

MEMORANDUM

August 13, 2008

To: File No. S7-14-08

From: Keith Carpenter *KCC*
 Office of Disclosure and Insurance Products Regulation
 Division of Investment Management

Re: Indexed Annuities and Certain Other Insurance Contracts --
 Release No. 33-8933

On July 24, 2008, Andrew Donohue, Jennifer McHugh, Susan Nash, Keith Carpenter, and Michael Kosoff met with John M. Matovina, Vice Chairman, American Equity Investment Life Holding Company, Kevin R. Wingert, President, American Equity Investment Life Insurance Company, Wendy L. Carlson, Chief Financial Officer and General Counsel, American Equity Investment Life Holding Company (American Equity Investment Life Holding Company and American Equity Investment Life Insurance Company, hereinafter "American Equity"), William R. Kunkel of Skadden, Arps, Slate, Meagher and Flom LLP, and David E. Franasiak, Joel G. Oswald, and David A. Starr of Williams and Jensen, PLLC, to discuss the above-referenced proposal.

At the meeting, American Equity provided the following materials: American Equity Investment Life Holding Company, "Proposed Rule 151A" (Tab A) and National Association of Insurance Commissioners, "Closed Confirmed Consumer Complaints by Coverage Type As of June 23, 2008" (updated "Closed Confirmed Consumer Complaints by Coverage Type" available at www.naic.org/documents/cis_aggregate_complaints_by_coverage_types.pdf).

Counsel for American Equity submitted a follow-up letter dated August 7, 2008, providing additional information (Tab B).

Attachments



West Des Moines, IA 50266

American Equity Investment Life Holding Company

Proposed Rule 151A

Fixed Index Annuities = Fixed Annuities



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- **Fixed Index Annuities (“FIA’s) are fixed annuities.**
- **The 151A release incorrectly equates the purchase of an FIA with an investment in a market index.**
- **The only difference between a traditional declared rate annuity and an FIA is the manner in which annual interest is calculated.**
- **In both cases, full contract value, including premium plus interest credited in all prior years, is exposed to no investment risk.**

Comparison of Annuities



West Des Moines, IA 50266

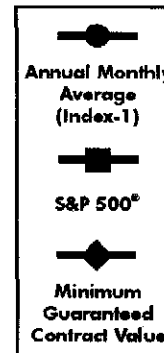
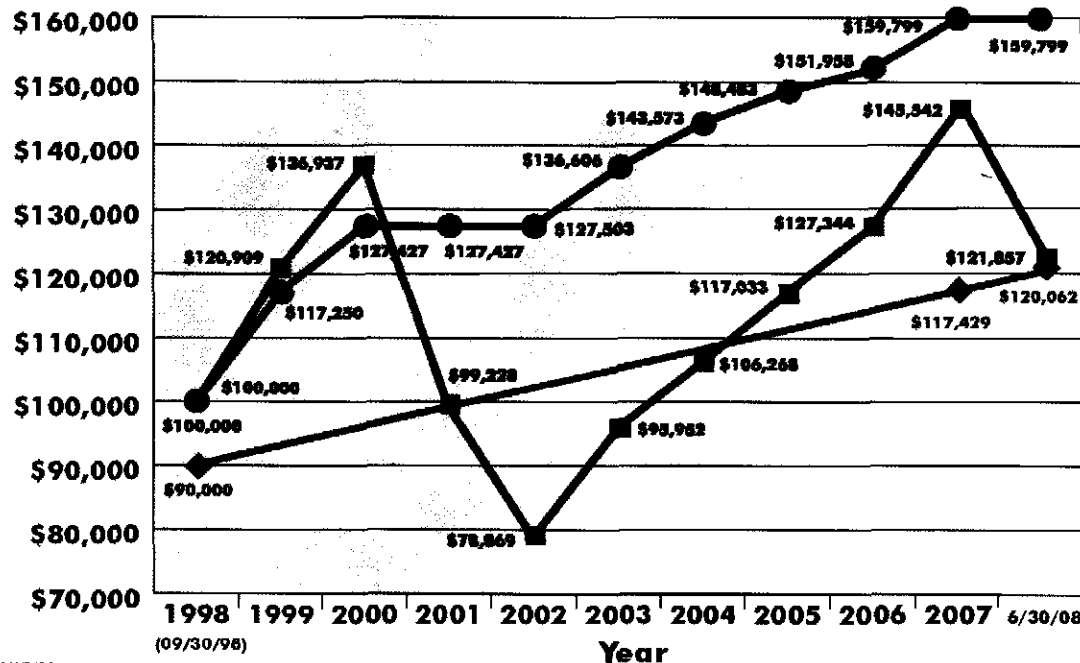
	Declared Rate Annuity	Fixed Index Annuity
Guarantee of premium and minimum interest	✓	✓
Annual interest at rates declared by the insurer	✓	
Annual interest linked to an external index		✓
Tax-deferred growth	✓	✓
No up front sales charges or annual fees	✓	✓
Penalty-free 10% annual withdrawals starting in yr 2	✓	✓
Penalty-free systematic interest withdrawals	✓	✓
Surrender charges apply for withdrawals above 10%, waived at death	✓	✓
Additional liquidity upon nursing home confinement or terminal illness	✓	✓

