees and independent agents, could have a material adverse effect on our business, financial condition or results of operations. In addition, due to our rapid growth, our historical growth rates are not likely to accurately reflect our future growth rates or our growth potential. We cannot assure you that our future revenues will increase or that we will continue to be profitable.

The loss of key employees could disrupt our operations.

Our success depends in part on the continued service of key executives and our ability to attract and retain additional executives and employees. We do not have employment agreements with our executive officers. The loss of key employees, or our inability to recruit and retain additional qualified personnel, could cause disruption in our business and prevent us from fully implementing our business strategies, which could materially and adversely affect our business, growth and profitability.

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Controls and disaster recovery plans surrounding our information technology could fail or security could be compromised, which could damage our business and adversely affect our financial condition and results of operations.

Our business is highly dependent upon the effective operation of our information technology (IT). We rely on IT throughout our business for a variety of functions, including processing claims and applications, providing information to policyholders and distributors, performing actuarial analyses and maintaining financial records. Despite the implementation of security and back-up measures, our IT may be vulnerable to physical or electronic intrusions, computer viruses or other attacks, programming errors and similar disruptive problems. The failure of controls and/or disaster recovery plans surrounding our IT for any reason could cause significant interruptions to our operations, which could result in a material adverse effect on our business, financial condition or results of operations.

We retain confidential information within our IT, and we rely on sophisticated commercial technologies to maintain the security of those systems. Anyone who is able to circumvent our security measures and penetrate our IT could access, view, misappropriate, alter, or delete any information in the systems, including personally identifiable policyholder information and proprietary business information. In addition, an increasing number of states and foreign countries require that persons be notified if a security breach results in the disclosure of personally identifiable customer information. Any compromise of the security of our computer systems that results in inappropriate disclosure of personally identifiable customer information could damage our reputation in the marketplace, deter people from purchasing our products, subject us to significant civil and criminal liability and require us to incur significant technical, legal and other expenses.

If we are unable to attract and retain national marketing organizations and independent agents, sales of our products may be reduced.

We distribute our annuity products through a variable cost distribution network which includes over 60 national marketing organizations and approximately 24,000 independent agents. We must attract and retain such marketers and agents to sell our products. Insurance companies compete vigorously for productive agents. We compete with other life insurance companies for marketers and agents primarily on the basis of our financial position, support services, compensation and product features. Such marketers and agents may promote products offered by other life insurance companies that may offer a larger variety of products than we do. Our competitiveness for such marketers and agents also depends upon the long-term relationships we develop with them. If we are unable to attract and retain sufficient marketers and agents to sell our products, our ability to compete and our revenues would suffer.

We may require additional capital to support our business and sustained future growth which may not be available when needed or may be available only on unfavorable terms.

Our long-term strategic capital requirements will depend on many factors including the accumulated statutory earnings of our life insurance subsidiaries and the relationship between the statutory capital and surplus of our life insurance subsidiaries and various elements of required capital. To support long-term capital requirements, we may need to increase or maintain the statutory capital and surplus of our life insurance subsidiaries through additional financings, which could include debt, equity, financing arrangements and/or other surplus relief transactions. Adverse market conditions have affected and continue to affect the availability

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and cost of capital. Such financings, if available at all, may be available only on terms that are not favorable to us. If we cannot maintain adequate capital, we may be required to limit growth in sales of new annuity products, and such action could adversely affect our business, financial condition or results of operations. See " Risks related to the notes."

Changes in state and federal regulation may affect our profitability.

We are subject to regulation under applicable insurance statutes, including insurance holding company statutes, in the various states in which our life insurance subsidiaries transact business. Our life insurance subsidiaries are domiciled in New York and Iowa. We are currently licensed to sell our products in 50 states and the District of Columbia. Insurance regulation is intended to provide safeguards for policyholders rather than to protect shareholders of insurance companies or their holding companies. As increased scrutiny has been placed upon the insurance regulatory framework, a number of state legislatures have considered or enacted legislative proposals that alter, and in many cases increase, state authority to regulate insurance companies and holding company systems.

Regulators oversee matters relating to trade practices, policy forms, claims practices, guaranty funds, types and amounts of investments, reserve adequacy, insurer solvency, minimum amounts of capital and surplus, transactions with related parties, changes in control and payment of dividends.

