



American Equity Investment Life Holding Company
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Posting Tremendous Financial Results Over The Last Several Years, American Equity Investment Life Holding Company Is Well Positioned For Even Greater Growth As Baby Boomers Reach Retirement Age And Look At Fixed Indexed Annuities As A Way To Secure Their Future

**Financial
Life Insurance
(AEL-NYSE)**

**Wendy C. Waugaman
President, CEO and Director
Member of Execc. Committee and
Member of Investment Committee**

Company Profile:

American Equity Investment Life Holding Company, through its wholly-owned operating subsidiaries, is a full service underwriter of fixed annuity and life insurance products, with a primary emphasis on the sale of index and fixed rate index annuities. The company's headquarters are located at 6000 Westown Parkway, West Des Moines, Iowa, 50266. The mailing address of the company is: P.O. Box 71216, Des Moines, Iowa 50325.

**Interview conducted by:
Bud Wayne, Editorial Executive
CEOCFOinterviews.com**

CEOCFO: Ms. Waugaman, would you tell us how long you have been with American Equity Investment Life Holding Company, what attracted you and what the vision is?

Ms. Waugaman: I joined American Equity in 1999. At that time I came in wearing two hats; general counsel and chief financial officer and the company was quite new at that time, having been formed by Dave Noble back in 1995. He formed the company literally from scratch and capitalized it himself; I worked with him as outside counsel in those early days. Then I came in-house as a lawyer and accountant in 1999. Dave's

vision of the company was as an asset accumulating life insurance company that would sell fixed annuity products. And now in the span of the 15 years that we have been in business, we have grown from 0 to a total of 23 billion in assets and of those over 17 billion are invested assets. We do business in all 50 states and we sell our products through a network of over 40,000 independent insurance agents. We did go public in 2003 to help support the growth in our business and we now occupy the number three position in our market with around 11% or 12% of the total market for fixed indexed annuities.

CEOCFO: Life insurance is a competitive industry; what sets you apart from the competition?

Ms. Waugaman: You are right. It is a very competitive industry and particularly in our market for fixed annuities. We set out from the very beginning to distinguish ourselves in a couple of very key ways. One is that we work really hard to establish excellent relationships with our distribution, which are independent insurance agents. That includes everything from paying very good competitive commission levels and creative incentives. Also it boils down to having very excellent service. So from the outset of the company, we aspired to become the company that provided the best service to the agents and the policy holders. In addition, we wanted to make the experience of doing business so good that it would lead to repeat business with our agents. We think that we have succeeded in that and we have been recognized in several publications over the years as the company in our market that provides the best

service to our agents. We define that in some pretty simple ways; it is not rocket science. First, we are very quick to issue policies, as we typically issue a policy within 24 to 48 hours of the receipt of the application and a premium payment. Secondly, we pay commissions very promptly, on a daily basis by electronic funds transfer. Finally, one of the really simple things that people appreciate is that we answer the telephones with a live voice as we don't have an automated attendant. So over 90% of the time, a live human being answers the phone and our staff is all very well trained to provide quick and prompt service, which is really part of the culture here.

CEOCFO: Are there any new products that you would look at going forward to add to the mix?

Ms. Waugaman: That is a real important question for us because we have been recognized and have become a real specialist in the fixed index annuity market and we have been seen as a single focus company. However, now that our company is 15 years old, and we have reached a certain size, it is very important for us to think about diversification and about where we want to go in the future. We are currently working on diversifying our distribution channels. We are actively working to move into the broker dealer channel and we contemplate at some point in the future moving into the banking channel to sell our products. As we think about diversifying our product lines, we hear from our agents that right now certain types of more traditional life insurance products are back in vogue. Particularly, because of the tax benefits that are offered by those products. There-

fore, we are exploring whether it is time for us to branch out beyond annuities and begin selling more traditional life insurance products as well.

CEOCFO: How do you plan to grow as you go forward; will it be through mergers and acquisitions or will it be more organic in nature?

Ms. Waugaman: It will definitely be organic in nature, as all of our growth has been organic. We have built this company one sale at a time. The average annuity sale is around \$60,000, so it takes a lot of annuities to build the company up. We have over 300,000 policy holders nationwide. Last year, we had a record year of sales at \$3.7 billion, which represented a 60% increase in our sales and we saw a very significant increase in our market share last year as well. It jumped from around 8% to around 12%, so as we think about growth in our existing market, the strategy would be to continue to build market share and to take market share away from some of our competitors. In addition, long term growth we think will come from diversification in our distribution channels, moving into those BD (broker dealer) channels and banking, as-well-as thinking about what new products we would like to offer.

CEOCFO: Would you tell us a bit more about your position in the marketplace and how you plan on changing or maintaining that?

Ms. Waugaman: We are currently number 3 in the fixed indexed annuity market. We compete against global giants like Alliance, Aviva and ING, and it really does for us come back to fundamentals. All of those companies compete for the time and attention of the selling agents and so we work very hard to develop our relationships with our independent agents. In addition, we work hard to offer products that have straight forward and sound benefits. Our products offer safety of principle and guaranteed income, and those are things that are very much in demand at the moment with all of the financial volatility that we see in the markets. So insurance products such

as annuities have gained strong new respect over the last couple of years as safe money havens and we are clearly benefiting from that. Therefore, as we compete with the Alliances and Avivas, we are very committed to remaining the number one carrier from the standpoint of service. In addition, we are certainly committed to being innovative and competitive in the products that we offer and the incentives to our sales force.