Understanding FIA Contract Values



The "REAL BENEFITS" of Indexed Annuities with the Annual Reset Design

A history of American Equity's Index-1*
(9/30/98 - 7/17/08)



*This graph is based on actual credited rates for the period shown on the Index-1 product which is no longer available for sale.

Past performance is not an indication of future results. Please call our Marketing Department for new product information.



8109 07/17/08

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Marketing/Consumer Demand



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- **The 151A release incorrectly states that FIA's are marketed and purchased primarily for market gains.**
- **FIA's are marketed and purchased primarily for safety of premium.**
- **FIA's offer consumers the opportunity to earn a somewhat higher interest rate than would be paid on a declared rate product.**

Consumer Investment Risk



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- The 151A release mistakenly states that an FIA purchaser assumes investment risk comparable to a variable annuity or mutual fund.
- FIA investment risk is limited to fluctuations in annual interest.
- Many insurance and bank products not regulated as securities have fluctuating levels of annual interest – including e.g. indexed certificates of deposit (prong 1 of 151A).
- Many insurance products not regulated as securities provide for “excess value” above guaranteed minimums (prong 2 of 151A).

Insurer Investment Risk



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- **Fixed annuity insurers manage their “general account” securities to fund guaranteed FIA contract values.**
- **None of the risk of loss on general account securities is passed through to consumers.**
- **Variable annuities are “separate account” products where all investment experience of securities within the account is passed through to consumers, whether gain or loss.**

Insurance Regulation of Sales Practices



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- **The 151A release incorrectly states that the main focus of state insurance regulation is insurer financial solvency.**
- **State insurance regulation also covers (with some variation by state):**
 - Annuity disclosure requirements
 - Suitability reviews
 - “Free-look” periods
 - Advertising
 - Unfair trade practices
 - Regulation of “replacements”, or exchanges of annuities
 - Market conduct reviews of insurers
 - Levels of consumer guarantees in annuities/surrender charges
 - Agent licensing and training (specific FIA training in some states)
 - Insurance agent penalties for violations of sales rules

Complaints/Abusive Sales Practices



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- The 151A release incorrectly states that complaints and abusive FIA sales practices are sharply increasing.
- NAIC complaint data shows fewer complaints regarding FIA's than VA's or other types of annuities.
- NASAA maintains no complaint data.
- The NBC Dateline segment on FIA's featured only one actual consumer.

Protection of the Elderly



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- **The 151A release incorrectly states that fraud and abuse in sales to the elderly are closely linked to FIA's.**
- **Securities regulation has been no more and no less effective than state insurance regulation in protecting seniors from unscrupulous sales practices in sales of financial products.**
- **State insurance regulators are implementing new and enhanced protections for seniors, just as securities regulators are.**

American Equity



West Des Moines, IA 50266

- No American Equity policyholder has ever lost a dime of contract value as a result of market volatility.
- American Equity requires the use of clear and concise disclosures in all sales in all states.
- American Equity conducts suitability reviews of all sales in all states.
- American Equity has a complaint ratio of less than 0.2% of all policyholders.
- American Equity trains its agents in suitability and disclosure in FIA sales.

