

INDEPENDENCE HOLDING CO  
Form 10-Q  
November 10, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

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**FORM 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended **September 30, 2011**.

Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **0-10306**

**INDEPENDENCE HOLDING COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**58-1407235**

(I.R.S. Employer Identification No.)

**96 CUMMINGS POINT ROAD, STAMFORD, CONNECTICUT**

**06902**

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(203) 358-8000**

**NOT APPLICABLE**

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**Class**  
**Common stock, \$ 1.00 par value**

**Outstanding at November 7, 2011**  
**16,415,671 Shares**

**INDEPENDENCE HOLDING COMPANY**

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Copies of the Company's SEC filings can be found on its website at [www.ihcgroup.com](http://www.ihcgroup.com).

### Forward-Looking Statements

*This report on Form 10-Q contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws. We have based our forward-looking statements on our current expectations and projections about future events. Our forward-looking statements include information about possible or assumed future results of our operations. All statements, other than statements of historical facts, included or incorporated by reference in this report that address activities, events or developments that we expect or anticipate may occur in the future, including such things as the growth of our business and operations, our business strategy, competitive strengths, goals, plans, future capital expenditures and references to future successes may be considered forward-looking statements. Also, when we use words such as anticipate, believe, estimate, expect, intend, probably or similar expressions, we are making forward-looking statements.*

*Numerous risks and uncertainties may impact the matters addressed by our forward-looking statements, any of which could negatively and materially affect our future financial results and performance. We describe some of these risks and uncertainties in greater detail in Item 1A, Risk Factors, of IHC’s annual report on Form 10-K as filed with Securities and Exchange Commission.*

*Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and, therefore, also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements that are included in this report, our inclusion of this information is not a representation by us or any other person that our objectives and plans will be achieved. Our forward-looking statements speak only as of the date made, and we will not update these forward-looking statements unless the securities laws require us to do so. In light of these risks, uncertainties and assumptions, any forward-looking event discussed in this report may not occur.*

**PART I - FINANCIAL INFORMATION****Item 1.****Financial Statements**

**INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)

	<b>September 30, 2011 (Unaudited)</b>	<b>December 31, 2010</b>
<b>ASSETS:</b>		
Investments:		
Short-term investments	\$ 50	\$ 53
Securities purchased under agreements to resell	17,352	41,081
Fixed maturities, available-for-sale	822,766	793,656
Equity securities, available-for-sale	43,558	48,073
Other investments	37,247	36,864
Total investments	920,973	919,727
Cash and cash equivalents	14,205	11,426
Due from securities brokers	27,435	15,022
Deferred acquisition costs	41,309	43,465
Due and unpaid premiums	45,639	48,586
Due from reinsurers	157,981	154,243
Premium and claim funds	38,007	37,646
Notes and other receivables	15,137	16,766
Goodwill	51,713	51,713
Other assets	55,224	63,198
<b>TOTAL ASSETS</b>	<b>\$ 1,367,623</b>	<b>\$ 1,361,792</b>
<b>LIABILITIES AND EQUITY:</b>		
<b>LIABILITIES:</b>		
Insurance reserves-health	\$ 179,856	\$ 181,447
Insurance reserves-life and annuity	278,395	278,000
Funds on deposit	416,107	408,566
Unearned premiums	2,647	4,043
Policy claims-health	14,892	16,521
Policy claims-life	12,153	11,809
Other policyholders' funds	20,737	20,195
Due to securities brokers	16,536	32,469
Due to reinsurers	37,454	31,554
Accounts payable, accruals and other liabilities	63,481	70,497
Liabilities related to discontinued operations	-	771
Debt	10,000	7,500

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Junior subordinated debt securities	38,146	38,146
<b>TOTAL LIABILITIES</b>	1,090,404	1,101,518
<b>EQUITY:</b>		
<b>IHC STOCKHOLDERS' EQUITY:</b>		
Preferred stock (none issued)	-	-
Common stock \$1.00 par value, 20,000,000 shares authorized; 16,774,210 and 15,742,020 shares issued; 16,464,541 and 15,232,865 shares outstanding	16,774	15,472
Paid-in capital	112,369	101,003
Accumulated other comprehensive income (loss)	8,957	633
Treasury stock, at cost 309,669 and 239,155 shares	(2,515)	(1,917)
Retained earnings	124,749	115,437
<b>TOTAL IHC STOCKHOLDERS' EQUITY</b>	260,334	230,628
<b>NONCONTROLLING INTERESTS IN SUBSIDIARIES</b>	16,885	29,646
<b>TOTAL EQUITY</b>	277,219	260,274
<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 1,367,623	\$ 1,361,792

See the accompanying Notes to Condensed Consolidated Financial Statements.

**INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data) (Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>REVENUES:</b>				
Premiums earned:				
Health	\$ 76,326	\$ 74,071	\$ 226,787	\$ 211,735
Life and annuity	8,904	9,188	28,317	27,022
Net investment income	9,235	11,136	28,984	30,638
Fee income	7,118	8,102	22,823	25,343
Net realized investment gains	924	4,030	2,605	6,013
Total other-than-temporary impairment losses	(385)	(132)	(853)	(2,797)
Portion of losses recognized in other comprehensive income	278	-	278	-
Net impairment losses recognized in earnings	(107)	(132)	(575)	(2,797)
Equity income from AMIC	-	-	-	280
Gain on bargain purchase of AMIC	-	-	-	27,830
Other income	1,259	1,480	4,562	4,592
	103,659	107,875	313,503	330,656
<b>EXPENSES:</b>				
Insurance benefits, claims and reserves:				
Health	45,560	48,494	146,639	145,309
Life and annuity	11,094	12,826	36,421	37,518
Selling, general and administrative expenses	38,958	37,182	111,275	105,007
Amortization of deferred acquisitions costs	1,844	1,678	5,293	4,716
Interest expense on debt	516	499	1,433	1,447
	97,972	100,679	301,061	293,997
Income from continuing operations before income taxes	5,687	7,196	12,442	36,659
Income taxes	1,676	2,145		