EWING ROBERT A
Form 4
November 26, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person [*]
EWING ROBERT A

(Last) (First) (Middle)

1455 VALLEY ROAD

(Street)

WAYNE, NJ 07470

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
VALLEY NATIONAL BANCORP [VLY]

3. Date of Earliest Transaction (Month/Day/Year)
11/17/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/17/2008		A		300 [(1)]	A	$ 0	4,246	D	
Common Stock (401k Plan)								607	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. D S (I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Options	$ 17.31	11/17/2008		A		1,000 (2)		11/17/2009	11/17/2018	Common Stock	1,000	
Stock Options	$ 15.89							05/30/2002	05/30/2011	Common Stock	2,094	
Stock Options	$ 18.32							11/07/2002	11/07/2011	Common Stock	2,094	
Stock Options	$ 19.66							11/18/2003	11/18/2012	Common Stock	1,676	
Stock Options	$ 22.92							11/17/2004	11/17/2013	Common Stock	1,596	
Stock Options	$ 23.01							11/16/2005	11/16/2014	Common Stock	1,520	
Stock Options	$ 21.31							11/14/2006	11/14/2015	Common Stock	1,448	
Stock Options	$ 23.32							11/13/2007	11/13/2016	Common Stock	1,379	
Stock Options	$ 18.15							11/14/2008	11/14/2017	Common Stock	1,313	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
EWING ROBERT A 1455 VALLEY ROAD WAYNE, NJ 07470			Senior Vice President	

Signatures

/s/ M. NASETTE ARANDA, AS ATTORNEY-IN-FACT	11/26/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Restricted shares granted under the 1999 Long Term Incentive Stock Plan, with five-year equal vesting beginning at grant date.

(2) Granted under VNB 1999 Long Term Stock Incentive Plan, exercisable in five equal installments beginning one year from the grant date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

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$
8,585

December 31, 2015

South Atlantic

6

$
11,155

$
(2,992
)

$
8,163

East North Central

2

3,306

(467
)

2,839

West North Central

1

5,913

—

5,913

9

$
20,374

$
(3,459
)

$
16,915

24

5. Derivative Instruments

None of our derivatives qualify for hedge accounting, thus, any change in the fair value of the derivatives is recognized immediately in the consolidated statements of operations. The fair value of our derivative instruments, including derivative instruments embedded in fixed index annuity contracts, presented in the consolidated balance sheets are as follows:

	March 31, 2016	December 31, 2015
	(Dollars in thousands)	
Assets		
Derivative instruments		
Call options	$387,469	$ 337,256
Other assets		
Interest rate caps	740	1,410
	$388,209	$ 338,666
Liabilities		
Policy benefit reserves - annuity products		
Fixed index annuities - embedded derivatives	$6,254,466	$ 5,983,622
Other liabilities		
Interest rate swap	5,375	3,139
	$6,259,841	$ 5,986,761

The changes in fair value of derivatives included in the unaudited consolidated statements of operations are as follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Change in fair value of derivatives:		
Call options	$(70,751)	$(29,220)
2015 notes hedges	—	567
Interest rate swap	(2,644)	(1,761)
Interest rate caps	(670)	(686)
	$(74,065)	$(31,100)
Change in fair value of embedded derivatives:		
Fixed index annuities—embedded derivatives	$179,715	$(69,877)
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	86,142	120,523
2015 notes embedded conversion derivative	—	567
	$265,857	$51,213

The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represents the total change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date, less the change in fair value of our fixed index annuities embedded derivatives that is presented as Level 3 liabilities in Note 2.

We have fixed index annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index. When fixed index annuity deposits are received, a portion of the deposit is used to purchase derivatives consisting of call options on the applicable market indices to fund the index credits due to fixed index annuity policyholders. Substantially all such call options are one year options purchased to match the funding requirements of the underlying policies. The call options are marked to fair value with the change in fair value included as a component of revenues. The change in fair value of derivatives includes the gains or losses recognized at the expiration of the option term or upon early termination and the changes in fair value for open positions. On the respective anniversary dates of the index policies, the index used to compute the annual index credit is reset and we purchase new one-year call options to fund the next annual index credit. We manage the cost of these purchases through the terms of our fixed index annuities, which permit us to change caps, participation rates, and/or asset fees, subject to guaranteed minimums on each policy's anniversary date. By adjusting caps, participation rates, or asset fees, we can generally manage option costs except in cases where the contractual features would prevent further modifications.

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Our strategy attempts to mitigate any potential risk of loss due to the nonperformance of the counterparties to these call options through a regular monitoring process which evaluates the program's effectiveness. We do not purchase call options that would require payment or collateral to another institution and our call options do not contain counterparty credit-risk-related contingent features. We are exposed to risk of loss in the event of nonperformance by the counterparties and, accordingly, we purchase our option contracts from multiple counterparties and evaluate the creditworthiness of all counterparties prior to purchase of the contracts. All of these options have been purchased from nationally recognized financial institutions with a Standard and Poor's credit rating of A- or higher at the time of purchase and the maximum credit exposure to any single counterparty is subject to concentration limits. We also have credit support agreements that allow us to request the counterparty to provide collateral to us when the fair value of our exposure to the counterparty exceeds specified amounts.

The notional amount and fair value of our call options by counterparty and each counterparty's current credit rating are as follows:

			March 31, 2016		December 31, 2015	
Counterparty	Credit Rating (S&P)	Credit Rating (Moody's)	Notional Amount	Fair Value	Notional Amount	Fair Value
			(Dollars in thousands)			
Bank of America	A	A1	$ 6,697,638	$ 78,296	$ 6,257,861	$ 67,662
Barclays	A-	A2	2,290,633	37,769	2,463,768	35,273
BNP Paribas	A	A1	1,351,337	20,456	1,520,710	16,944
Citibank, N.A.	A	A1	3,749,452	23,432	3,786,498	23,587
Credit Suisse	A	A2	1,610,605	25,342	1,278,492	12,508
Deutsche Bank	BBB+	Baa1	1,042,549	6,063	1,349,002	10,704
J.P. Morgan	A+	Aa3	1,087,115	15,110	838,982	5,283
Morgan Stanley	A	A1	3,272,374	23,861	3,465,457	33,171
Royal Bank of Canada	AA-	Aa3	2,949,467	50,617	2,820,410	48,654
SunTrust	A-	Baa1	1,342,568	26,269	1,308,434	20,028
Wells Fargo	AA-	Aa2	4,481,969	80,254	4,187,955	63,442
			$ 29,875,707	$ 387,469	$ 29,277,569	$ 337,256

As of March 31, 2016 and December 31, 2015, we held $326.2 million and $349.8 million, respectively, of cash and cash equivalents and other securities from counterparties for derivative collateral, which is included in other liabilities on our consolidated balance sheets. This derivative collateral limits the maximum amount of economic loss due to credit risk that we would incur if parties to the call options failed completely to perform according to the terms of the contracts to $74.4 million and $36.9 million at March 31, 2016 and December 31, 2015, respectively.

The future annual index credits on our fixed index annuities are treated as a "series of embedded derivatives" over the expected life of the applicable contract. We do not purchase call options to fund the index liabilities which may arise after the next policy anniversary date. We must value both the call options and the related forward embedded options in the policies at fair value.

We entered into an interest rate swap and interest rate caps to manage interest rate risk associated with the floating rate component on certain of our subordinated debentures. See Note 10 in our Annual Report on Form 10-K for the year ended December 31, 2015 for more information on our subordinated debentures. The terms of the interest rate swap provide that we pay a fixed rate of interest and receive a floating rate of interest. The terms of the interest rate caps limit the three month London Interbank Offered Rate ("LIBOR") to 2.50%. The interest rate swap and caps are not effective hedges under accounting guidance for derivative instruments and hedging activities. Therefore, we record the interest rate swap and caps at fair value and any net cash payments received or paid are included in the change in fair value of derivatives in the unaudited consolidated statements of operations.

Details regarding the interest rate swap are as follows:

Notional	Pay	March 31, 2016	December 31, 2015

Maturity Date	Amount	Receive Rate	Rate	Counterparty	Fair Value	Fair Value
					(Dollars in thousands)	
March 15, 2021	$85,500	LIBOR	2.415%	SunTrust	$(5,375)	$ (3,139)

Details regarding the interest rate caps are as follows:

	Notional		Cap		March 31, 2016	December 31, 2015
Maturity Date	Amount	Floating Rate	Rate	Counterparty	Fair Value	Fair Value
					(Dollars in thousands)	
July 7, 2021	$40,000	LIBOR	2.50%	SunTrust	$370	$ 708
July 8, 2021	12,000	LIBOR	2.50%	SunTrust	111	212
July 29, 2021	27,000	LIBOR	2.50%	SunTrust	259	490
	$79,000				$740	$ 1,410

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The interest rate swap converts floating rates to fixed rates for seven years which began in March 2014. The interest rate caps cap our interest rates for seven years which began in July 2014. As of March 31, 2016, we deposited $4.3 million of collateral with the counterparty to the swap.

In September 2010, concurrently with the issuance of $200.0 million principal amount of 3.50% Convertible Senior Notes due September 15, 2015 (the "2015 notes"), we entered into hedge transactions (the "2015 notes hedges") with two counterparties whereby we would receive the cash equivalent of the conversion spread on 16.0 million shares of our common stock based upon a strike price of $12.50 per share, subject to certain conversion rate adjustments in the 2015 notes. The 2015 notes hedges were accounted for as derivative assets and were included in other assets in our consolidated balance sheets. The 2015 notes hedges and the 2015 notes embedded conversion derivative liability were settled with the extinguishment of the 2015 notes in 2015. The 2015 notes hedges and 2015 notes embedded conversion derivative were adjusted to fair value each reporting period and unrealized gains and losses are reflected in our consolidated statements of operations.

In separate transactions, we sold warrants (the "2015 warrants") to the 2015 notes hedges counterparties for the purchase of up to 16.0 million shares of our common stock at a price of $16.00 per share. We received $15.6 million in cash proceeds from the sale of the 2015 warrants, which was recorded as an increase in additional paid-in capital. The number of shares and strike price of the warrants are subject to adjustment based on dividends we pay subsequent to selling the warrants. The warrants expire on various dates from December 2015 through June 2016. Changes in the fair value of these warrants will not be recognized in our consolidated financial statements as long as the instruments remain classified as equity.

In December 2015, we began settling the 2015 warrants in net shares on a weekly basis, and as of March 31, 2016, 127,767 shares of our common stock have been delivered to holders of the expiring warrants. 2015 warrants remained outstanding on 0.8 million and 1.6 million shares of our common stock at a strike price of $15.59 per share at March 31, 2016 and December 31, 2015, respectively. The average price of our common stock exceeded the strike price of the 2015 warrants for the three months ended March 31, 2016 and 2015, and the effect has been included in diluted earnings per share for both periods.

