



Report on

Market Conduct Examination

of

American Equity Investment Life Insurance Company

West Des Moines, Iowa

by Representatives of the

North Carolina Department of Insurance

as of

December 19, 2016

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Raleigh, North Carolina
December 19, 2016

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603-5926

Honorable Nick Gerhart
Commissioner of Insurance
Iowa Insurance Division
601 Locust St., 4th Floor
Des Moines, Iowa 50309-3738

Honorable Commissioners:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

American Equity Investment Life Insurance Company – (NAIC # 92738)
NAIC Exam Tracking System Exam Number: NC-NC131-4
West Des Moines, Iowa

hereinafter generally referred to as the Company, at the Company's offices located at 6000 Westown Parkway, West Des Moines, Iowa and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. This examination commenced on August 15, 2016, and covered the period of January 1, 2014, through December 31, 2015, with analyses of certain operations of the Company being conducted through December 16, 2016. This action was taken due to market analysis on the Company's marketing and underwriting practices. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive and consisted of an examination of the Company's practices and procedures in marketing and underwriting. The findings and conclusions contained within the report are based on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/non-compliance that fall outside certain tolerance levels. The Department applied a 0 tolerance level for marketing and 5 percent tolerance level for underwriting. Sample sizes were generated using Audit Command Language software. The Department utilized a 95% Confidence Level to determine the error tolerance level.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following area:

Underwriting Practices – Individual Annuities Declined: Failure to provide an Adverse Underwriting Decision notice in a form approved by the Commissioner.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be

viewed on the Department's Web site www.ncdoi.com by clicking "Insurance Industry", and then "Legislative Services" under "Other Divisions".

This examination identified various statutory violations, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

MARKETING PRACTICES

Sales and Advertising

The Company's advertising practices were reviewed to determine compliance with provisions of Title 11 of the North Carolina Administrative Code (NCAC) Chapter 12, Section 0431. The documents used were approved by the Department for the time period of January 1, 2014, through December 31, 2015. No adverse trends or unfair trade practices were observed in this section of the examination.

UNDERWRITING PRACTICES

Individual Annuities Issued

The Company provided a listing of 2,948 individual annuity issued files. One hundred nineteen policy files were randomly selected for review.

One file did not contain proof of a delivered copy of the contract with an attached copy of the application to the annuitant.

The average service time to underwrite and issue a policy was 24 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	39	32.8
8 - 14	22	18.5
15 - 21	15	12.6
22 - 30	8	6.7
31 - 60	26	21.8
Over 60	9	7.6
Total	119	100.0

Individual Annuities Declined

The Company provided a listing of 422 declined individual annuities. One hundred nineteen application files were randomly selected for review.

The Company did not adhere to the provisions of NCGS 58-39-55 as 28 application files were declined for suitability reasons and did not contain an Adverse Underwriting Decision notice in a form approved by the Commissioner.

The average service time to process a declination was 48 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	31	26.1
8 - 14	9	7.6
15 - 21	16	13.4
22 - 30	5	4.2
31 - 60	18	15.1
Over 60	40	33.6
Total	119	100.0

Individual Annuity Replacements

The Company provided a listing of 1,085 individual annuity replacements. One hundred nineteen replacement files were randomly selected for review.

One file contained documentation that the existing insurer was not notified within five business days of receipt of the completed application indicating replacement.

The average service time from the date the application was received to the date on the notification letter to the replaced insurer was six calendar days. A chart of the service time to notify the existing insurer of replacement from the date of application until the date of notification follows:

Service Days	Number of Files	Percentage of Total
1 - 7	115	96.6
8 - 14	1	0.8
22 - 30	1	0.8
Over 60	2	1.8
Total	119	100.0

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company is directed to revise the Adverse Underwriting Decision notice currently in use and refile a revised form immediately with the Life and Health Division of the North Carolina Department of Insurance for approval.

CONCLUSION

A target examination has been conducted on the market conduct affairs of American Equity Investment Life Insurance Company for the period January 1, 2014, through December 31, 2015, with analyses of certain operations of the Company being conducted through December 16, 2016.

This examination was conducted in accordance with the Department and the NAIC Market Regulation Handbook procedures, including analyses of Company operations in the areas of marketing and underwriting practices.

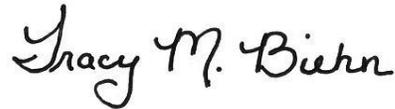
In addition to the undersigned, Shane Masserd, MCM, and Marion Flemmings, HIA, HIPAAP, HCSA, MCM, North Carolina Market Conduct Senior Examiners, participated in this examination and in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Vicki S. Royal".

Vicki S. Royal, CPM, MCM, ACS, AIAA, AIRC
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

A handwritten signature in cursive script that reads "Tracy M. Biehn".

Tracy M. Biehn, MBA, MCM, LPCS
Deputy Commissioner
Market Regulation Division
State of North Carolina