CEOCFO: We went through a pretty serious economic downturn over the past couple of years; did this have an affect on American Equity?

Ms. Waugaman: In a surprising way, it had a positive affect on our company. We are selling safe money products. With

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fixed indexed annuities you can't go backwards in terms of your account value. On average, the account size starts at \$60,000 and then it grows each year with the addition of interest. That interest can be calculated at a fixed rate or it can be indexed to an equity market or a bond market index, and so there is an opportunity to earn a more competitive interest rate. However, the policy holder never sees their account value go downward; they simply go up with the addition of interest. The worst that they can do in any given year is to receive zero interest for that year. Therefore, the idea that you have protection against market loss is very popular and so last year we had a record setting year in every way. We had record sales, we earn our profits through managing the spread on the assets that we build through the sales of annuity

products and our spreads were at all time high levels, despite the great volatility in the market. In addition, we had record operating earnings for 2009, so we were very pleased and very proud to have had such strong financial results in a time of great turmoil. We see that continuing now in 2010, as our sales again are very strong. We just finished the 2nd Quarter of 2010 that was a record quarter in terms of our operating earnings. The biggest issue that we grapple with now on a day-to-day basis is the very low interest rate environment, so we have to put new money to work. In addition, our investments, which are high quality bonds, a lot have been called for redemption this year. Therefore, we have to find new places to invest that money and to maintain the high quality that we demand in our investments and still earn a competitive yield that allows us to meet our spread targets is a challenge in this environment.

CEOCFO: Insurance has been on the forefront of everyone's conversation over the past year, with the government getting involved with the insurance industry. Would you explain the difference between what you sell and other types of insurance?

Ms. Waugaman: That is a very excellent question because there are lots of different types of insurance and I think that it

is easy to confuse the products. We are selling savings products; we sell fixed annuities, which are products where it is a long-term savings plan, where a person deposits a premium payment into us. Typically, it is one premium payment as opposed to a series of them, and then we add interest to that account value, much like you would see interest added to a savings account at a bank. And there is an opportunity at a point in time selected by the policy holder to receive a stream of income from that account and that stream of income will continue for the period that they specify, which can be measured by their life. So an annuity is the only product that we are aware of that offers the holder an opportunity to earn a guaranteed income stream for their life. It is really designed to meet retirement income

needs. The average age of a policy holder is 65, so the products are designed for people who are entering their retirement years and thinking about how to manage their savings in a way that will allow them to see some growth, but also manage their savings over the rest of their lives. And the longevity risk these days is a main focus and is being more and more recognized as a key risk for people as they try to manage money.

CEOCFO: Are there any regulations that you will have to look out for going forward?

Ms. Waugaman: We are heavily regulated by state insurance departments. We are regulated here in Iowa, which is our state of domicile, but also in all other 50 states where we do business. So it is a daily challenge to stay on top of the regulatory environment, because we have to be accountable to all of those different insurance regulators. We have watched with a great interest in the initiatives by the federal government to become involved in the regulation of insurance, including the provisions now in the Dodd Frank Act that created the Federal Office of Insurance. This act gives the Federal Government more power to step-in at various times and regulate insurance companies, and that is a trend that has

been in the works for some time. I do not know whether there is a time when we will have direct federal regulation of insurance companies or the optional federal charter, which is some time this month. But that certainly is the direction that the regulation is moving.

CEOCFO: Many CEO's tell me that their shareholders like for them to go out and promote the stock; what are you doing to attract investors to your company, are you involved with investor relations and are you out doing road shows and investor presentations?

Ms. Waugaman: That is a really big issue for us as American Equity is a smaller cap company that is not exactly a house hold name. We think that we are probably under appreciated in the market based upon the price that our stock trades as compared to the financial results that we have published. Therefore, we think a lot about how to reach out to the shareholder community and tell our story and get our name out. We are covered by several research analysts in the various investment banking firms and we work with them to go out on the road and meet with shareholders. We participate in investor conferences that those firms sponsor, typically on an annual basis. We also speak with investors or potential investors

who call in with questions. We try to be very user friendly and very accessible, so our senior management is always available to respond to questions and we think that it is important to get out and meet with investors. Typically, we are out on about a quarterly basis on road shows to talk to both our existing shareholders, as well as try to cultivate new interest.

CEOCFO: In closing, what would you say to potential investors and why they should consider American Equity Investment Life Holding Company?

Ms. Waugaman: Our company has posted tremendous financial results over the last several years. We have tremendous growth prospects with the aging of the baby boomers, all of the market volatility and the intense focus in retirement savings on guaranteed income streams. So we have a lot of opportunity today to continue the financial success that we have experienced in the past. Today our stock trades at around 60% or 70% of book value, but we think that it is very undervalued and should be a real attractive opportunity for shareholders. So I think that it would be of interest to any shareholder who is looking at a small cap growth and value opportunity.

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