6. Notes Payable

We have a $140 million unsecured revolving line of credit agreement with five banks that terminates on November 22, 2017. The interest rate is floating at a rate based on our election that will be equal to the alternate base rate (as defined in the credit agreement) plus the applicable margin or the adjusted LIBOR rate (as defined in the credit agreement) plus the applicable margin. We also pay a commitment fee based on the available unused portion of the credit facility. The applicable margin and commitment fee rate are based on our credit rating and can change throughout the period of the credit facility. Based upon our current credit rating, the applicable margin is 0.75% for alternate base rate borrowings and 1.75% for adjusted LIBOR rate borrowings, and the commitment fee is 0.30%. Under this agreement, we are required to maintain a minimum risk-based capital ratio at our subsidiary, American Equity Investment Life Insurance Company ("American Equity Life"), of 275%, a maximum ratio of adjusted debt to total adjusted capital of 0.35, and a minimum level of statutory surplus at American Equity Life equal to the sum of 1) 80% of statutory surplus at September 30, 2013, 2) 50% of the statutory net income for each fiscal quarter ending after September 30, 2013, and 3) 50% of all capital contributed to American Equity Life after September 30, 2013. The agreement contains an accordion feature that allows us, on up to three occasions and subject to credit availability, to increase the credit facility by an additional $50 million in the aggregate. We also have the ability to extend the maturity date by an additional one year past the initial maturity date of November 22, 2017 with the consent of the extending banks. There are currently no guarantors of the credit facility, but certain of our subsidiaries must guarantee our obligations under the credit agreement if such subsidiaries guarantee other material amounts of our debt. No amounts were outstanding at March 31, 2016 and December 31, 2015. As of March 31, 2016, $370.7 million is unrestricted and could be distributed to shareholders and still be in compliance with all covenants under this credit agreement.

As part of our investment strategy, we enter into securities repurchase agreements (short-term collateralized borrowings). The maximum amount borrowed was $40.6 million during the three months ended March 31, 2015. When we do borrow cash on these repurchase agreements, we pledge collateral in the form of debt securities with fair values approximately equal to the amount due and we use the cash to purchase debt securities ahead of the time we collect the cash from selling annuity policies to avoid a lag between the investment of funds and the obligation to credit interest to policyholders. We earn investment income on the securities purchased with these borrowings at a rate in excess of the cost of these borrowings. Such borrowings averaged $1.9 million for the three months ended March 31, 2015. We had no borrowings under repurchase agreements during the three months ended March 31, 2016. The weighted average interest rate on amounts due under repurchase agreements was 0.39% for the three months ended March 31, 2015.

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7. Commitments and Contingencies

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 Securities and Exchange Commission, Financial Industry Regulatory Authority, 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.

In accordance with applicable accounting guidelines, we establish an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. As a litigation or regulatory matter is developing we, in conjunction with outside counsel, evaluate on an ongoing basis whether the matter presents a loss contingency that meets conditions indicating the need for accrual and/or disclosure, and if not the matter will continue to be monitored for further developments. If and when the loss contingency related to litigation or regulatory matters is deemed to be both probable and estimable, we will establish an accrued liability with respect to that matter and will continue to monitor the matter for further developments that may affect the amount of the accrued liability.

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 were a defendant in a purported class action, McCormack, et al. v. American Equity Investment Life Insurance Company, et al., in the United States District Court for the Central District of California, Western Division and Anagnostis v. American Equity, et al., coordinated in the Central District, entitled, In Re: American Equity Annuity Practices and Sales Litigation (complaint filed September 7, 2005) (the "Los Angeles Case"), involving allegations of improper sales practices and similar claims.

The Los Angeles Case was a consolidated action involving several lawsuits filed by putative class members seeking class action status for a national class of purchasers of annuities issued by us. On July 30, 2013, the parties entered into a settlement agreement and stipulated to certification of the case as a class action for settlement purposes only. Notice of the terms of the settlement was mailed to the members of the class on October 7, 2013 and settlement claim forms were due from members of the class on or before December 6, 2013. On January 27, 2014, a hearing was held regarding the fairness of the settlement. On January 29, 2014, the District Court signed a final order approving the settlement and finding the settlement is fair and represents a complete resolution of all claims asserted on behalf of the class. On January 30, 2014, a final judgment was entered dismissing the case on the merits and with prejudice. On February 28, 2014, a member of the class filed an appeal of the District Court's approval of the terms of the settlement agreement with the United States Court of Appeals for the Ninth Circuit. On February 17, 2016, the United States Court of Appeals for the Ninth Circuit affirmed the District Court's approval of attorneys' fees and its approval of the settlement agreement. On March 2, 2016, the same class member filed a petition for panel rehearing and rehearing en banc. On April 6, 2016, the United States Court of Appeals for the Ninth Circuit denied the petition for panel rehearing and rehearing en banc. On April 15, 2016, the United States Court of Appeals for the Ninth Circuit issued a mandate, returning the matter to the United States District Court for the Central District of California.

The estimated litigation liability at March 31, 2016 is $11.1 million. While review of the claim forms has been stayed due to the appeal and it is difficult to predict the amount of the liabilities that will ultimately result from the completion of the claims process, the $11.1 million litigation liability represents our best estimate of probable loss with respect to this litigation. In light of the inherent uncertainties involved in the matter described above, there can be no assurance that such litigation, or any other pending or future litigation, will not have a material adverse effect on our business, financial condition, or results of operations.

In addition to our commitments to fund mortgage loans, we have unfunded commitments at March 31, 2016 to limited partnerships of $41.9 million and to secured bank loans of $13.3 million.

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8. Earnings (Loss) Per Share and Stockholders' Equity

Earnings (Loss) Per Share

The following table sets forth the computation of earnings (loss) per common share and earnings (loss) per common share - assuming dilution:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands, except per share data)	
Numerator:		
Net income (loss) - numerator for earnings (loss) per common share	$(44,841)	$ 5,903
Denominator:		
Weighted average common shares outstanding (1)	82,128,911	77,041,704
Effect of dilutive securities:		
2015 warrants	60,878	806,485
Stock options and deferred compensation agreements	492,567	1,159,334
Restricted stock and restricted stock units	279,139	110,511
Denominator for earnings (loss) per common share - assuming dilution	82,961,495	79,118,034
Earnings (loss) per common share	$(0.55)	$ 0.08
Earnings (loss) per common share - assuming dilution	$(0.55)	$ 0.07

(1) Weighted average common shares outstanding include shares vested under the NMO Deferred Compensation Plan.

Options to purchase shares of our common stock that were outstanding during the respective periods indicated but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares are as follows:

Period	Number of Shares	Range of Exercise Prices	
		Minimum	Maximum
Three months ended March 31, 2016	1,061,541	$24.79	$24.79
Three months ended March 31, 2015	—	$—	$—

Stockholders' Equity

In August 2015, we completed an underwritten public offering of 8,600,000 shares of our common stock at a public offering price of $25.25 per share, of which 4,300,000 shares are subject to a forward sale agreement. The underwriters exercised in full their option to purchase 1,290,000 additional shares of common stock, which is subject to a separate forward sale agreement. Settlement of the forward sale agreements will occur on one or more dates occurring no later than 12 months after August 12, 2015, the closing date of the offering. If we elect to exercise our rights to physically settle the forward sales agreements, we intend to use the net proceeds from the settlement to make contributions to the capital and surplus of our life insurance subsidiaries to support their continued growth and maintain desired financial strength ratings.

The forward sale agreements had no initial fair value since they were entered into at the then market price of the common stock. The forward sale agreements are equity instruments and they qualify for an exception from derivative and fair value accounting.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis reviews our unaudited consolidated financial position at March 31, 2016, and the unaudited consolidated results of operations for the three month periods ended March 31, 2016 and 2015, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with our unaudited consolidated financial statements and notes thereto appearing elsewhere in this Form 10-Q, and the audited consolidated financial statements, notes thereto and selected consolidated financial data appearing in our Annual Report on Form 10-K for the year ended December 31, 2015.

Cautionary Statement Regarding Forward-Looking Information

All statements, trend analyses and other information contained in this report and elsewhere (such as in filings by us with the Securities and Exchange Commission ("SEC"), press releases, presentations by us or our management or oral statements) relative to markets for our products and trends in our operations or financial results, as well as other statements including words such as "anticipate", "believe", "plan", "estimate", "expect", "intend", and other similar expressions, constitute forward-looking statements. We caution that these statements may and often do vary from actual results and the differences between these statements and actual results can be material. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. Factors that could contribute to these differences include, among other things:

- general economic conditions and other factors, including prevailing interest rate levels and stock and credit market performance which may affect (among other things) our ability to sell our products, our ability to access capital resources and the costs associated therewith, the fair value of our investments, which could result in impairments and other than temporary impairments, and certain liabilities, and the lapse rate and profitability of policies;
- customer response to new products and marketing initiatives;
- changes in Federal income tax laws and regulations which may affect the relative income tax advantages of our products;
- increasing competition in the sale of annuities;
- regulatory changes or actions, including those relating to regulation of financial services affecting (among other things) bank sales and underwriting of insurance products and regulation of the sale, underwriting and pricing of products; and
- the risk factors or uncertainties listed from time to time in our filings with the SEC.

For a detailed discussion of these and other factors that might affect our performance, see Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015 and Item 1A of our Quarterly Report on Form 10-Q for the three months ended March 31, 2016.

Overview

We specialize in the sale of individual annuities (primarily deferred annuities) and, to a lesser extent, we also sell life insurance policies. Under U.S. generally accepted accounting principles ("GAAP"), premium collections for deferred annuities are reported as deposit liabilities instead of as revenues. Similarly, cash payments to policyholders are reported as decreases in the liabilities for policyholder account balances and not as expenses. Sources of revenues for products accounted for as deposit liabilities are net investment income, surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders, net realized gains (losses) on investments and changes in fair value of derivatives. Components of expenses for products accounted for as deposit liabilities are interest sensitive and index product benefits (primarily interest credited to account balances), changes in fair value of embedded derivatives, amortization of deferred sales inducements and deferred policy acquisition costs, other operating costs and expenses and income taxes.

Our business model contemplates continued growth in invested assets and operating income while maintaining a high quality investment portfolio that will not experience significant losses from impairments of invested assets. We are committed to maintaining a high quality investment portfolio with limited exposure to below investment grade securities and other riskier assets. Growth in invested assets is predicated on a continuation of our high sales achievements of the last five years while at the same time maintaining a high level of retention of the funds received. The economic and personal investing environments continue to be conducive for high sales levels as retirees and others look to put their money in instruments that will protect their principal and provide them with consistent cash flow sources in their retirement years. However, the U.S. Department of Labor (“DOL”) issued its final conflict of interest fiduciary rule and related prohibited transaction exemptions on April 6, 2016. The DOL rule prohibits the payments of commissions on the sales of annuities to qualified accounts unless those commissions are paid pursuant to one of two specified exemptions. A significant portion of our fixed index annuity sales are to individual retirement accounts through independent insurance agents which could be adversely affected when the rule takes effect in April 2017. Sales of fixed index annuities through broker/dealers and banks would also be affected but a smaller portion of our fixed index annuity sales in those distribution channels are to qualified accounts. We are continuing to analyze the rule and developing our strategy for compliance and products. If the rule goes into effect as issued last month, the disruption in fixed index annuity sales could be partially mitigated by updating and expanding our menu of traditional declared rate fixed annuities that offer lifetime income benefit riders. While these products would also be subject to the new DOL rule, they are covered under the less onerous of the two prohibited transaction exemptions. For additional discussion of the DOL rule and the risks it poses to our business, see Part II Item 1A of this report.