WILLIAMS & JENSEN, PLLC

August 7, 2008

Andrew J. Donohue
Division of Investment Mangement
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Mr. Donohue:

We again thank you for taking the time to meet with Kevin Wingert, President of American Equity, Wendy Carlson, Chief Financial Officer and General Counsel of American Equity, and John Matovina, Vice Chairman of American Equity, on July 24, 2008, to discuss concerns relating to the Securities and Exchange Commission's proposed rule on Indexed Annuities and Certain other Insurance Contracts (File No. S7-14-08).

We appreciated the dialogue regarding fixed indexed annuities and their regulation. In following up with our meeting with you, we are submitting data relating to the average age of purchasers of fixed index annuities. American Equity calculates average issue age data on a quarterly basis. This calculation, which is performed by American Equity's actuarial department, is a weighted average based upon annuity contract values. Over the last several years American Equity has observed a declining trend in the average issue age. The charts in Attachment A illustrate the percentage of fund value by policyholder's age.

In addition, we are providing you with information about the percentage of complaints per sales of annuities. Attachment B compares the complaints per sales of total annuities and the complaints per sales of equity indexed annuities. So far in 2008, there have been 7.303 complaints per one billion dollars in total annuity sales. For the same time period this year, there have been 5.367 complaints per one billion dollars in total equity indexed annuity sales, reflecting the lower complaint rate for such annuities compared to total annuity sales. Data from prior years also illustrate the lower number of complaints for indexed annuities per dollar of sales volume. Unfortunately, we have not been able to secure comparable data from FINRA relating to the number of complaints for variable annuities.

Please let us know if you have further questions or need additional information.

Sincerely,



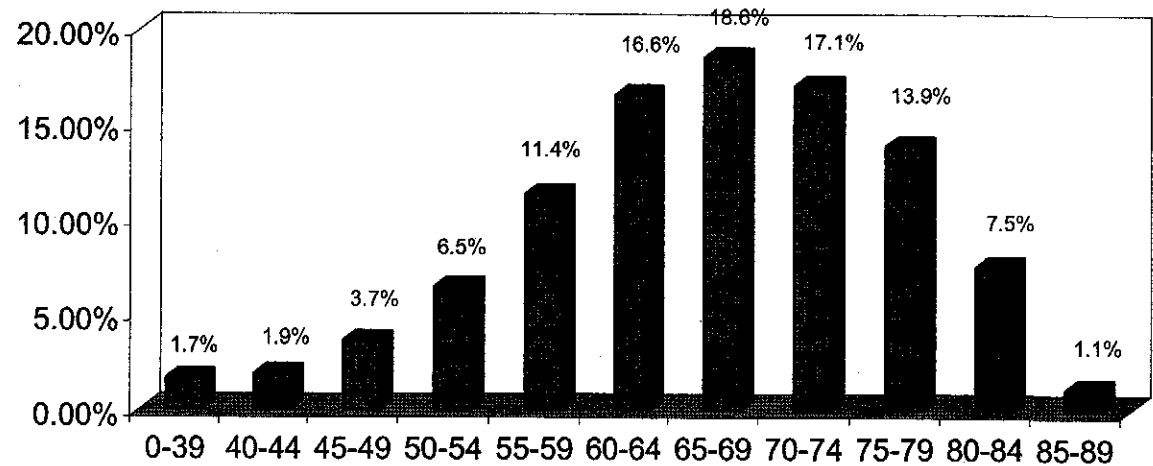
David E. Frasiak

cc: Susan Nash, Associate Director
Keith Carpenter, Senior Special Counsel
Jennifer McHugh, Sr. Advisor to the Dir.
Michael Kosoff, Attorney

Appendix A

Age	All Products		
	Count	Fund Value	% AV
0-39	9,876	254,418,576	1.69%
40-44	8,215	291,087,492	1.94%
45-49	13,284	550,564,938	3.66%
50-54	19,693	972,962,913	6.48%
55-59	29,407	1,708,508,259	11.37%
60-64	39,897	2,490,529,309	16.58%
65-69	47,017	2,789,012,703	18.57%
70-74	44,457	2,564,437,468	17.07%
75-79	35,903	2,091,798,046	13.92%
80-84	18,269	1,134,585,999	7.55%
85-89	2,457	173,083,768	1.15%
90+	19	1,299,194	0.01%