The NAIC and state insurance regulators continually reexamine existing laws and regulations. The NAIC may develop and recommend adoption of new or modify existing model laws and regulations. State insurance regulators may impose those recommended changes, or others, in the future.

Our life insurance subsidiaries are subject to state insurance regulations based on the NAIC's risk-based capital 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. Our life insurance subsidiaries also may be required, under 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 for insolvent insurance companies.

Although the federal government does not directly regulate the insurance business, 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. In addition, legislation has been enacted which could result in the federal government assuming some role in the regulation of the insurance industry.

In July 2010, the Dodd-Frank Act was enacted and signed into law. The Dodd-Frank Act made extensive changes to the laws regulating the financial services industry and requires various federal agencies to adopt a broad range of new rules and regulations. Among other things, the Dodd-Frank Act imposes a comprehensive new regulatory regime on the over-the-counter ("OTC") derivatives marketplace. This legislation subjects swap dealers and "major swap participants" (as defined in the legislation and further clarified by the rulemaking) to substantial supervision and regulation, including capital standards, margin requirements, business conduct standards, recordkeeping and reporting requirements. It also requires central

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clearing for certain derivatives transactions that the U.S. Commodities Futures Trading Commission ("CFTC") determines must be cleared and are accepted for clearing by a "derivatives clearing organization" (subject to certain exceptions) and provides the CFTC with authority to impose position limits across markets. Many of the key concepts, definitions, processes and issues surrounding regulation of the OTC derivatives have been left to the relevant regulators to address and many of these regulations have yet to be proposed. The Dodd-Frank Act and any such regulations may subject us to additional restrictions on our hedging positions which may have an adverse effect on our ability to hedge risks associated with our business, including our fixed index annuity business, or on the cost of our hedging activity.

The Dodd-Frank Act also created a Financial Stability and Oversight Council ("FSOC"). The FSOC may designate by a 2/3 vote whether certain insurance companies and insurance holding companies pose a grave threat to the financial stability of the United States, in which case such companies would become subject to prudential regulation by the Board of Governors of the U.S. Federal Reserve (the "Federal Reserve Board") (including capital requirements, leverage limits, liquidity requirements and examinations). The Federal Reserve Board may limit such company's ability to enter into merger transactions, restrict its ability to offer financial products, require it to terminate one or more activities, or impose conditions on the manner in which it conducts activities.

The Dodd-Frank Act also established a Federal Insurance Office under the U.S. Treasury Department to monitor all aspects of the insurance industry and of lines of business other than certain health insurance, certain long-term care insurance and crop insurance. The director of the Federal Insurance Office has the ability to recommend that an insurance company or an insurance holding company be subject to heightened prudential standards. The Dodd-Frank Act also provides for the pre-emption of state laws in certain instances involving the regulation of reinsurance and other limited insurance matters. The Dodd-Frank Act requires extensive rule-making and other future regulatory action, which in some cases will take a period of years to implement. It is not possible at this time to assess the impact on our business of the establishment of the Federal Insurance Office and the FSOC. However, the regulatory framework at the state and federal level applicable to our insurance products is evolving. The changing regulatory framework could affect the design of such products and our ability to sell certain products. Any changes in these laws and regulations could materially and adversely affect our business, financial condition or results of operations.

We cannot predict the requirements of any regulations ultimately adopted under the Dodd-Frank Act, the effect that such regulations will have on financial markets or on our business, the additional costs associated with compliance with such regulations, or any changes to our operations that may be necessary to comply with the Dodd-Frank Act, any of which could have a material adverse effect on our business, results of operations, cash flows or financial condition.

Changes in federal income taxation laws, including any reduction in individual income tax rates, may affect sales of our products and profitability.

The annuity and life insurance products that we market generally provide the policyholder with certain federal income tax advantages. For example, federal income taxation on any increases in non-qualified annuity contract values (i.e. the "inside build-up") is deferred until it

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is received by the policyholder. With other savings investments, such as certificates of deposit and taxable bonds, the increase in value is generally taxed each year as it is realized. Additionally, life insurance death benefits are generally exempt from income tax.