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In August 2015, we completed an underwritten public offering of 9,890,000 shares of our common stock at a public offering price of $25.25 per share, of which 5,590,000 shares are subject to forward sale agreements. The forward sale agreements provide us with flexibility in managing our capital based upon sales levels. The net proceeds available to us through physical settlement of the forward sale agreements based on the forward sale price would be approximately $134.6 million. We intend to physically settle the forward sales agreements on or before their maturity date in August 2016 by delivery of the shares subject to the agreements and intend to use the net proceeds from the settlement to make contributions to the capital and surplus of our life insurance subsidiaries to support their continued growth and maintain desired financial strength ratings.

Earnings from products accounted for as deposit liabilities are primarily generated from the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholder, or the "investment spread." Our investment spread is summarized as follows:

	Three Months Ended March 31,	
	2016	2015
Average yield on invested assets	4.58%	4.74%
Aggregate cost of money	1.93%	1.97%
Aggregate investment spread	2.65%	2.77%
Impact of:		
Investment yield - additional prepayment income	0.08%	0.01%
Cost of money benefit of over hedging	—%	0.07%

The cost of money for fixed index annuities and average crediting rates for fixed rate annuities are computed based upon policyholder account balances and do not include the impact of amortization of deferred sales inducements. See Critical Accounting Policies - Deferred Policy Acquisition Costs and Deferred Sales Inducements included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2015.

With respect to our fixed index annuities, the cost of money includes the average crediting rate on amounts allocated to the fixed rate strategy, expenses we incur to fund the annual index credits and where applicable, minimum guaranteed interest credited. Proceeds received upon expiration or early termination of call options purchased to fund annual index credits are recorded as part of the change in fair value of derivatives, and are largely offset by an expense for interest credited to annuity policyholder account balances. See Critical Accounting Policies - Policy Liabilities for Fixed Index Annuities and Financial Condition - Derivative Instruments included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2015.

We are currently in the midst of an unprecedented period of low interest rates. In response to this persistent low interest rate environment, we have been reducing policyholder crediting rates for new annuities and existing annuities since the fourth quarter of 2011. Spread results for the 2016 and 2015 periods reflect the benefit from these reductions; however, the reductions in cost of money were offset by continued lower yields available on investments. In April 2016, we reduced new money rates on many of our products by approximately 10 basis points.

The current interest rate environment with low yields for investments with the credit quality we prefer presents a strong headwind to restoring our investment spread to the 3.00% target rate. With our portfolio yield still under pressure from lower rates on benchmark U.S. Treasury securities and narrower credit spreads, further adjustments to new and renewal crediting rates are being planned. We have on average 0.52% of room to reduce rates before we would reach guaranteed rates on the entire March 31, 2016 in force book of business. We remain aware of our spread and return on average equity objectives and will make further adjustments to new money and renewal rates based upon changes in investing and market conditions.

Our profitability depends in large part upon the amount of assets under our management, investment spreads we earn on our policyholder account balances, our ability to manage our investment portfolio to maximize returns and minimize risks such as interest rate changes and defaults or impairment of investments, our ability to manage interest rates credited to policyholders and costs of the options purchased to fund the annual index credits on our fixed index annuities, our ability to manage the costs of acquiring new business (principally commissions to agents and bonuses credited to policyholders) and our ability to manage our operating expenses.

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Results of Operations for the Three Months Ended March 31, 2016 and 2015

Annuity deposits by product type collected during the three months ended March 31, 2016 and 2015, were as follows:

	Three Months Ended	
	March 31,	
Product Type	2016	2015
	(Dollars in thousands)	
Fixed index annuities	$1,688,002	$1,227,240
Annual reset fixed rate annuities	16,705	11,050
Multi-year fixed rate annuities	385,032	69,502
Single premium immediate annuities	5,314	8,532
Total before coinsurance ceded	2,095,053	1,316,324
Coinsurance ceded	460,986	104,994
Net after coinsurance ceded	$1,634,067	$1,211,330

Annuity deposits before coinsurance ceded increased 59% during the first quarter of 2016 compared to the same period in 2015. We attribute the increase in sales to our attractive product offerings, our consistent presence in the fixed index annuity market, our continued strong relationships with and excellent service provided to our distribution partners, the increased attractiveness of safe money products in volatile markets and lower interest rates on competing products such as bank certificates of deposit. In addition, the rates on our multi-year rate guaranteed (MYGA) fixed annuity products were highly competitive during the first quarter of 2016 and translated into a significant increase in sales of those products.

We coinsure 80% of the premiums received from (1) MYGA fixed annuity products and (2) fixed index annuities sold by Eagle Life Insurance Company through broker/dealers and banks. The increase in coinsurance ceded premiums is attributable to the increases in premiums from these sources. Eagle Life's fixed index annuity premiums increased to $187.3 million in the first quarter of 2016 compared to $60.9 million in the same period of 2015. This increase was attributable to an expansion in the number of distribution relationships selling Eagle Life's fixed index annuities from 28 relationships in the first quarter of 2015 to 46 relationships in the first quarter of 2016 and increased sales from each of the relationships that were selling Eagle Life's fixed index annuities in both periods.

Net income (loss), in general, has been positively impacted by the growth in the volume of business in force and the investment spread earned on this business. The average amount of annuity liabilities outstanding (net of annuity liabilities ceded under coinsurance agreements) increased 17% to $41.9 billion for the first quarter of 2016 compared to $35.9 billion for the same period in 2015. Our investment spread measured in dollars was $243.6 million for the first quarter of 2016 compared to $217.7 million for the same period in 2015. As previously mentioned, our investment spread has been negatively impacted by the extended low interest rate environment (see Net investment income).

Net income (loss) is also impacted by the change in fair value of derivatives and embedded derivatives which fluctuates from period to period based upon changes in fair values of call options purchased to fund the annual index credits for fixed index annuities and changes in interest rates used to discount the embedded derivative liability. Net income for the three months ended March 31, 2016 and 2015 was negatively impacted by decreases in the discount rates used to estimate the fair value of our embedded derivative liabilities.

We periodically revise the assumptions used in the calculation of amortization of deferred policy acquisition costs and deferred sales inducements retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of realized investment gains and losses) to be realized from a group of products are revised. We review these assumptions quarterly and as a result of this review, we made adjustments in the first quarter of 2016 to lower future investment spread assumptions. Review of the investment spread assumptions over the last two quarters as compared to actual investment spreads being earned showed actual investment spread and gross profits being less than what we were assuming in our models due to decreases in the average yield earned on invested assets resulting from the continued low interest rate environment. For the three months ended March 31, 2016, the impact of unlocking increased amortization of deferred sales inducements and deferred policy acquisition costs by $17.9 million and $26.1 million, respectively, and increased the net loss and loss per common share-assuming dilution by $28.4 million and $0.35 per share, respectively.

Operating income (a non-GAAP financial measure) decreased 57% to $21.0 million in the first quarter of 2016 compared to $48.8 million for the same period in 2015.

In addition to net income (loss), 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 (loss) adjusted to eliminate the impact of net realized gains and losses on investments including net OTTI losses recognized in operations and fair value changes in derivatives and embedded derivatives. 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 (loss) provides information that may enhance an investor's understanding of our underlying results and profitability.

Operating income is not a substitute for net income (loss) 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 experience significant net realized losses from our investment portfolio. We could also produce a high level of net income in a given period, despite poor operating performance, if in that period we generate significant net realized gains from our investment portfolio. As an example of another limitation of operating income, it does not include the decrease in cash flows expected to be collected as a result of credit loss OTTI. Therefore, our management reviews 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 examines net income (loss) as part of their review of our overall financial results.

The adjustments made to net income (loss) to arrive at operating income for the three months ended March 31, 2016 and 2015 are set forth in the table that follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Reconciliation of net income (loss) to operating income:		
Net income (loss)	$(44,841)	$5,903
Adjustments to arrive at operating income:		
Net realized (gains) losses and net OTTI losses on investments, net of offsets	745	(1,819)
Change in fair value of derivatives and embedded derivatives - index annuities, net of offsets	63,477	43,657
Change in fair value of derivatives and embedded derivatives - debt, net of income taxes	1,617	1,077
Operating income	$20,998	$48,818

The amounts disclosed in the reconciliation above are net of income taxes and where applicable, are net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.

Operating income for the three months ended March 31, 2016 includes expense from unlocking which increased amortization of deferred sales inducements by $18.1 million and amortization of deferred policy acquisition costs by $26.3 million and decreased operating income by $28.6 million.

Annuity product charges (surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders) increased 27% to $36.5 million in the first quarter of 2016 compared to $28.7 million for the same period in 2015. The components of annuity product charges are set forth in the table that follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Surrender charges	$14,565	$11,554
Lifetime income benefit riders (LIBR) fees	21,940	17,128
	$36,505	$28,682
Withdrawals from annuity policies subject to surrender charges	$114,762	$92,993
Average surrender charge collected on withdrawals subject to surrender charges	12.7 %	12.4 %
Fund values on policies subject to LIBR fees	$3,411,608	$2,881,932
Weighted average per policy LIBR fee	0.64 %	0.59 %

The increase in annuity product charges was primarily attributable to increases in fees assessed for lifetime income benefit riders due to a larger volume of business in force subject to the fee and an increase in the average fees being charged as compared to prior periods. See Interest sensitive and index product benefits below for corresponding expense recognized on lifetime income benefit riders. In addition, surrender charges increased in the first quarter of 2016 as compared to the same period in 2015 due to an increase in withdrawals from annuity policies subject to surrender charges.

Net investment income increased 13% to $450.8 million in the first quarter of 2016 compared to $399.7 million for the same period in 2015. The increase was principally attributable to the growth in our annuity business and a corresponding increase in our invested assets. Average invested assets excluding derivative instruments (on an amortized cost basis) increased 17% to $39.5 billion for the first quarter of 2016 compared to $33.8 billion for the same period in 2015. The average yield earned on average invested assets was 4.58% for the first quarter of 2016 compared to 4.74% for the same period in 2015.

The decrease in yield earned on average invested assets was attributable to yields on investments purchased in 2016 and 2015 being lower than the overall portfolio yield. Additionally, net investment income and average yield were positively impacted by prepayment and fee income received resulting in additional net investment income of $8.3 million and $1.1 million for the three months ended March 31, 2016 and 2015, respectively. Net investment income and average yield on invested assets in the first quarter of 2016 were negatively impacted by high cash balances. The average balance for cash and short-term investments was $807 million during the first quarter of 2016 compared to $175 million for the same period in 2015.