Percentage of Fund Value by Policyholder's Age



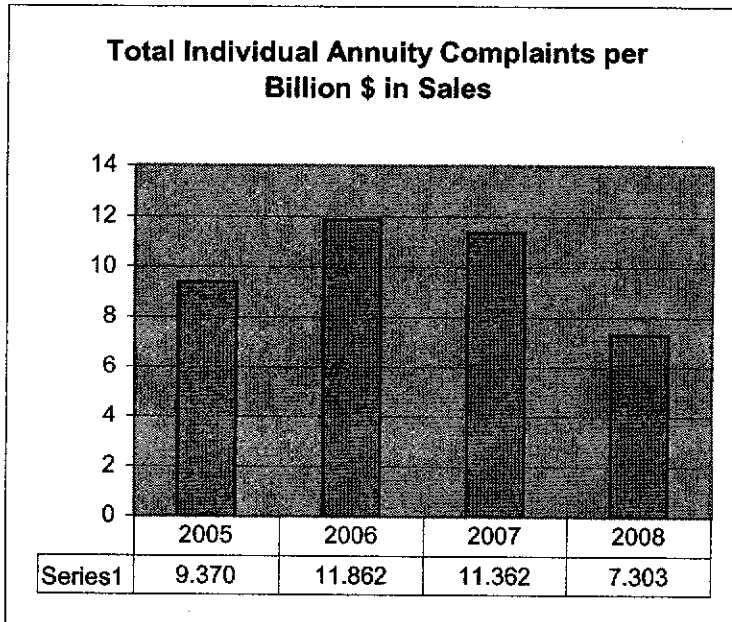
Appendix B

Total Individual Annuities

Year	Total Individual Annuity Complaints (a)	Total Annuity Sales (\$ in billions) (b)	Complaints per Billion \$ in Sales
2005	2024	216	9.370
2006	2835	239	11.862
2007	2920	257	11.362
2008	65	63.4	7.303

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Figure is 1st quarter only
(source - www.limra.com)

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(source - www.limra.com)



(a) Source - www.naic.org
(b) Source - www.limra.org

Complaint Comparison per Premium Dollar

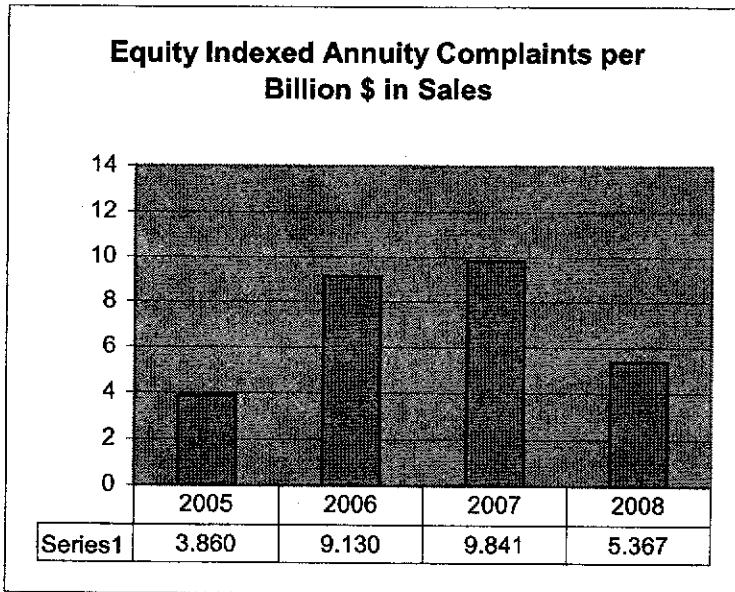
Appendix B, continued

Equity Indexed Annuities

Year	Equity Indexed Annuity Complaints (a)	Equity Indexed Annuity Sales (\$ in billions) (c)	Complaints per Billion \$ in Sales
2005	105	\$ 27.20	3.860
2006	231	\$ 25.30	9.130
2007	248	\$ 25.20	9.841
2008	3	\$ 5.78	5.367

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Figure is 1st quarter only
(source - www.indexannuity.org)

Equity Indexed Annuity Complaints per Billion \$ in Sales
 Total 2008 figures is 231/25.20/9.841
 Source: NAIC



(a) Source - www.naic.org

(c) Source - www.indexannuity.org

Complaint Comparison per Premium Dollar