From time to time, various tax law changes have been proposed that could have an adverse effect on our business, including the elimination of all or a portion of the income tax advantages described above for annuities and life insurance. If legislation were enacted to eliminate all or a portion of the tax deferral for annuities, such a change would have an adverse effect on our ability to sell non-qualified annuities. Non-qualified annuities are annuities that are not sold to a qualified retirement plan.

Beginning in 2013, distributions from non-qualified annuity policies will be considered "investment income" for purposes of the newly enacted Medicare tax on investment income contained in the Health Care and Education Reconciliation Act of 2010. As a result, in certain circumstances a 3.8% tax ("Medicare Tax") may be applied to some or all of the taxable portion of distributions from non-qualified annuities to individuals whose income exceeds certain threshold amounts. This new tax may have an adverse effect on our ability to sell non-qualified annuities to individuals whose income exceeds these threshold amounts.

We face risks relating to litigation, including the costs of such litigation, management distraction and the potential for damage awards, which may adversely impact our business.

We are occasionally involved in litigation, both as a defendant and as a plaintiff. In addition, state regulatory bodies, such as state insurance departments, the SEC, the Financial Industry Regulatory Authority, Inc. ("FINRA"), the Department of Labor and other regulatory bodies regularly make inquiries and conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws, the Employee Retirement Income Security Act of 1974, as amended, and laws governing the activities of broker-dealers. Companies in the life insurance and annuity business have faced litigation, including class action lawsuits, alleging improper product design, improper sales practices and similar claims. We are currently a defendant in a purported class action lawsuit involving allegations that generally attack the suitability of sales of deferred annuity products to persons over the age of 65. The plaintiffs in this lawsuit seek rescission and injunctive relief including restitution and disgorgement of profits on behalf of all class members; compensatory damages for breach of fiduciary duty and aiding and abetting of breach of fiduciary duty; unjust enrichment and constructive trust; and other pecuniary damages. See "Business Legal proceedings" for more information about this lawsuit.

A downgrade in our credit or financial strength ratings may increase our future cost of capital, reduce new sales, adversely affect relationships with distributors and increase policy surrenders and withdrawals.

Currently, our senior unsecured indebtedness carries a "bbb-" rating from A.M. Best Company, a "BB+" rating from Standard & Poor's and a "BB" rating from Fitch Ratings. Our ability to maintain such ratings is dependent upon the results of operations of our subsidiaries and our financial strength. If we fail to preserve the strength of our balance sheet and to maintain a capital structure that rating agencies deem suitable, it could result in a downgrade of the ratings applicable to our senior unsecured indebtedness. A downgrade would likely reduce the fair value of the common stock and may increase our future cost of capital.

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Financial strength ratings are important factors in establishing the competitive position of life insurance and annuity companies. In recent years, the market for annuities has been dominated by those insurers with the highest ratings. A ratings downgrade, or the potential for a ratings downgrade, could have a number of adverse effects on our business. For example, distributors and sales agents for life insurance and annuity products use the ratings as one factor in determining which insurer's annuities to market. A ratings downgrade could cause those distributors and agents to seek alternative carriers. In addition, a ratings downgrade could materially increase the number of policy or contract surrenders we experience, as well as our ability to obtain reinsurance or obtain reasonable pricing on reinsurance.

Financial strength ratings are measures of an insurance company's ability to meet contractholder and policyholder obligations and 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 agents, policyholders and intermediaries and are not directed toward the protection of investors and are not recommendations to buy, sell or hold securities.

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Use of proceeds

We estimate that the net proceeds from this offering will be approximately $244.0 million after deducting underwriting discounts and commissions and our estimated expenses related to this offering. We intend to use the net proceeds of this offering (1) to pay the cash consideration required to purchase the December 2029 Notes tendered in connection with the Exchange Offer for any and all of our outstanding December 2029 Notes if we commence the Exchange Offer, including the payment of any applicable accrued and unpaid interest on such December 2029 Notes, (2) to repay all amounts outstanding under our existing revolving credit facility, (3) to pay related fees and expenses and (4) for general corporate purposes.