Change in fair value of derivatives consists of call options purchased to fund annual index credits on fixed index annuities, the 2015 notes hedges related to our 2015 notes and an interest rate swap and interest rate caps that hedge our floating rate subordinated debentures. The components of change in fair value of derivatives are as follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Call options:		
Gain (loss) on option expiration	$(109,640)	$105,354
Change in unrealized gains/losses	38,889	(134,574)
2015 notes hedges	—	567
Interest rate swap	(2,644)	(1,761)
Interest rate caps	(670)	(686)
	$(74,065)	$(31,100)

The differences between the change in fair value of derivatives between periods for call options are primarily due to the performance of the indices upon which our call options are based. A substantial portion of our call options are based upon the S&P 500 Index with the remainder based upon other equity and bond market indices. The range of index appreciation (after applicable caps, participation rates and asset fees) for options expiring during the three months ended March 31, 2016 and 2015 is as follows:

	Three Months Ended March 31,	
	2016	2015
S&P 500 Index		
Point-to-point strategy	0.0% - 0.0%	1.0% - 8.9%
Monthly average strategy	0.0% - 2.9%	0.6% - 9.0%
Monthly point-to-point strategy	0.0% - 0.0%	0.0% - 12.1%
Fixed income (bond index) strategies	0.0% - 5.7%	0.0% - 10.0%

The change in fair value of derivatives is also influenced by the aggregate costs of options purchased. The aggregate cost of options has increased primarily due to an increased amount of fixed index annuities in force. The aggregate cost of options is also influenced by the amount of policyholder funds allocated to the various indices and market volatility which affects option pricing. See Critical Accounting Policies - Policy Liabilities for Fixed Index Annuities included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2015.

Our 2015 notes matured and were extinguished on September 15, 2015 and the 2015 notes hedges expired on that same date. The change in fair value of the 2015 notes hedges corresponded with the change in the fair value of the conversion obligation to the holders of the 2015 notes which was accounted for as an embedded derivative liability with changes in fair value reported in Change in fair value of embedded derivatives.

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Net realized gains (losses) on investments, excluding OTTI losses include gains and losses on the sale of securities and impairment losses on mortgage loans on real estate which fluctuate from year to year due to changes in the interest rate and economic environment and the timing of the sale of investments, as well as gains (losses) recognized on real estate owned due to any sales and impairments on long-lived assets. The components of net realized gains (losses) on investments are set forth in the table that follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Available for sale fixed maturity securities:		
Gross realized gains	$1,487	$2,288
Gross realized losses	(1,231)	(289)
	256	1,999
Other investments:		
Gain on sale of real estate	131	838
Loss on sale of real estate	(92)	(382)
Impairment losses on real estate	—	(629)
	39	(173)
Mortgage loans on real estate:		
Decrease (increase) in allowance for credit losses	(948)	1,798
Recovery of specific allowance	3,340	1,255
	2,392	3,053
	$2,687	$4,879

Losses on available for sale fixed maturity securities were realized primarily due to strategies to reposition the fixed maturity security portfolio that result in improved net investment income, risk or duration profiles as they pertain to our asset liability management. See Financial Condition - Investments and Note 4 to our unaudited consolidated financial statements for additional discussion of allowance for credit losses recognized on mortgage loans on real estate.

Net OTTI losses recognized in operations increased to $5.7 million in the first quarter of 2016 compared to $0.1 million for the same period in 2015. See Financial Condition - Other Than Temporary Impairments and Note 3 to our unaudited consolidated financial statements for additional discussion of other than temporary impairments recognized during the periods presented.

Interest sensitive and index product benefits decreased 65% to $97.7 million in the first quarter of 2016 compared to $282.8 million for the same period in 2015. The components of interest sensitive and index product benefits are summarized as follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Index credits on index policies	$ 6,531	$ 197,603
Interest credited (including changes in minimum guaranteed interest for fixed index annuities)	64,512	65,194
	26,628	20,028

Lifetime income benefit riders	$	97,671	$	282,825

The decrease in index credits was attributable to changes in the appreciation of the underlying indices (see discussion above under Change in fair value of derivatives) and the amount of funds allocated by policyholders to the respective index options. Total proceeds received upon expiration of the call options purchased to fund the annual index credits were $6.7 million for the three months ended March 31, 2016, compared to $202.6 million for the same period in 2015. The decrease in interest credited was primarily due to decreases in the average rate credited to the annuity liabilities outstanding receiving a fixed rate of interest. The increase in benefits recognized for living income benefit rider was due to an increase in the number of policies with lifetime income benefit riders and correlates to the increase in fees discussed in Annuity product charges.

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Amortization of deferred sales inducements, in general, has been increasing each period due to growth in our annuity business and the deferral of sales inducements incurred with respect to sales of premium bonus annuity products. Bonus products represented 88% of our net annuity account values at both March 31, 2016 and March 31, 2015. The increase in amortization from these factors has been affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business, amortization associated with net realized gains (losses) on investments and net OTTI losses recognized in operations. Fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts. The change in fair value of the embedded derivatives will not correspond to the change in fair value of the derivatives (purchased call options), because the purchased call options are one-year options while the options valued in the fair value of embedded derivatives cover the expected lives of the contracts which typically exceed ten years. Amortization of deferred sales inducements is summarized as follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Amortization of deferred sales inducements before gross profit adjustments	$75,481	$49,639
Gross profit adjustments:		
Fair value accounting for derivatives and embedded derivatives	(47,166)	(39,531)
Net realized gains (losses) on investments, net OTTI losses recognized in operations and changes in litigation liabilities	(836)	845
Amortization of deferred sales inducements after gross profit adjustments	$27,479	$10,953

See Net income (loss) and Operating income, a non-GAAP financial measure, above for discussion of the impact of unlocking on amortization of deferred sales inducements for the three months ended March 31, 2016. See Critical Accounting Policies - Deferred Policy Acquisition Costs and Deferred Sales Inducements included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2015.

Change in fair value of embedded derivatives includes changes in the fair value of our fixed index annuity embedded derivatives and changes in the fair value of the embedded derivative related to the conversion option of our 2015 notes (see Note 5 to our unaudited consolidated financial statements and Note 9 to our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2015). The components of change in fair value of embedded derivatives are as follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Fixed index annuities - embedded derivatives	$179,715	$(69,877)
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	86,142	120,523
2015 notes embedded conversion derivative	—	567
	$265,857	$51,213

The change in fair value of the fixed index annuity embedded derivatives resulted from (i) changes in the expected index credits on the next policy anniversary dates, which are related to the change in fair value of the call options acquired to fund those index credits discussed above in Change in fair value of derivatives; (ii) changes in discount rates used in estimating our embedded derivative liabilities; and (iii) the growth in the host component of the policy liability. The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represents the total change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date, less the change in fair value of our fixed index annuities embedded derivative. See Critical Accounting Policies - Policy Liabilities for Fixed Index Annuities included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2015. The primary reasons for the increase in the change in fair value of the fixed index annuity embedded derivatives during the three months ended March 31, 2016 were a larger decrease in the discount rate used in estimating the fair value of our liability during the first three months of 2016 as compared to the first three months of 2015 and an increase in the expected index credits on the next policy anniversary dates resulting from increases in the fair value of the call options acquired to fund these index credits during the first three months of 2016 as compared to a decrease in the expected index credits on the next policy anniversary dates resulting from decreases in the fair value of the call options acquired to fund these index credits during the first three months of 2015.

As discussed above under Change in fair value of derivatives, our 2015 notes matured and were extinguished on September 15, 2015. The related embedded conversion derivative liability was also settled on that date. The change in the fair value of the 2015 notes embedded conversion derivative was offset by a comparable increase or decrease in the change in fair of the 2015 notes hedges.

Interest expense on notes payable decreased 6% to $6.9 million in the first quarter of 2016 compared to $7.3 million for the same period in 2015. The decrease in interest expense is attributable to the extinguishment of $22.4 million principal amount of our convertible senior notes in 2015.

Amortization of deferred policy acquisition costs, in general, has been increasing each period due to the growth in our annuity business and the deferral of policy acquisition costs incurred with respect to sales of annuity products. The increase in amortization from these factors has been affected by amortization associated with fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business and amortization associated with net realized gains (losses) on investments and net OTTI losses recognized in operations. As discussed above, fair value accounting for derivatives and embedded derivatives utilized in our fixed index annuity business creates differences in the recognition of revenues and expenses from derivative instruments including the embedded derivative liabilities in our fixed index annuity contracts. Amortization of deferred policy acquisition costs is summarized as follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Amortization of deferred policy acquisition costs before gross profit adjustments	$109,598	$70,786
Gross profit adjustments:		
Fair value accounting for derivatives and embedded derivatives	(58,869)	(57,581)
Net realized gains (losses) on investments, net OTTI losses recognized in operations and changes in litigation liabilities	(1,016)	1,081
Amortization of deferred policy acquisition costs after gross profit adjustments	$49,713	$14,286

See Net income (loss) and Operating income, a non-GAAP financial measure, above for discussion of the impact of unlocking on amortization of deferred sales inducements for the three months ended March 31, 2016. See Critical Accounting Policies - Deferred Policy Acquisition Costs and Deferred Sales Inducements included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2015.

Other operating costs and expenses increased 27% to $26.8 million in the first quarter of 2016 compared to $21.1 million for the same period in 2015 and are summarized as follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Salary and benefits	$14,074	$10,309
Risk charges	6,776	4,832
Other	5,980	5,981
Total other operating costs and expenses	$26,830	$21,122

The three months ended March 31, 2016 reflect an increase in salary and benefits of approximately $2.2 million due to an increased number of employees related to our growth as well as an expense of $2.2 million related to assumption changes and the execution of an amended and restated retirement agreement with our Executive Chairman. This increase was offset by a $0.7 million decrease in a deferred compensation liability that is based upon the value of our common stock.

The increase in reinsurance risk charges expense was due to the growth in our policyholder liabilities subject to a reinsurance agreement pursuant to which we cede excess regulatory reserves to an unaffiliated reinsurer. The regulatory reserves ceded at March 31, 2016 and 2015 were $529.6 million and $363.5, respectively.

Income tax expense (benefit) was $(24.3) million in the first quarter of 2016 compared to $3.1 million for the same period in 2015. The change in income tax expense (benefit) was primarily due to changes in income (loss) before income taxes. The effective income tax rates were 35.1% and 34.6% for the three months ended March 31, 2016 and

2015, respectively.

Income tax expense (benefit) and the resulting effective tax rate are based upon two components of income (loss) before income taxes (benefits) ("pretax income") that are taxed at different tax rates. Life insurance income is generally taxed at an effective rate of approximately 35.5% reflecting the absence of state income taxes for substantially all of the states that the life insurance subsidiaries do business in. The income (loss) for the parent company and other non-life insurance subsidiaries is generally taxed at an effective tax rate of 41.5% reflecting the combined federal / state income tax rates. The effective income tax rates resulting from the combination of the income tax provisions for the life / non-life sources of income (loss) vary from period to period based primarily on the relative size of pretax income (loss) from the two sources. The effective income tax rate increased in 2016 because the percentage of taxable income from the life insurance sources is expected to be less than it was in 2015.

Financial Condition

Investments

Our investment strategy is to maintain a predominantly investment grade fixed income portfolio, provide adequate liquidity to meet our cash obligations to policyholders and others and maximize current income and total investment return through active investment management. Consistent with this strategy, our investments principally consist of fixed maturity securities and mortgage loans on real estate.

Insurance statutes regulate the type of investments that our life subsidiaries are permitted to make and limit the amount of funds that may be used for any one type of investment. In light of these statutes and regulations and our business and investment strategy, we generally seek to invest in United States government and government-sponsored agency securities, corporate securities, residential and commercial mortgage backed securities, other asset backed securities and United States municipalities, states and territories securities rated investment grade by established nationally recognized statistical rating organizations ("NRSRO's") or in securities of comparable investment quality, if not rated, and commercial mortgage loans on real estate.

The composition of our investment portfolio is summarized as follows:

	March 31, 2016			December 31, 2015		
	Carrying Amount	Percent		Carrying Amount	Percent	
	(Dollars in thousands)					
Fixed maturity securities:						
United States Government full faith and credit	$473,402	1.2	%	$471,256	1.3	%
United States Government sponsored agencies	1,566,287	3.8	%	1,398,611	3.5	%
United States municipalities, states and territories	3,883,737	9.3	%	3,755,367	9.5	%
Foreign government obligations	221,861	0.5	%	212,565	0.5	%
Corporate securities	25,245,140	60.6	%	23,879,016	60.3	%
Residential mortgage backed securities	1,432,353	3.5	%	1,462,072	3.7	%
Commercial mortgage backed securities	4,503,261	10.8	%	4,174,396	10.5	%
Other asset backed securities	1,160,631	2.8	%	1,145,178	2.9	%
Total fixed maturity securities	38,486,672	92.5	%	36,498,461	92.2	%
Equity securities	7,813	—	%	7,828	—	%
Mortgage loans on real estate	2,471,435	5.9	%	2,435,257	6.2	%
Derivative instruments	387,469	0.9	%	337,256	0.9	%
Other investments	290,556	0.7	%	291,530	0.7	%
	$41,643,945	100.0	%	$39,570,332	100.0	%

Fixed Maturity Securities

Our fixed maturity security portfolio is managed to minimize risks such as interest rate changes and defaults or impairments while earning a sufficient and stable return on our investments. The largest portion of our fixed maturity securities are investment grade (NAIC designation 1 or 2) publicly traded or privately placed corporate securities.

A summary of our fixed maturity securities by NRSRO ratings is as follows:

	March 31, 2016			December 31, 2015		
Rating Agency Rating	Carrying Amount	Percent of Fixed Maturity Securities		Carrying Amount	Percent of Fixed Maturity Securities	
	(Dollars in thousands)					
Aaa/Aa/A	$24,978,026	64.9	%	$23,724,648	65.0	%
Baa	12,038,516	31.3	%	11,491,609	31.5	%
Total investment grade	37,016,542	96.2	%	35,216,257	96.5	%
Ba	838,831	2.2	%	657,760	1.8	%

B	99,856	0.3	%	68,712	0.2	%
Caa and lower	373,398	1.0	%	388,908	1.1	%
In or near default	158,045	0.3	%	166,824	0.4	%
Total below investment grade	1,470,130	3.8	%	1,282,204	3.5	%
	$38,486,672	100.0	%	$36,498,461	100.0	%

The National Association of Insurance Commissioner's ("NAIC") Securities Valuation Office ("SVO") is responsible for the the day-to-day credit quality assessment and the valuation of fixed maturity securities owned by state regulated insurance companies. The purpose of such assessment and valuation is for determining regulatory capital requirements and regulatory reporting. Insurance companies report ownership to the SVO when such securities are eligible for regulatory filings. The SVO conducts credit analysis on these securities for the purpose of assigning a NAIC designation and/or unit price. Typically, if a security has been rated by a NRSRO, the SVO utilizes that rating and assigns a NAIC designation based upon the following system:

NAIC Designation	NRSRO Equivalent Rating
1	Aaa/Aa/A
2	Baa
3	Ba
4	B
5	Caa
6	Ca and lower

For most of the bonds held in our portfolio the NAIC designation matches the NRSRO equivalent rating. However, for certain loan-backed and structured securities, as defined by the NAIC, the NAIC rating is not always equivalent to the NRSRO rating presented in the previous table. The NAIC has adopted revised rating methodologies for certain loan-backed and structured securities comprised of non-agency residential mortgage backed securities ("RMBS") and commercial mortgage backed securities ("CMBS"). The NAIC’s objective with the revised rating methodologies for these structured securities is to increase the accuracy in assessing expected losses and use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from structured securities.

The use of this process by the SVO may result in certain non-agency RMBS and CMBS being assigned a NAIC designation that is higher than the equivalent NRSRO rating. The NAIC designations for non-agency RMBS and CMBS are based on security level expected losses as modeled by an independent third party (engaged by the NAIC) and the statutory carrying value of the security, including any purchase discounts or impairment charges previously recognized. Evaluation of non-agency RMBS and CMBS held by insurers using the revised NAIC rating methodologies is performed on an annual basis.

As stated previously, our fixed maturity security portfolio is managed to minimize risks such as defaults or impairments while earning a sufficient and stable return on our investments. Our strategy has been to invest primarily in investment grade fixed maturity securities. Investment grade is NAIC 1 and 2 securities and Baa3/BBB- and better securities on the NRSRO scale. This strategy meets the objective of minimizing risk while also managing asset capital charges on a regulatory capital basis.

A summary of our fixed maturity securities by NAIC designation is as follows:

	March 31, 2016				December 31, 2015			
NAIC Designation	Amortized Cost	Fair Value	Carrying Amount	Percent of Total Carrying Amount	Amortized Cost	Fair Value	Carrying Amount	Percent of Total Carrying Amount
	(Dollars in thousands)				(Dollars in thousands)			
1	$23,648,794	$25,264,168	$25,264,168	65.6 %	$23,363,259	$24,207,801	$24,207,801	66.3 %
2	11,955,752	12,223,107	12,223,107	31.8 %	11,709,730	11,589,325	11,589,325	31.8 %
3	1,023,746	894,557	903,557	2.4 %	758,531	643,293	654,538	1.8 %
4	128,238	86,816	86,816	0.2 %	60,480	44,312	44,312	0.1 %
5	2,100	1,537	1,537	— %	—	—	—	— %
6	14,828	7,487	7,487	— %	8,332	2,485	2,485	— %
	$36,773,458	$38,477,672	$38,486,672	100.0 %	$35,900,332	$36,487,216	$36,498,461	100.0 %

The amortized cost and fair value of fixed maturity securities at March 31, 2016, by contractual maturity, are presented in Note 3 to our unaudited consolidated financial statements in this form 10-Q, which is incorporated by reference in this Item 2.

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Unrealized Losses

The amortized cost and fair value of fixed maturity securities that were in an unrealized loss position were as follows:

	Number of Securities	Amortized Cost	Unrealized Losses	Fair Value
		(Dollars in thousands)		
March 31, 2016				
Fixed maturity securities, available for sale:				
United States Government full faith and credit	1	$6,863	$(60)	$6,803
United States Government sponsored agencies	3	90,000	(367)	89,633
United States municipalities, states and territories	26	96,041	(2,081)	93,960
Foreign government obligations	5	44,255	(7,532)	36,723
Corporate securities:				
Finance, insurance and real estate	71	1,013,660	(44,535)	969,125
Manufacturing, construction and mining	207	2,475,678	(261,248)	2,214,430
Utilities and related sectors	133	1,359,080	(95,894)	1,263,186
Wholesale/retail trade	23	299,239	(13,043)	286,196
Services, media and other	53	571,396	(21,420)	549,976
Residential mortgage backed securities	18	65,383	(2,399)	62,984
Commercial mortgage backed securities	146	1,779,905	(72,057)	1,707,848
Other asset backed securities	43	496,731	(20,667)	476,064
	729	$8,298,231	$(541,303)	$7,756,928
Fixed maturity securities, held for investment:				
Corporate security:				
Insurance	1	$76,672	$(9,000)	$67,672
December 31, 2015				
Fixed maturity securities, available for sale:				
United States Government full faith and credit	4	$38,029	$(299)	$37,730
United States Government sponsored agencies	21	971,462	(14,409)	957,053
United States municipalities, states and territories	76	273,297	(8,628)	264,669
Foreign government obligations	6	69,364	(10,935)	58,429
Corporate securities:				
Finance, insurance and real estate	145	2,201,597	(74,462)	2,127,135
Manufacturing, construction and mining	334	4,271,655	(377,459)	3,894,196
Utilities and related sectors	216	2,499,341	(161,505)	2,337,836
Wholesale/retail trade	43	537,720	(25,988)	511,732
Services, media and other	101	1,112,071	(43,010)	1,069,061
Residential mortgage backed securities	34	172,697	(3,489)	169,208
Commercial mortgage backed securities	222	2,796,286	(105,281)	2,691,005
Other asset backed securities	43	523,592	(19,880)	503,712
	1,245	$15,467,111	$(845,345)	$14,621,766
Fixed maturity securities, held for investment:				
Corporate security:				
Insurance	1	$76,622	$(11,245)	$65,377

The decrease in unrealized losses from December 31, 2015 to March 31, 2016 was primarily due to a decrease in interest rates in addition to price improvements in the energy and metals and mining securities during the three months ended March 31, 2016. The 10-year treasury yield curve rates at March 31, 2016 and December 31, 2015 were 1.78% and 2.27%, respectively.

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The following table sets forth the composition by credit quality (NAIC designation) of fixed maturity securities with gross unrealized losses:

NAIC Designation	Carrying Value of Securities with Gross Unrealized Losses	Percent of Total	Gross Unrealized Losses	Percent of Total
	(Dollars in thousands)			
March 31, 2016				
1	$3,474,713	44.4 %	$(129,958)	23.6 %
2	3,577,786	45.7 %	(237,396)	43.1 %
3	685,708	8.7 %	(133,462)	24.3 %
4	86,816	1.1 %	(41,422)	7.5 %
5	1,538	— %	(563)	0.1 %
6	7,039	0.1 %	(7,502)	1.4 %
	$7,833,600	100.0%	$(550,303)	100.0%
December 31, 2015				
1	$8,278,102	56.3 %	$(280,209)	32.7 %
2	5,813,570	39.6 %	(436,543)	51.0 %
3	560,199	3.8 %	(117,814)	13.7 %
4	44,041	0.3 %	(16,168)	1.9 %
5	—	— %	—	— %
6	2,476	— %	(5,856)	0.7 %
	$14,698,388	100.0%	$(856,590)	100.0%

Our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 730 and 1,246 securities, respectively) have been in a continuous unrealized loss position at March 31, 2016 and December 31, 2015, along with a description of the factors causing the unrealized losses is presented in Note 3 to our unaudited consolidated financial statements in this Form 10-Q, which is incorporated by reference in the Item 2.