Affiliates of J.P. Morgan Securities LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and SunTrust Robinson Humphrey, Inc., each an underwriter, are lenders under our existing revolving credit facility and will receive a portion of the net proceeds of this offering as repayment of amounts we have borrowed from them. See "Underwriting."

The following table sets forth our estimated sources and uses of funds:

(Dollars in thousands)

Sources		**Uses**	
Notes offered hereby	$250,000	Repayment of December 2029 Notes and cash to balance sheet(1)	$ 229,000
		Repay borrowings under our existing revolving credit facility(2)	15,000
		Fees and expenses(3)	6,000
Total sources	$250,000	Total uses	$ 250,000

(1) This figure assumes that all December 2029 Notes are validly tendered (and not validly withdrawn) and accepted for exchange in the Exchange Offer. It includes the assumed aggregate principal amount of such December 2029 Notes validly tendered (and not validly withdrawn) and accepted for exchange, accrued and unpaid interest thereon through the date of completion of the Exchange Offer, payment of related premiums, fees and expenses and additional cash to our balance sheet. No assurance can be given as to the principal amount of December 2029 Notes to be exchanged in the Exchange Offer. Our December 2029 Notes bear interest at a fixed rate of 5.25% per annum and have a final maturity of December 6, 2029 but may be put to the Company at the option of the holders thereof on December 15, 2014, December 15, 2019 and December 15, 2024. We are under no obligation to commence the Exchange Offer, and this offering of notes is not conditioned upon the commencement or completion of the Exchange Offer. Our decision to commence an offer for the December 2029 Notes will depend on market conditions and other factors. In the alternative or in addition, we may use the net proceeds of the offering of the notes to tender for, repurchase in the open market, or otherwise acquire any or all of our 3.5% Convertible Senior Notes due 2015 (the "September 2015 Notes"), or we may use the net proceeds to redeem or repurchase December 2029 Notes or our September 2015 Notes at a later date. Our September 2015 Notes bear interest at a fixed rate of 3.50% per annum and have a final maturity of September 15, 2015.

(2) During 2011, we entered into a $160.0 million revolving line of credit agreement for which the revolving period is three years. Based upon our current credit rating, the applicable margin is 2.00% for alternate base rate borrowings and 3.00% for adjusted LIBOR rate borrowings, and the commitment fee is 0.50%. In connection with the redemption of our December 2024 Notes (see "Summary Recent developments"), on May 14, 2013 we drew $15.0 million on the existing revolving credit facility. As of May 31, 2013, we had outstanding borrowings under our existing revolving credit facility of $15.0 million. See "Description of certain indebtedness" for a detailed description of our existing

revolving credit facility.

(3) Fees and expenses include estimated underwriting discounts related to the offering of notes pursuant to this prospectus supplement and estimated expenses associated therewith.

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Capitalization

The following table sets forth, as of March 31, 2013, our consolidated cash and cash equivalents and capitalization:

- on an actual basis;
- as adjusted to give effect to the redemption of the December 2024 Notes; and
- as further adjusted to give effect to the sale of the notes offered hereby but not the Exchange Offer.

See "Use of proceeds." You should read this table in conjunction with "Use of proceeds," "Selected historical financial information," "Management's discussion and analysis of financial condition and results of operations," "Description of other indebtedness" and our consolidated financial statements and notes thereto, included elsewhere in this prospectus supplement.

	As of March 31, 2013		
(Dollars in thousands)	**Actual**	**As adjusted for the redemption of the December 2024 notes(1)**	**As further adjusted for the offering of the notes(2)**
Cash and cash equivalents	$ 882,097	$ 868,854	$ 1,097,854
Debt:			
September 2015 Notes(3)	$ 179,849	$ 179,849	$ 179,849
December 2029 Notes(4)	104,951	104,951	104,951
December 2024 Notes	28,243		
Notes offered hereby(5)			250,000
Subordinated debentures	245,913	245,913	245,913
Revolving credit facility, due 2014(6)		15,000	
Total debt	558,956	545,713	780,713
Stockholders' equity:			
Common stock, par value $1 per share, 200,000,000 shares authorized; issued and outstanding 62,783,971 shares (excluding 4,779,535 treasury shares)	62,784	63,001	63,001
Additional paid-in capital			