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The amortized cost and fair value of fixed maturity securities in an unrealized loss position and the number of months in a continuous unrealized loss position (fixed maturity securities that carry an NRSRO rating of BBB/Baa or higher are considered investment grade) were as follows:

	Number of Securities	Amortized Cost	Fair Value	Gross Unrealized Losses
		(Dollars in thousands)		
March 31, 2016				
Fixed maturity securities:				
Investment grade:				
Less than six months	185	$2,304,180	$2,249,932	$(54,248)
Six months or more and less than twelve months	331	3,882,211	3,677,925	(204,286)
Twelve months or greater	93	1,272,802	1,155,282	(117,520)
Total investment grade	609	7,459,193	7,083,139	(376,054)
Below investment grade:				
Less than six months	33	128,298	123,514	(4,784)
Six months or more and less than twelve months	50	344,962	296,216	(48,746)
Twelve months or greater	38	442,450	321,731	(120,719)
Total below investment grade	121	915,710	741,461	(174,249)
	730	$8,374,903	$7,824,600	$(550,303)
December 31, 2015				
Fixed maturity securities:				
Investment grade:				
Less than six months	588	$7,395,125	$7,193,059	$(202,066)
Six months or more and less than twelve months	484	6,799,113	6,388,844	(410,269)
Twelve months or greater	44	592,600	484,646	(107,954)
Total investment grade	1,116	14,786,838	14,066,549	(720,289)
Below investment grade:				
Less than six months	87	297,879	279,947	(17,932)
Six months or more and less than twelve months	15	175,603	148,337	(27,266)
Twelve months or greater	28	283,413	192,310	(91,103)
Total below investment grade	130	756,895	620,594	(136,301)
	1,246	$15,543,733	$14,687,143	$(856,590)

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The amortized cost and fair value of fixed maturity securities (excluding United States Government and United States Government sponsored agency securities) segregated by investment grade (NRSRO rating of BBB/Baa or higher) and below investment grade that had unrealized losses greater than 20% and the number of months in a continuous unrealized loss position were as follows:

	Number of Securities	Amortized Cost	Fair Value	Gross Unrealized Losses
		(Dollars in thousands)		
March 31, 2016				
Investment grade:				
Less than six months	31	$304,946	$244,151	$(60,795)
Six months or more and less than twelve months	9	90,367	67,660	(22,707)
Twelve months or greater	—	—	—	—
Total investment grade	40	395,313	311,811	(83,502)
Below investment grade:				
Less than six months	27	252,893	195,563	(57,330)
Six months or more and less than twelve months	10	113,114	70,289	(42,825)
Twelve months or greater	5	67,183	35,072	(32,111)
Total below investment grade	42	433,190	300,924	(132,266)
	82	$828,503	$612,735	$(215,768)
December 31, 2015				
Investment grade:				
Less than six months	37	$460,894	$339,047	$(121,847)
Six months or more and less than twelve months	13	122,794	82,149	(40,645)
Twelve months or greater	1	2,856	1,999	(857)
Total investment grade	51	586,544	423,195	(163,349)
Below investment grade:				
Less than six months	13	73,412	44,976	(28,436)
Six months or more and less than twelve months	13	145,886	88,308	(57,578)
Twelve months or greater	3	30,930	14,213	(16,717)
Total below investment grade	29	250,228	147,497	(102,731)
	80	$836,772	$570,692	$(266,080)

The amortized cost and fair value of fixed maturity securities, by contractual maturity, that were in an unrealized loss position are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

	Available for sale		Held for investment	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
March 31, 2016				
Due in one year or less	$—	$—	$—	$—
Due after one year through five years	264,083	238,463	—	—
Due after five years through ten years	2,870,290	2,709,761	—	—
Due after ten years through twenty years	1,160,679	1,095,193	—	—
Due after twenty years	1,661,160	1,466,615	76,672	67,672
	5,956,212	5,510,032	76,672	67,672
Residential mortgage backed securities	65,383	62,984	—	—
Commercial mortgage backed securities	1,779,905	1,707,848	—	—
Other asset backed securities	496,731	476,064	—	—
	$8,298,231	$7,756,928	$76,672	$67,672
December 31, 2015				
Due in one year or less	$—	$—	$—	$—
Due after one year through five years	257,994	247,957	—	—
Due after five years through ten years	6,111,139	5,802,168	—	—
Due after ten years through twenty years	2,816,752	2,693,742	—	—
Due after twenty years	2,788,651	2,513,974	76,622	65,377
	11,974,536	11,257,841	76,622	65,377
Residential mortgage backed securities	172,697	169,208	—	—
Commercial mortgage backed securities	2,796,286	2,691,005	—	—
Other asset backed securities	523,592	503,712	—	—
	$15,467,111	$14,621,766	$76,622	$65,377

Energy and Metals & Mining

The tables below summarize our publicly issued corporate fixed maturity securities in the energy and metals & mining sectors. Our privately placed available for sale fixed maturity securities at March 31, 2016 total $168.6 million fair value ($185.4 million amortized cost) in energy and $37.6 million fair value ($46.1 million amortized cost) in metals & mining and are not included in the following tables.

	March 31, 2016			
Sector and Subsector	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Average Credit Rating
	(Dollars in thousands)			
Energy				
Independent	$ 499,826	$ 453,307	$ (46,519)	Baa
Integrated	491,548	490,397	(1,151)	A
Oil field services	405,265	349,100	(56,165)	Baa
Refining	104,656	103,499	(1,157)	Baa
Midstream	754,709	705,376	(49,333)	Baa
Government owned no guarantee	284,224	292,638	8,414	A
Metals & Mining	562,019	506,579	(55,440)	Baa

Total Energy and Metals & Mining	$ 3,102,247	$ 2,900,896	$ (201,351)	Baa

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	Amortized Cost at March 31, 2016							
	Energy							
NRSRO Rating	Independent	Integrated	Oil field services	Refining	Midstream	Government Owned No Guarantee	Metals & Mining	Total
	(Dollars in thousands)							
Aaa	$—	$59,947	$—	$—	$—	$—		$59,947
Aa	—	168,245	28,286	—	—	19,910	—	216,441
A	89,462	78,831	107,536	12,110	90,885	214,438	76,590	669,852
Baa	364,126	149,300	176,212	92,546	629,792	25,260	287,934	1,725,170
Ba	32,195	35,225	93,231	—	34,032	—	129,862	324,545
B	14,043	—	—	—	—	24,616	61,141	99,800
Below B	—	—	—	—	—	—	6,492	6,492
	$499,826	$491,548	$405,265	$104,656	$754,709	$284,224	$562,019	$3,102,247

	Fair Value at March 31, 2016							
	Energy							
NRSRO Rating	Independent	Integrated	Oil field services	Refining	Midstream	Government Owned No Guarantee	Metals & Mining	Total
	(Dollars in thousands)							
Aaa	$—	$63,710	$—	$—	$—	$—	$—	$63,710
Aa	—	173,482	28,476	—	—	21,913	—	223,871
A	91,078	79,032	113,354	11,267	92,924	228,483	74,871	691,009
Baa	326,874	143,433	147,831	92,232	589,309	25,042	273,015	1,597,736
Ba	26,045	30,740	59,439	—	23,143	—	112,418	251,785
B	9,310	—	—	—	—	17,200	40,686	67,196
Below B	—	—	—	—	—	—	5,589	5,589
	$453,307	$490,397	$349,100	$103,499	$705,376	$292,638	$506,579	$2,900,896

International Exposure

We hold fixed maturity securities with international exposure. As of March 31, 2016, 18% of the carrying value of our fixed maturity securities was comprised of corporate debt securities of issuers based outside of the United States and debt securities of foreign governments. Our investment professionals analyze each holding for credit risk by economic and other factors of each country and industry. The following table presents our international exposure in our fixed maturity portfolio by country or region:

	March 31, 2016		
	Amortized Cost	Carrying Amount/Fair Value	Percent of Total Carrying Amount
	(Dollars in thousands)		
GIIPS (1)	$211,028	$234,045	0.6%
Asia/Pacific	393,151	417,890	1.1%
Non-GIIPS Europe	2,883,992	3,009,441	7.8%
Latin America	259,974	233,829	0.6%
Non-U.S. North America	1,216,676	1,187,942	3.1%
Australia & New Zealand	661,605	673,452	1.7%
Other	998,137	1,029,779	2.7%
	$6,624,563	$6,786,378	17.6%

(1) Greece, Ireland, Italy, Portugal and Spain continue to cause credit risk as economic conditions in these countries continue to be volatile, especially within the financial and banking sectors. All of our exposure in GIIPS are corporate securities with issuers domiciled in these countries. None of our foreign government obligations were held in any of these countries.

All of the securities presented in the table above are denominated in U.S. dollars and all are investment grade (NAIC designation of either 1 or 2), except for the following:

	March 31, 2016	
	Amortized Cost	Carrying Amount/ Fair Value
	(Dollars in thousands)	
GIIPS (1)	$28,765	$29,806
Asia/Pacific	11,000	7,902
Non-GIIPS Europe	78,016	68,048
Latin America	66,926	45,327
Non-U.S. North America	119,002	91,354
	$303,709	$242,437

Watch List

At each balance sheet date, we identify invested assets which have characteristics (i.e. significant unrealized losses compared to amortized cost and industry trends) creating uncertainty as to our future assessment of an other than temporary impairment. As part of this assessment, we review not only a change in current price relative to its amortized cost but the issuer's current credit rating and the probability of full recovery of principal based upon the issuer's financial strength. Specifically for corporate issues we evaluate the financial stability and quality of asset coverage for the securities relative to the term to maturity for the issues we own. A security which has a 25% or greater change in market price relative to its amortized cost and a possibility of a loss of principal will be included on a list which is referred to as our watch list. We exclude from this list securities with unrealized losses which are related to market movements in interest rates and which have no factors indicating that such unrealized losses may be other than temporary as we do not intend to sell these securities and it is more likely than not we will not have to sell these securities before a recovery is realized. In addition, we exclude our residential and commercial mortgage backed securities as we monitor all of our residential and commercial mortgage backed securities on a quarterly basis for changes in default rates, loss severities and expected cash flows for the purpose of assessing potential other than temporary impairments and related credit losses to be recognized in operations. At March 31, 2016, the amortized cost and fair value of securities on the watch list are as follows:

General Description	Number of Securities	Amortized Cost	Unrealized Gains (Losses)	Fair Value	Months in Continuous Unrealized Loss Position	Months Unrealized Losses Greater Than 20%
		(Dollars in thousands)				
Investment grade						
Corporate securities:						
Financials	1	$20,000	$(3,102)	$16,898	55	—
Other asset backed securities:						
Financials	1	2,507	(752)	1,755	60	11
	2	$22,507	$(3,854)	$18,653		
Below investment grade						
Corporate securities:						
Energy	4	$45,067	$(17,706)	$27,361	19 - 35	0 - 15
Materials	6	39,274	(8,550)	30,724	9 - 38	0 - 5
Industrials	1	4,980	(2,755)	2,225	17	8

Telecommunications	1	2,100	(562)	1,538	21	9
Other asset backed securities:						
Financials	1	8,335	(6,446)	1,889	34	15
	13	$99,756	$(36,019)	$63,737		
	15	$122,263	$(39,873)	$82,390		

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We have determined that all of the securities on the watch list that have unrealized losses are temporarily impaired as we do not intend to sell these securities and it is more likely than not we will not have to sell these securities before recovery of their amortized cost. Our analysis of these securities and their credit performance at March 31, 2016 is as follows:

Corporate securities:

Financials: The decline in value of this security is due to the continued wide spreads as a result of the ongoing concerns relating to capital, asset quality and earnings stability due to the financial events of the past five years and the ongoing events in the Eurozone. While this issuer has had its financial position and profitability weakened by the credit and liquidity crisis, we have determined that this security was not other than temporarily impaired due to our evaluation of the operating performance and the credit worthiness of the issuer.

Energy, Materials and Industrials: The decline in the value of these securities relates to ongoing operational issues related to the decline in certain commodity prices specific to their businesses. The decline in these commodity prices creates financial challenges as the industries realign to accommodate the lower prices. These issuers will be stressed greater than the average company due to their price sensitivity and the specific position they hold in the chain of supply. We recognized other than temporary impairments on two securities from the same issuer with exposure to the materials sector during the fourth quarter of 2015. While the other issuers have seen the financial and profitability profile weakened, we have determined that the remaining securities were not other than temporarily impaired due to our evaluation of the operating performance and the credit worthiness of the issuer.

Telecommunications: The decline in the value of this security is the result of regional economic recessionary pressure in Brazil and an increase in competition in the markets it operates. There is potential for merger and acquisition activity in this market and an increase in price volatility is expected. This issuer has seen weakened performance and heightened risk of merger activity. We recognized an other than temporary impairment on this security during the first quarter of 2016 due to our evaluation of the operating performance and the credit worthiness of the issuer.

Other asset backed securities:

Financials: The decline in value of the investment grade other asset backed security is due to poor performance in the underlying pool of student loans. The investment is backed by a guarantee from the for-profit education services provider. We have determined that this security was not other than temporarily impaired, because the guarantee is in good standing and all required payments have been made, including hyper-amortization payments triggered by the performance of the student loan portfolio. The decline in value of the below investment grade other asset backed security is related directly to the decline in oil prices and the financial stability of its operator. The issuer has direct exposure to the oil market as its primary business is deep water drilling. As oil prices have declined the operator of the deep water vessel has experienced financial pressure on its balance sheet. We recognized an other than temporary impairment on this security during the third quarter of 2015.

Other Than Temporary Impairments

We have a policy and process to identify securities in our investment portfolio for which we should recognize impairments. See Critical Accounting Policies—Evaluation of Other Than Temporary Impairments included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2015.

During the periods presented, we recognized other than temporary impairment on corporate securities, commercial mortgage backed securities and a residential mortgage backed security for which we had not previously recognized OTTI. We recognized an OTTI of $3.9 million in operations during the three months ended March 31, 2016, due to our concern regarding a corporate security issued by a Brazilian telecommunications company. Developments in 2016 led us to the conclusion that we will not be able to fully recover our amortized cost basis due to liquidity concerns. The other OTTI that we recognized in operations during the three months ended March 31, 2016, on corporate securities and commercial mortgage backed securities were due to our intent to sell the securities, which were in an unrealized loss position at March 31, 2016, after the reporting date. In addition, during the three months ended March 31, 2016, we recognized additional credit losses on residential mortgage backed securities on which we have previously recognized OTTI. Several factors led us to believe that full recovery of amortized cost is not expected on the securities for which we recognized additional credit losses and reclassified OTTI from accumulated other comprehensive income to net income. A discussion of these factors, our policy and process to identify securities that could potentially have impairment that is other than temporary and a summary of OTTI is presented in Note 3 to our unaudited consolidated financial statements in this Form 10-Q, which is incorporated by reference in this Item 2.

Mortgage Loans on Real Estate

Our commercial mortgage loan portfolio consists of mortgage loans collateralized by the related properties and diversified as to property type, location and loan size. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. Our commercial mortgage loans on real estate are reported at cost, net of loan loss allowances and deferred prepayment fees. At March 31, 2016 and December 31, 2015 the largest principal amount outstanding for any single mortgage loan was $19.6 million and $17.9 million, respectively, and the average loan size was $3.0 million and $2.9 million at March 31, 2016 and December 31, 2015, respectively. In addition, the average loan to value ratio for the overall portfolio was 53.7% at both March 31, 2016 and December 31, 2015, respectively, based upon the underwriting and appraisal at the time the loan was made. This loan to value is indicative of our conservative underwriting policies and practices for making commercial mortgage loans and may not be indicative of collateral values at the reporting date. Our current practice is to only obtain market value appraisals of the underlying collateral at the inception of the loan unless we identify indicators of impairment in our ongoing analysis of the portfolio, in which case, we either calculate a value of the collateral using a capitalization method or obtain a third party appraisal of the underlying collateral. The commercial mortgage loan portfolio is summarized by geographic region and property type in Note 4 to our unaudited consolidated financial statements, incorporated by reference in this Item 2.

In the normal course of business, we commit to fund commercial mortgage loans up to 90 days in advance. At March 31, 2016, we had commitments to fund commercial mortgage loans totaling $31.7 million, with fixed interest rates ranging from 4.20% to 4.34%. During 2016 and 2015, due to historically low interest rates, the commercial mortgage loan industry has been very competitive. This competition has resulted in a number of borrowers refinancing with other lenders. For the three months ended March 31, 2016, we received $65.4 million in cash for loans being paid in full compared to $77.8 million for the three months ended March 31, 2015. Some of the loans being paid off have either reached their maturity or are nearing maturity; however, some borrowers are paying the prepayment fee and refinancing at a lower rate.

See Note 4 to our unaudited consolidated financial statements, incorporated by reference for a presentation of our specific and general loan loss allowances, impaired loans, foreclosure activity and troubled debt restructure analysis.

We have a process by which we evaluate the credit quality of each of our commercial mortgage loans. This process utilizes each loan's debt service coverage ratio as a primary metric. A summary of our portfolio by debt service coverage ratio (based on most recent information collected) follows:

	March 31, 2016			December 31, 2015		
	Principal Outstanding	Percent of Total Principal Outstanding		Principal Outstanding	Percent of Total Principal Outstanding	
	(Dollars in thousands)					
Debt Service Coverage Ratio:						
Greater than or equal to 1.5	$1,771,671	71.3	%	$1,772,226	72.3	%
Greater than or equal to 1.2 and less than 1.5	461,300	18.6	%	414,482	16.9	%
Greater than or equal to 1.0 and less than 1.2	148,560	6.0	%	141,799	5.8	%
Less than 1.0	102,251	4.1	%	121,402	5.0	%
	$2,483,782	100.0	%	$2,449,909	100.0	%

Approximately 96% (based on principal outstanding) of our mortgage loans that have a debt service coverage ratio of less than 1.0 are performing and current with contractual principal and interest payments at March 31, 2016.

Mortgage loans summarized in the following table represent all loans that we are either not currently collecting or those we feel it is probable we will not collect all amounts due according to the contractual terms of the loan agreements (all loans that we have worked with the borrower to alleviate short-term cash flow issues, loans delinquent for 60 days or more at the reporting date, loans we have determined to be collateral dependent and loans that we have recorded specific impairments on that we feel may continue to have performance issues).

	March 31, 2016	December 31, 2015
	(Dollars in thousands)	
Impaired mortgage loans with an allowance	$19,055	$ 21,277
Impaired mortgage loans with no related allowance	1,678	8,859
Allowance for probable loan losses	(5,750)	(7,842)
Net carrying value of impaired mortgage loans	$14,983	$ 22,294

At March 31, 2016, we had three commercial mortgage loans that were delinquent (60 days or more past due at the reporting date) in their principal and interest payments.

Derivative Instruments

Our derivative instruments primarily consist of call options purchased to provide the income needed to fund the annual index credits on our fixed index annuity products. 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. The nonperformance risk for each counterparty is based upon its credit default swap rate. We have no performance obligations related to the call options.

None of our derivatives qualify for hedge accounting, thus, any change in the fair value of the derivatives that are not classified as equity is recognized immediately in the consolidated statements of operations. A presentation of our derivative instruments along with a discussion of the business strategy involved with our derivatives is included in Note 5 to our unaudited consolidated financial statements in this Form 10-Q, which is incorporated by reference in this Item 2.

Liquidity and Capital Resources

Our insurance subsidiaries continue to have adequate cash flows from annuity deposits and investment income to meet their policyholder and other obligations. Net cash flows from annuity deposits and funds returned to policyholders as surrenders, withdrawals and death claims were $1.1 billion for the three months ended March 31, 2016 compared to $782.5 million for the three months ended March 31, 2015, with the increase primarily attributable to a $426.0 million increase in net annuity deposits after coinsurance which was partially offset by a $78.4 million (after coinsurance) increase in funds returned to policyholders. We continue to invest the net proceeds from policyholder transactions and investment activities in high quality fixed maturity securities and fixed rate commercial mortgage loans.

We, as the parent company, are a legal entity separate and distinct from our subsidiaries, and have no business operations. We need liquidity primarily to service our debt (senior notes and subordinated debentures issued to subsidiary trusts), pay operating expenses and pay dividends to stockholders. Our assets consist primarily of the capital stock and surplus notes of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our subsidiaries, such as payments under our investment advisory agreements and tax allocation agreement with our subsidiaries. These sources provide adequate cash flow for us to meet our current and reasonably foreseeable future obligations.

The ability of our life insurance subsidiaries to pay dividends or distributions, including surplus note payments, will be limited by applicable laws and regulations of the states in which our life insurance subsidiaries are domiciled, which subject our life insurance subsidiaries to significant regulatory restrictions. These laws and regulations require, among other things, our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay.

Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory capital and surplus at the preceding December 31. For 2016, up to $241.3 million can be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In addition, dividends and surplus note payments may be made only out of statutory earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities in the life subsidiary's state of domicile. American Equity Life had $1.3 billion of statutory earned surplus at March 31, 2016.

The maximum distribution permitted by law or contract is not necessarily indicative of an insurer's actual ability to pay such distributions, which may be constrained by business and regulatory considerations, such as the impact of such distributions on surplus, which could affect the insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends or make other distributions. Further, state insurance laws and regulations require that the statutory surplus of our life subsidiaries following any dividend or distribution must be reasonable in relation to their outstanding liabilities and adequate for their financial needs. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from A.M. Best and Standard and Poor's. Both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for our insurance subsidiaries which, in turn, could negatively affect the cash available to us from insurance subsidiaries. As of March 31, 2016, we estimate American Equity Life has sufficient statutory capital and surplus, combined with capital available to the holding company, to meet this rating objective. However, this capital may not be sufficient if significant future losses are incurred or a rating agency modifies its rating criteria and access to additional capital could be limited.

The transfer of funds by American Equity Life is also restricted by a covenant in our line of credit agreement which requires American Equity Life to maintain a minimum risk-based capital ratio of 275% and a minimum level of statutory surplus equal to the sum of 1) 80% of statutory surplus at September 30, 2013, 2) 50% of the statutory net income for each fiscal quarter ending after September 30, 2013, and 3) 50% of all capital contributed to American Equity Life after September 30, 2013. American Equity Life's risk-based capital ratio was 336% at December 31, 2015. Under this agreement, we are also required to maintain a maximum ratio of adjusted debt to total adjusted capital of 0.35.

In August 2015, we completed an underwritten public offering of 9,890,000 shares of our common stock at a public offering price of $25.25 per share, of which 5,590,000 shares are subject to forward sale agreements. During the third quarter of 2015, we contributed $120 million to the capital and surplus of American Equity Life which included $104.5 million of initial net proceeds from the issuance of 4.3 million shares of common stock in our August 2015 public stock offering. We intend to physically settle the forward sales agreements on or before their maturity date in August 2016 by delivery of the shares subject to the agreements and intend to use the net proceeds from the settlement to make contributions to the capital and surplus of our life insurance subsidiaries to support their continued growth and maintain desired financial strength ratings.

Cash and cash equivalents of the parent holding company at March 31, 2016, were $19.1 million. In addition, we have a $140 million revolving line of credit, with no borrowings outstanding, available through November 2017 for general corporate purposes of the parent company and its subsidiaries. We also have the ability to issue equity, debt or other types of securities through one or more methods of distribution under a currently effective shelf registration statement on Form S-3. The terms of any offering would be established at the time of the offering, subject to market conditions.

New Accounting Pronouncements

See Note 1 to our unaudited consolidated financial statements, which is incorporated by reference in this Item 2, for new accounting pronouncement disclosures that supplement the disclosures in Note 1 to our audited consolidated financial statements in our 2015 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We seek to invest our available funds in a manner that will maximize shareholder value and fund future obligations to policyholders and debtors, subject to appropriate risk considerations. We seek to meet this objective through investments that: (i) consist substantially of investment grade fixed maturity securities; (ii) have projected returns which satisfy our spread targets; and (iii) have characteristics which support the underlying liabilities. Many of our products incorporate surrender charges, market interest rate adjustments or other features to encourage persistency.

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We seek to maximize the total return on our available for sale investments through active investment management. Accordingly, we have determined that our available for sale portfolio of fixed maturity securities is available to be sold in response to: (i) changes in market interest rates; (ii) changes in relative values of individual securities and asset sectors; (iii) changes in prepayment risks; (iv) changes in credit quality outlook for certain securities; (v) liquidity needs; and (vi) other factors.

Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products, the fair value of our investments, and the amount of interest we pay on our floating rate subordinated debentures. Our floating rate trust preferred securities bear interest at the three month LIBOR plus 3.50% - 4.00%. Our outstanding balance of floating rate trust preferred securities was $164.5 million at March 31, 2016, of which $85.5 million has been swapped to a fixed rate which began in March 2014 and $79.0 million has been capped for a term of seven years which began in July 2014 (see Note 5 to our unaudited consolidated financial statements). The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (caps, participation rates or asset fee rates for index annuities) on substantially all of our annuity liabilities at least annually (subject to minimum guaranteed values). In addition, substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates. When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities.

If interest rates were to increase 10% (26 basis points) from levels at March 31, 2016, we estimate that the fair value of our fixed maturity securities would decrease by approximately $828.8 million. The impact on stockholders' equity of such decrease (net of income taxes and certain adjustments for changes in amortization of deferred policy acquisition costs and deferred sales inducements) would be a decrease of $250.3 million in accumulated other comprehensive income and a decrease in stockholders' equity. The models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time. However, any such decreases in the fair value of our fixed maturity securities (unless related to credit concerns of the issuer requiring recognition of an other than temporary impairment) would generally be realized only if we were required to sell such securities at losses prior to their maturity to meet our liquidity needs, which we manage using the surrender and withdrawal provisions of our annuity contracts and through other means. See Financial Condition - Liquidity for Insurance Operations included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2015.

At March 31, 2016, 32% of our fixed income securities have call features, of which 0.2% ($75.1 million) were subject to call redemption. Another 1.2% ($448.0 million) will become subject to call redemption during the next twelve months. We have reinvestment risk related to these potential redemptions to the extent we cannot reinvest the net proceeds in assets with credit quality and yield characteristics similar to the redeemed bonds. Such reinvestment risk typically occurs in a declining rate environment. Should rates decline to levels which tighten the spread between our average portfolio yield and average cost of interest credited on annuity liabilities, we have the ability to reduce crediting rates (caps, participation rates or asset fees for index annuities) on most of our annuity liabilities to maintain the spread at our targeted level. At March 31, 2016, approximately 99% of our annuity liabilities were subject to annual adjustment of the applicable crediting rates at our discretion, limited by minimum guaranteed crediting rates specified in the policies.

We purchase call options on the applicable indices to fund the annual index credits on our fixed index annuities. These options are primarily one-year instruments purchased to match the funding requirements of the underlying policies. Fair value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for fixed index products. The difference between proceeds received at expiration of these options and index credits, as shown in the following table, is primarily due to over-hedging as a result of policyholder behavior being different than our expectations.

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Annual index credits to policyholders on their anniversaries	$6,531	$197,603
Proceeds received at expiration of options related to such credits	6,742	202,582

On the anniversary dates of the index policies, we purchase new one-year call options to fund the next annual index credits. The risk associated with these prospective purchases is the uncertainty of the cost, which will determine whether we are able to earn our spread on our index business. We manage this risk through the terms of our fixed index annuities, which permit us to change caps, participation rates and asset fees, subject to contractual features. By modifying caps, participation rates or asset fees, we can limit option costs to budgeted amounts, except in cases where the contractual features would prevent further modifications. Based upon actuarial testing which we conduct as a part of the design of our index products and on an ongoing basis, we believe the risk that contractual features would prevent us from controlling option costs is not material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with the Securities Exchange Act Rules 13a-15(e) and 15d-15(e), our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2016 solely because of the material weakness in our internal control over financial reporting as disclosed in our 2015 Annual Report on Form 10-K. Management has concluded that the material weakness that was present as of December 31, 2015 was also present as of March 31, 2016 because we have not completed testing of the design and implementation of the enhanced control procedures and have not completed testing of sufficient instances of the enhanced control procedures in order to conclude on the operating effectiveness.

Previously Identified Material Weakness in Internal Control Over Financial Reporting

As previously disclosed in our 2015 Annual Report on Form 10-K, we did not have adequate controls designed and in place to ensure that we correctly implemented changes made to the calculation of lifetime income benefit reserves in the third quarter of 2015. Specifically, the design of our control relating to the review of the implementation of code changes to reflect revised assumptions and the impact of those changes (the “review control”) on the lifetime income benefit reserves was not modified given the complex nature and volume of code changes we made as part of the third quarter review.

Changes in Internal Control Over Financial Reporting

Other than the ongoing remediation plans describe below, there were no changes in our internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation Status

We are currently working to remediate the material weakness. We have reviewed the design of our current “review control” over the implementation of code changes to our lifetime income benefit reserves to determine appropriate improvements and have implemented enhanced procedures. As part of these procedures, our controls have been enhanced to ensure that all code changes are reviewed by an individual who was not responsible for the implementation of the code changes.

In addition, the scope of the “review control” over the implementation of code changes to our lifetime income benefit reserves has been expanded to include detail testing of our lifetime income benefit reserves calculation to ensure any code changes are implemented accurately. These control enhancements are intended to ensure that code changes to the lifetime income benefit reserves calculation function as intended.

We believe these measures will remediate the control deficiency identified above and have strengthened our internal control over financial reporting for the calculation of our lifetime income benefit reserves. We will test the ongoing operating effectiveness of the new controls and will consider the material weakness remediated after the applicable remedial controls operate effectively for a sufficient period of time.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 7 - Commitments and Contingencies to the unaudited consolidated financial statements, which is incorporated by reference in this Item 1, for litigation and regulatory disclosures that supplements the disclosure in Note 13 - Commitments and Contingencies to the audited consolidated financial statements of our 2015 Annual Report on Form 10-K.

Item 1A. Risk Factors

Our 2015 Annual Report on Form 10-K described our Risk Factors. Other than as set forth below, there have been no material changes to the Risk Factors during the three months ended March 31, 2016.

Recent changes in federal regulation may affect our annuity sales and profitability

On April 6, 2016, the U.S. Department of Labor released a final regulation which substantially expands the range of activities that will be considered fiduciary advice under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986. Implementation is scheduled to phase in beginning April 10, 2017. While we continue to analyze the regulation, we believe it could have an adverse effect on sales of annuity products to individual retirement account ("IRAs") holders particularly in the independent agent distribution channel. A significant portion of our annuity sales are to IRAs. The new regulation deems advisers, including independent agents, who sell fixed index annuities to IRAs, IRA rollovers or 401(k) plans fiduciaries and prohibits them from receiving compensation unless they comply with a prohibited transaction exemption. The exemption requires advisers to comply with impartial conduct standards and may require us to exercise additional oversight of the sales process. Compliance with the prohibited transaction exemptions will likely result in increased regulatory burdens, changes to our compensation practices and product offerings and increased litigation risk, which could negatively impact our business, results of operations or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no issuer purchases of equity securities for the quarter ended March 31, 2016.

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Item 6. Exhibits

Exhibit No.	Description	Method of Filing
10.1	Form of First Amendment to the Performance Restricted Stock Unit Award Agreement	Filed herewith
10.2	Form of Restricted Stock Cancellation Agreement	Filed herewith
10.3	Amended and Restated Retirement Benefit Agreement, dated as of April 4, 2016, between American Equity Investment Life Holding Company and David J. Noble	Filed herewith
10.4	American Equity Investment Life Holding Company 2016 Employee Incentive Plan	Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed with the SEC on April 18, 2016
10.5	Amended and Restated American Equity Investment Life Holding Company 2014 Independent Insurance Agent Restricted Stock and Restricted Stock Unit Plan, as amended	Incorporated by reference to the Appendix B to the Company's proxy statement on Form DEF 14A filed with the SEC on April 18, 2016
12.1	Ratio of Earnings to Fixed Charges	Filed herewith
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 10, 2016	AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
	By: /s/ John M. Matovina John M. Matovina, Chief Executive Officer and President (Principal Executive Officer)
	By: /s/ Ted M. Johnson Ted M. Johnson, Chief Financial Officer and Treasurer (Principal Financial Officer)
	By: /s/ Scott A. Samuelson Scott A. Samuelson, Vice President - Controller (Principal Accounting Officer)